

# NORTHERN IRELAND POLICING BOARD

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## CORPORATE GOVERNANCE FRAMEWORK



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| <b>Policy Title:</b>           | <b>Northern Ireland Policing Board's Corporate Governance Framework</b> |
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## Glossary

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| <i>"The Board"</i>                  | This refers to the 19 Member Board.  |
| <i>"NIPB" or "the Organisation"</i> | This refers to the Organisation as a body corporate, which is a Non-Departmental Public Body of the Department of Justice. |



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## **1. Introduction**

- 1.1 This Corporate Governance Framework (the Framework) sets out the arrangements which have been established to ensure the proper and effective management of the Northern Ireland Policing Board.
- 1.2 It describes the governance structures that have been established and sets out the roles and responsibilities of those charged with governance., It details the key internal control, risk management and corporate governance support arrangements which apply to the delivery of the NIPB's Corporate and Business Plans and outlines the Organisation's role as the accountability body of the Police Service of Northern Ireland (PSNI), and the Organisation's key relationships with other organisations and/or public bodies.
- 1.3 NIPB is a Non-Departmental Public Body (NDPB) of the Department of Justice (DoJ). A Management Statement and Financial Memorandum (MSFM), attached as Annex A, details the broad framework under which the DoJ and NIPB operate. The Management Statement details:
- i. The Organisation's overall aims, objectives and targets in support of the DoJ's wider strategic aims, outcomes and targets contained in the DoJ Departmental Plans.
  - ii. The rules and guidelines relevant to the exercise of the Organisation's functions, duties and powers.
  - iii. The conditions under which public funds are paid to the Organisation.
  - iv. How NIPB is to be held to account for its performance.
  - v. The Financial Memorandum details certain aspects of the financial provisions which the Organisation shall observe.



- 1.4 The Chief Executive as the Organisation's Accounting Officer is personally accountable for the use of NIPB's resources and it follows that the governance system described in this document operates within the authority of the Board and the personal responsibilities and accountabilities of the Accounting Officer.
  
- 1.5 The Framework reflects the key principles of good practice set out in Corporate Governance in Central Government Departments: Code of Good Practice NI 2013, which is attached at Annex E. It also follows guidance laid out in Managing Public Money Northern Ireland, included at Annex F, and the Audit and Risk Assurance Committee Handbook (NI) 2018, included at Annex G.
  
- 1.6 The Board and the Senior Management Team (SMT) recognise and are committed to providing the necessary leadership to set the tone from the top to reinforce the importance of good governance and to promote better governance across the Organisation.



## 2. Corporate Governance Definition and Principles

### 2.1 Definition

Corporate Governance is the way in which an organisation is directed and controlled. It defines the distribution of rights and responsibilities among the different stakeholders and participants in the organisation and determines the rules and procedures for making decisions on corporate affairs, including the process by which the organisation's objectives are set, how resources are controlled and how performance and risks are monitored and assessed. At the heart of Corporate Governance is accountability.

### 2.2 The effectiveness of direction and control of an organisation depends on:

- i. **Governance:** how well an organisation plans, sets, communicates, undertakes and monitors its corporate objectives.
- ii. **Risk Management:** how the organisation identifies, considers and manages the risks to the achievement of corporate objectives
- iii. **Business Controls:** how the Board of the organisation assures itself and its stakeholders that it is in control of its business and the risks to the achievement of its objectives.

### 2.3 Why is Corporate Governance important?

It is important to realise what stakeholders want and expect the Board to ensure: value for money; effective management - no scandals; and accountability - to answer for how money was spent to deliver services.





## 2.4 What Corporate Governance means to Board Members

As a Board Member, Corporate Governance means demonstrating:

- i. Transparency - being able to stand over your decisions in the face of post-event scrutiny.
- ii. Accountability - being aware of the risks and how they are managed.
- iii. Integrity - insisting on and following ethical standards.

## 2.5 It is important that the Board has:

- i. Strong Corporate Governance.
- ii. Effective Risk Management.
- iii. A good control environment.
- iv. A proactive Audit and Risk Assurance Committee.

## 2.6 In practical terms Corporate Governance identifies the four key elements of management:

- i. The need for a clear strategy. The quality of strategic planning can mean the difference between organisational success and failure.
- ii. This strategy must have specific objectives in the form of an Annual Business Plan.
- iii. Proper management arrangements are required to encompass structure, systems and processes i.e. the operational aspects of the Board.
- iv. Good internal controls are essential to ensure the action anticipated is being carried out effectively and efficiently.

## 2.7 Risk Management links each of these elements together<sup>1</sup>. The Board's role in Risk Management is critical to the organisation's well-being. Thus, it is vital for Board Members to understand their important role in managing risk. The Board has overall

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<sup>1</sup> The Board's Risk Management Framework is a separate document TRIM ref: 296547



responsibility for the Organisation's Risk Management.

## 2.8 Principles of Good Corporate Governance

There are a number of Principles that underpin good Corporate Governance including:

- i. Focus on what the Board is trying to do, and be clear about the Board's purpose - making sure that users receive high quality services and that the public receives value for money.
- ii. Be clear on roles, responsibilities and functions of the Board and the different responsibilities of Members and management.
- iii. Enforce the organisational culture and put the Board values into practice by behaving in ways that uphold and exemplify good governance.
- iv. Know the key risks and ensure action is taken to control them. Be rigorous and transparent about how decisions are taken, have and use good quality information, advice and support and make sure that effective Risk Management systems are in operation.
- v. Ensure management have the skills, or know how to access them, to ensure the organisation is effective. Make sure that Members have the skills, knowledge and experience to perform well, developing capability, evaluating performance and striking balance in the membership between continuity and renewal.
- vi. Be accountable and ensure that the Board is corporately accountable.
- vii. Understand formal and informal accountability relationships, participate in active dialogue with and accountability to the public, engage effectively with other stakeholders e.g. DOJ, PSNI.

2.9 Relevant reference documents which discuss good corporate governance, and that NIPB adhere to include:



- i. The MSFM.
- ii. The Department of Finance's Memo 'The responsibilities of an Accounting Officer'.
- iii. HM Treasury's handbook on Regularity and Propriety - [http://webarchive.nationalarchives.gov.uk/20130129110402/http://www.hm-treasury.gov.uk/d/Reg\\_Prop\\_and\\_VfM-November04.pdf](http://webarchive.nationalarchives.gov.uk/20130129110402/http://www.hm-treasury.gov.uk/d/Reg_Prop_and_VfM-November04.pdf)
- iv. HM Treasury's Orange Book on Risk Management 2020.

## 2.10 Risk Management

Risk Management is also a key element of Corporate Governance and will be discussed further at section 5 of this Framework. There are three key aspects to this:

- i. The role of the Audit and Risk Assurance Committee is to oversee the development and implementation of the Board's Risk Management Framework.
- ii. The Audit and Risk Assurance Committee monitors the Corporate Risk Register.
- iii. It is the role of the Chief Executive to ensure that risks are effectively managed within the Organisation.

2.11 The arrangements set out in subsequent sections are underpinned by these Principles.

## 3. Roles and Responsibilities

### 3.1 The Board

NIPB was established on 4 November 2001 under statute and the Board



comprises ten Members of the Northern Ireland Legislative Assembly and nine independent Members appointed by the Minister of Justice. The names and a short biography of the [Members](#) are published on the NIPB website.

### 3.2 **The Role of the Board**

NIPB is responsible for the delivery of an effective, efficient and impartial policing service within Northern Ireland and to hold the Chief Constable to account for the exercise of his functions and those of the police. The Board discharges its responsibilities through monthly Board meetings, through the work of the Board Committees, various formal and informal meetings and through the work of the Policing, Community and Safety Partnerships.

3.3 The Board's [Standing Orders](#) detail the functions and responsibilities of the Board. They also detail the procedures of how the Board carries out its business. The Board sets the direction for, and oversees, the activities of the Organisation. It is the principal policy making body within the Organisation and its responsibilities include a number of matters which are reserved for the Board and which are not delegated to business areas, and are detailed within the Standing Orders.

### 3.4 **Legislation**

There are a number of pieces of Legislation which set out the Board's statutory responsibilities including the Police (NI) Act 2000, Police (NI) Act 2003, Justice Act (NI) 2011. The Crime and Court Act 2013 (National Crime Agency and Proceeds of Crime) (NI) Order 2015 details the Board's responsibilities and



brought the National Crime Agency (NCA) into operation within Northern Ireland and the Board has oversight responsibility of the NCA within Northern Ireland.

3.5 There is additional legislation which impacts the work of NIPB and the Board further detail can be found at pages 3 and 4 of the Board Members Handbook.

### 3.6 **Board Members**

Members are responsible for ensuring that the Board meets its legislative duties.

3.7 Members responsibilities include:

- i. Contributing to the development of strategy and decision making of the Board.
- ii. To advocate on policing issues including obtaining a representative service and transformational change.
- iii. To ensure effective management arrangements are in place to support the Board and the PSNI and be a source of guidance and critical challenge to the Board's SMT and the PSNI's Strategic Management Board.

3.8 The Board Members Handbook includes further detail about the role of Members. Annex H is the Seven Principles of Public Life (commonly referred to as the Nolan Principles) which all Board Members are required to adhere to.

3.9 The Board issues a Code of Conduct to all Members which details the standards of behavior and values that all Members are expected to adhere to. As a public body exemplary standards of behaviour are expected from all



Members when discharging their duties.

### 3.10 **Chair and Vice-Chair of the Board**

The Chair of the Board is responsible for the leadership of the Board, and ensuring its effectiveness in all aspects of its role. The Chair is also responsible for building links with partner organisations and promoting effective relationships and good communication inside and outside the Boardroom between Members, Officials and the PSNI.

3.11 Further information about the Chair's role can be found in the Board Members Handbook.

3.12 The Vice-Chair is responsible for working with the Chair in setting the Board's work agenda and ensuring focus on strategic issues. The Vice-Chair is also responsible for deputising for the Chair across a range of duties, and further information about the Vice-Chair's role can be found within the Board Members' Handbook.

### 3.13 **Department of Justice**

The DoJ, a NI Department, came into existence in April 2010. The role of the DoJ is to support the Minister of Justice in keeping the people of Northern Ireland safe. On behalf of the Minister, the DoJ:

- i. Provides funding to the Board to enable it to carry out its policing functions as set out in the Police (NI) Acts 2000 and 2003 and the Justice Act (NI) 2011.
- ii. Appoints the Independent Members to the Board. Independent Members hold office for a period not exceeding four years, and their appointments



are compliant with the Commissioner for Public Appointments Northern Ireland (CPANI) Code of Practice.

- iii. Produces a Code of Practice on Appointments for PCSP Independent Members.

3.14 In addition, the DOJ takes the lead in coordinating Budget exercises and in-year monitoring rounds which provides NIPB with the opportunity to review their spending plans, both in-year (through the three in-year monitoring rounds) or for the forward years.

### 3.15 **Management Statement and Financial Memorandum**

As has been discussed at section 1.3 the MSFM details the broad framework under which the Organisation and the DoJ operate. Engagement is ongoing between DoJ and NIPB Officials about the development of Partnership Agreement which will be based upon the principle of Proportionate Autonomy and in accordance with a model Agreement that has been drafted by the Department of Finance.

### 3.16 **Quarterly Desktop Report**

The Chief Executive provides a quarterly report to the Sponsor Branch within the DoJ (Policing Policy and Strategy Division) updating the DoJ on material items in the previous quarter. This may include but is not limited to an update on the Corporate Risk Register, progress of internal audits, recommendations made by Internal Audit and other strategic matters.

### 3.17 **Bi-Annual Governance Meetings**



Twice a year representatives from DoJ's Sponsor Branch meet with Board Officials including the Chief Executive to discuss the Board's performance and other mutual issues of interest in an open manner. These meetings are minuted by DoJ Officials and the minutes are shared with the NIPB's Chief Executive and are also made available to the Board for noting.

### 3.18 **Annual Accountability Meeting**

Once a year the Board Chair and Vice-Chair meet with the Minister of Justice to informally discuss issues that impact the Board and the DoJ. This meeting is not attended by Board Officials. These meetings are minuted by DoJ Officials and the minutes are shared with the NIPB's Chief Executive.

### 3.19 **Chief Executive**

The Chief Executive has two lines of accountability. As an employee of the Board he/she is directly accountable to the Board for the overall organisation, management and staffing of the Board. The Chief Executive is also the designated Accounting Officer NIPB, and is accountable to the Northern Ireland Assembly through the DoJ Accounting Officer.

### 3.20 Accounting Officer

As Accounting Officer, the Northern Ireland Assembly expects Accounting Officers to take personal responsibility for the following:

- i. Regularity and propriety, including seeking DoF approval for any expenditure outside the normal delegations or outside the subheads of





Estimates, and carried through with appropriate disclosures in the Annual Report and Accounts.

- ii. Selection and appraisal of programmes and projects: using the Northern Ireland Guide to Expenditure Appraisal and Evaluation (NIGEAE) and relevant supporting guidance to evaluate alternatives, and good quality project and programme management techniques, such as Gateway Reviews, to track and where necessary adjust progress.
  - iii. Value for money: ensuring that the organisation's procurement, projects and processes are systematically evaluated and assessed to provide confidence about suitability, effectiveness, prudence, quality, good value and avoidance of error and other waste, judged for the public sector as a whole, not just for the Accounting Officer's organisation.
  - iv. Management of opportunity and risk to achieve the right balance commensurate with the institution's business and risk appetite.
  - v. Learning from experience, both using internal feedback, and from right across the public sector.
  - vi. Accounting accurately for the organisation's financial position and transactions: to ensure that the government published financial information is transparent and up to date, and that the organisation's efficiency in the use of resources is tracked and recorded.
- 3.21 As Accounting Officer, the Chief Executive must be able to assure the Northern Ireland Assembly and the public of high standards of probity in the management of public funds. The Accounting Officer must personally sign the Accountability Report which forms part of the organisation's Annual Report and Accounts.
- 3.22 The main duties of Accounting Officers are set out in Managing Public Money Northern Ireland, found at Annex F.



### 3.23 **Directors**

Directors, as heads of directorates acting within the scope of their delegated authority agreed with the Chief Executive, and working within corporate internal control systems, are responsible for the strategic and operational management of their directorates. This includes the development and implementation of strategies and policies in their respective areas and for the management and deployment of resources placed at their disposal to deliver the agreed strategic agenda. Directors are also the Lead Officials for the Committee's they support as outlined in further detail at section 4.

3.24 They also have an important role in ensuring that the Chief Executive is engaged appropriately on all sensitive; novel and contentious; and significant issues. Responsibilities of Directors and their key "deliverables" will be agreed annually through the Organisation's Business Plan and reflected in their personal objectives agreed with the Chief Executive. Directors are also responsible for the security of information/ data held within their Directorate. Members of the SMT will be in attendance at Board meetings to support the Chief Executive; report to the Board on their areas of responsibility; provide clarification; answer questions; and provide assurance to the Board on issues as required.

### 3.25 **Secretary to the Board**

The Secretary to the Board's role encompasses a number of governance responsibilities including:

- i. Engagement with Board Chair and Chief Executive in the planning and delivery of Board meetings including preparing Agendas, collating and issuing meeting papers, preparing briefing notes for the Chair and tracking and following up of action points raised at meetings.



- ii. Develop a Forward Work Programme for the Board.
- iii. Ensuring good information flow within the Board, its Committees, SMT and the Chief Executive.
- iv. Provide advice and support to the Board on governance matters and implement improvements in governance.
- v. Develop the Board's Executive Secretariat including the preparation of accurate and timely minutes and provide procedural advice to the Board Chair, Members and SMT on all governance matters relating to the Board and its Committees.
- vi. Provide ongoing support to Members including providing advice on disclosure of interests, payment of allowances, gifts and hospitality, conflicts of interest, and overseeing Political Members research facility and provision of equipment to Board Members.
- vii. To assist the Board in undertaking annual effectiveness reviews and evaluations and developing an action plan for improvement.
- viii. Develop and implement a programme of training and development for Board Members to include induction and ongoing formal training, seminars and briefings on issues of interest and to ensure compliance with guidance and best practice.
- ix. Review keep documents supporting the effective delivery of Board Meetings including the Standing Orders, Committee Terms of Reference, Members Handbook and Members Code of Conduct.

#### **4. Organisation and Governance Structures**

- 4.1 NIPB is responsible for delivering independent policing oversight in Northern Ireland.
- 4.2 As set out in the Organisation's Corporate Plan, the Organisation's Vision is ***"An efficient and effective police service contributing to a safe society"***



*which has the support, trust and confidence of the community it serves”*  
and its Mission Statement is *“To drive forward, on behalf of the community and through effective, independent oversight of policing, a continually improving police service which is representative of the community it serves.”*

4.3 The NIPB Organisational Structure is set out at Annex B and is built around four inter-related business areas with responsibility for service delivery in the following areas:

#### 4.4 **Performance Directorate**

The Director of Performance provides support to the Board’s Performance Committee and has responsibility for Police Performance Monitoring Branch and Police Human Rights and Professional Standards Branch.

#### 4.5 *Police Performance Monitoring Branch*

- i. Develop the Annual Policing and Performance Plans.
- ii. Develop and implement the Performance Monitoring Framework.
- iii. Monitor and assess PSNI progress against the Policing Plan.
- iv. Report to Board Committees on progress made by PSNI against the Policing Plan.
- v. Publish an annual assessment of PSNI performance against the Policing Plan.
- vi. Monitor and assess the measures taken by the PSNI to address recommendations made by oversight bodies.

#### 4.6 *Police Human Rights and Professional Standards Branch*

- i. Implement the Human Rights Monitoring Framework.



- ii. Manage the Human Rights Advisor contract.
- iii. Assess and report on the effectiveness of the PSNI Code of Ethics
- iv. Oversee and report on the Board's responsibilities in respect of NCA.
- v. Assess and report on trends and patterns in complaints against the police.
- vi. Support the Board in carrying out responsibilities for Police Appeals Tribunals.
- vii. Support the Board in matters relating to Senior Officer Discipline.
- viii. Consider appeals in respect of PSNI Officers' Business Interests.

#### 4.7 **Partnership Directorate**

The Director of Partnership provides support to the Board's Partnership Committee and has responsibility for Partnership Branch, Engagement Branch and Communications Branch.

#### 4.8 *Partnership Branch*

- i. Support PCSPs in the development and delivery of initiatives to support confidence in policing.
- ii. Monitor and assess the performance and reporting of the Policing Committees within the PCSPs.
- iii. Provide support to PCSPs in the implementation of Annual Action Plans.
- iv. Monitor and assess the effectiveness and level of public satisfaction with PCSPs.
- v. Monitor the financial performance of PCSPs.
- vi. Provide support to PSNI and PCSPs in delivery of services to support implementation of the Policing Plan.
- vii. Ensure and monitor PCSP governance arrangements.
- viii. Report on PCSP financial and non-financial progress to the Joint



Committee and Partnership Committee.

- ix. Implement and monitor the Police Property Fund grant scheme.

#### 4.9 *Engagement Branch*

- i. Establish and maintain networks and relationships to enable influence on how the community, voluntary and public sectors work together to support policing.
- ii. Lead on the Board's work to implement the recommendations for the Board in the NI Executive Plan in tackling paramilitary activity, criminality and organised crime.
- iii. Support the Board's work to increase confidence in policing; including those under-represented in the PSNI and areas where confidence is lower.
- iv. Deliver and provide support for the Independent Custody Visiting Scheme including the recruitment and training of Independent Custody Visitors.
- v. Deliver and provide support for the Independent Community Observer Scheme.

#### 4.10 *Communications Branch*

- i. Progress a communications action plan that supports raising public awareness of the Board's work.
- ii. Provide communications advice and support to the Board.
- iii. Manage the Board's online communication channels.
- iv. Develop a programme of visits and seminars to support the Board's objectives.
- v. Publish and maintain the Board's Publication Scheme.
- vi. Ensure the Board meets its responsibilities under Freedom of Information and Data Protection Legislation and process requests for applications,



Freedom of Information and Data Protection Act complaints.

- vii. Support organisational compliance with records management legislation and requirements.

#### 4.11 **Resources Directorate**

The Director of Resources provides support to the Board's Resources Committee and Audit and Risk Assurance Committee and has responsibility for Finance and IT Branch, PSNI HR Branch and Corporates Services Branch.

#### 4.12 *Finance & IT Branch*

- i. Secure and manage funding for the Board.
- ii. Prepare monthly management accounts and monitor expenditure against budget.
- iii. Monitor PSNI and the Board's expenditure to ensure efficient use of resources to meet the needs of the public.
- iv. Provide responses and complete financial returns to the DOJ as part of the Resource Budget Management process.
- v. Implement systems for procurement and financial management.
- vi. Provide support for the Joint Committee funding for PCSPs.
- vii. Report on PCSP verification processes.
- viii. Prepare and submit the Board's annual accounts.
- ix. Manage the Board's IT contract.
- x. Discharge the Board's responsibilities for the police estate.
- xi. Monitor PSNI Compensation and High Value Claims.

#### 4.13 *PSNI HR Branch*

- i. Plan and deliver recruitment and selection processes for all PSNI Chief Officer (and senior civilian equivalent) appointments.



- ii. Develop and deliver a PSNI Chief Officer Disciplinary Policy and supporting processes and procedures.
- iii. Annual preparation of the Board's submission relating to the Police Remuneration Review Body (PRRB) process and implementing the recommendations linked to the PRRB Annual Report as part of the Chief Officer Pay Remit process.
- iv. Support the Chief Executive and Director of Resources in reporting to the Board and Committees in relation to PSNI HR related matters.
- v. Review PSNI HR input to the Board's Committees as required in relation to trend data, recruitment patterns and in respect of community representativeness.

4.14 *Corporate Services Branch*

- i. Develop and monitor implementation of the Board's Corporate and Business Plans.
- ii. Implement systems for Risk Management, Corporate Governance and Internal / External Audit.
- iii. Provide support for Board Members and the secretariat function for the Board/ Committees.
- iv. Develop a programme to implement the Board's Continuous Improvement Plan.
- v. Oversee Investors in People re-accreditation and Staff Health and Wellbeing initiative
- vi. Manage the Internal Audit contract and programme of work.
- vii. Manage the Board's HR and personnel functions including the contract with HR Connect.
- viii. Maintain the Board's premises.
- ix. Oversee secretarial support for the Chief Executive and the Executive Office functions.





- x. Oversee the Board's responsibilities in relation to Equality, Disability and Good Relations.
- xi. Prepare PSNI Secondment Requests for consideration by the Resources Committee.
- xii. Prepare PSNI Assisted Removals Requests for consideration by the Resources Committee.

#### 4.15 **Police Administration Directorate**

The Board has various responsibilities in respect of police pensions, injury benefits and ill health retirements which directly affect all serving and retired police officers in Northern Ireland. These responsibilities are overseen by the Resources Committee pursuant to various sets of regulations and the work involved in administering these responsibilities is delegated to the Board's Police Administration Branch.

#### 4.16 *Police Administration Branch*

- i. Managing and administering Injury on Duty (IOD) Scheme & Ill Health Retirement (IHR) awards from inception to completion to include all subsequent reassessments and reconsiderations
- ii. Managing and administering Deferred Pensions, Adult Survivor Awards, Regulation 11 Gratuity Awards, Dependent Pension Awards etc. to include all subsequent reassessments and reconsiderations;
- iii. Managing the Northern Ireland Police Pension Scheme to include Manager/Administrator meetings and projects, working with the Pensions Regulator, annual scheme returns and attendances on cross-jurisdictional pension forums and groups.
- iv. Managing and administering the appeals process with assistance from the DoJ.



- v. Managing and administering statutory Police Pension Board functions to include secretariat duties, arranging Scheme Administrator and Manager meetings, attendance at cross-jurisdictional pension forums and engagement with the Pensions Ombudsman and The Pensions Regulator.
- vi. Managing the Selected Medical Practitioner (SMP) process to include procurement, knowledge sharing sessions and meetings, financial and diary management and facilitation of appointments as NIPB Waterside Tower.
- vii. Preparing and submitting documentation and responses in respect of Freedom of Information (FOI) requests, Data Protection Act (DPA) requests, Internal Dispute Resolution Procedure (IDRP) complaints, Pension Ombudsman complaints together with all associated work arising out of these requests.
- viii. Regular and ad-hoc stakeholder meetings and engagements with (to include but not limited to) PSNI, DoJ, Police Federation of Northern Ireland, Superintendent's Association Northern Ireland, the Chief Police Officers Staff Association and the Northern Ireland Retired Police Officers Association.
- ix. Legal claims and litigation.
- x. Policy development relating to this area of work, and Medical Appeal Tribunals, Forfeiture Cases, Compensation & High Value Cases reporting, PSNI IDRP Stage 2 investigations and responses, Occasional Licencing Requests.

#### 4.17 **Board Sub-Committees**

The Board has established six sub Committees, which undertake certain responsibilities on behalf of the Board. The Committees formally report to the



Board following each meeting providing an update on the material items considered at each meeting. Committees also act in an advisory and consultative capacity, offering guidance when sought.

#### 4.18 **Resources Committee**

The Resources Committee role is to support the Board in its responsibilities for issues relate mainly to both PSNI and the Board's Finance and Human Resources, Pensions and Injury on Duty Awards, Estates, Information Technology and Equality in the PSNI. Meetings are attended by the Chief Executive, Director of Resources and Finance Manager and Terms of Reference for the Committee can be found at Annex D.

#### 4.19 **Partnership Committee**

The Partnership Committee has no executive powers and the role of the Committee is to support the Board in its responsibilities for issues related to Partnership working, including PCSPs, oversight of the PSNI Policing with the Community Strategy, strategic engagement communications and community consultation. Meetings are attended by the Chief Executive and Director of Partnership and Terms of Reference for the Committee are set out at Annex D.

#### 4.20 **Performance Committee**

The Performance Committee has no executive powers and the role of the Committee is to support the Board in its responsibilities for issues related to PSNI operational performance to include performance against the Policing Plan measures specific to the committee, Human Rights compliance and the Professional Standards of Police Officers. The committee also oversees the



exercise of the functions of the National Crime Agency (NCA) in Northern Ireland. Meetings are attended by the Director of Performance and Terms of Reference for the Committee are set out at Annex D.

#### 4.21 **Audit and Risk Assurance Committee**

The Audit and Risk Assurance Committee is a committee of the Board with no executive powers and the role of the Committee is to support the Board in its responsibilities for issues of risk control and governance. This encompasses the provision of independent advice, information and assurance to the Board and the Accounting Officer on the operation of the organisation's system of internal control and includes:

- i. Reviewing the comprehensiveness of assurances in meeting the Board and Accounting Officer's assurance needs.
- ii. Reviewing the reliability and integrity of these assurances.

4.22 This Committee is attended by the Accounting Officer, the Director of Resources, the Finance Manager, the Head of Internal Audit, representatives from the Northern Ireland Audit Office (NIAO), an observer from the DoJ and the Board's external accounting advisor. Terms of Reference for the Committee are set out at Annex D.

#### 4.23 **Special Purposes Committee**

The Special Purposes Committee has been established to receive confidential briefings for the purpose of monitoring the PSNI in accordance with the statutory functions of the Board set out in Sections 59 and 60 of the Police (NI) Act 2000. The Committee's membership include the Board Chair and Vice-Chair and Chairs of the other Board Committees. Terms of Reference for the Committee are set out at Annex D.



#### 4.24 **Chair's Advisory Group**

The Chair's Advisory Group was established to provide advice to the Board Chair and to discuss urgent issues which may arise between Board meetings. The Committee's membership include the Board Chair and Vice-Chair, the Chairs of the other Board Committees and the Board representatives of the political parties if not a Committee Chair. Terms of Reference for the Committee are set out at Annex D.

#### 4.25 **Senior Management Team Meeting**

NIPB's SMT meet on a regular basis, and this meeting enables the Chief Executive to update and discuss with all Directors current strategic issues, risk matters including the Corporate Risk Register and enables them to update each other on current issues which may have a crosscutting impact on other business areas.

### 5. **Internal Control and Risk Management**

- 5.1 At the end of each financial year NIPB's Annual Report and Financial Statements is laid before the Northern Ireland Assembly in accordance with section 10(4) of the Government Resources and Accounts Act (Northern Ireland) 2001. On approval, the Annual Report and Financial Statements is published under the Copyright Act 1911 and made available on NIPB's website.



## 5.2 Governance Statement

As part of the Annual Report and Financial Statements, the Accounting Officer is required to sign a Governance Statement.

5.3 An effective governance framework, including a risk management process which involves a systematic approach to the evaluation and control of risk, is required to support this. The Governance Statement reflects the assessment of risk specific to the Organisation and particularly highlights where risks materialised and the actions taken. New risks identified during the financial year are disclosed and information provided on how they are treated. Information is also included on how the Board assessed its performance and the outcome of the assessment.

## 5.4 Internal Audit

The Accounting Officer and the Board are independently advised by both an internal audit service operating in accordance with Public Sector Internal Audit Standards, and the NIAO. The primary objective of Internal Audit is to provide the Chief Executive, in his or her capacity as Accounting Officer, the ARAC, and Management with an independent and objective opinion on risk management, control and governance, by measuring and evaluating their effectiveness in achieving NIPB's agreed objectives.

5.5 An Annual Report and Opinion is provided by the Head of Internal Audit. The opinion is based upon an agreed audit strategy and informed by the outcomes of the internal audits performed during the year and consultancy/advice and guidance reviews. The Annual Report is presented to the ARAC and formally issued to the Accounting Officer to help inform completion of the Governance Statement.



## 5.6 Northern Ireland Audit Office

As Head of the NIAO, the Comptroller and Auditor General (C&AG) has overall responsibility for the audit of NIPB's financial statements in accordance with relevant legal and regulatory requirements, and with International Auditing Standards (UK and Ireland). The C&AG provides an opinion on whether the financial statements give a true and fair view, in accordance with the Government Resources and Accounts Act (Northern Ireland) 2001, of NIPB's affairs. The C&AG also forms an opinion on whether the expenditure and income have been applied to the purposes intended by the Assembly.

5.7 Representatives from the NIAO attend the ARAC meetings to discuss issues of regularity and propriety, the findings from the audit of the accounts and any significant Value for Money (VFM) issues.

## 5.8 Risk Management

Risk management is the culture, process and structures that are directed towards the effective management of potential opportunities and threats facing an organisation in striving to meet its objectives. To assist in the process of identifying and managing risk, NIPB has developed a Risk Management Framework which sets out NIPB's approach to the identification and management of risk. The Framework is consistent with recognised principles of sound risk management practice and HM Treasury's Orange Book on Risk Management Principles and Concepts.

5.9 Risks can be managed at a number of levels, including corporate, directorate and branch levels.



- 5.10 The following key principles underpin NIPB's approach to risk management:
- i. The Board has overall responsibility for risk.
  - ii. Monitoring key risks is a priority for senior management.
  - ii. Key risks are identified against NIPB's business objectives as an integral part of the business planning process.
  - iii. Each corporate risk is assigned to the appropriate SMT member who is responsible for ensuring that controls are in place at all levels manage the risk.
  - iv. All new business activities are assessed for key risks and controls put in place.
  - v. The Corporate Risk Register is reviewed at least quarterly to reflect changes in corporate risks including changes in risk status.

#### 5.11 **Stewardship Statements**

Another key element of the system of internal control is the Stewardship Statement process. The Chief Executive as the Organisation's Accounting Officer is required to provide assurance to the DOJ Accounting Officer on internal control within the Organisation, acknowledge his/her personal responsibility for ensuring that the necessary controls are in place to effectively deliver good governance across NIPB. The necessary controls include the effective management of financial and non-financial resources as well as specific guidelines or instruction issued by the DoJ.

#### 5.12 **Whistleblowing Policy**

NIPB is committed to openness, probity and accountability, and as such, it follows that there is a Whistleblowing Policy in place to ensure that concerns about





serious wrongdoing (eg financial malpractice, danger to the public or the environment, safety/ security breaches or possible unlawful conduct) can be raised through a clear reporting process. The procedures ensure that staff and non-staff can raise concerns quickly and in confidence, and that managers are aware of how to handle such concerns.

5.13 Staff can access the Whistleblowing Policy through NIPB's intranet site and non-staff public can access procedures via NIPB's website.

5.14 Any whistleblowing reports received are reported to the Board's ARAC and to the DoJ.

#### 5.15 **Register of Interests**

NIPB maintains a Register of Interests for Board Members which is reviewed and updated on a bi-annual basis. Members are required to declare any personal or business interest which may, or may be perceived (by a reasonable member of the public) to influence their judgement. The Register of Interests is published annually on the Organisation's website.

#### 5.16 **Register of Gifts and Hospitality**

In accordance with policy, a Gifts and Hospitality Register is maintained across NIPB which records any gifts and hospitality offered to and provided to or by NIPB Board Members or Officials. This Register is published annually on NIPB's website.





## **6. Relationships with Other Organisations and Public Bodies**

6.1 The Justice Sector within Northern Ireland includes various interlinked and interdependent relationships. In particular NIPB will continue to develop and maintain relationships with:

- i. The PSNI.
- ii. The DoJ.
- iii. The Office of the Police Ombudsman.
- iv. The Northern Ireland Assembly Justice Committee.



## 7. **Other Governance Arrangements**

7.1 There are also a number of other processes which contribute to key elements of corporate governance as detailed within this section.

### 7.2 **Business Planning Arrangements**

A corporate and business planning process which provides the Organisation with a mechanism by which it can (a) regularly revisit and review the Organisation's strategic objectives for the medium to long term (b) direct the resulting actions and goals which drive the Organisation's day to day business.

7.3 The Board is provided with a monthly update within the Chief Executive's Report to the Board on the achievement of Business Plan Objectives which allows the Board to assess the effectiveness of its activities in achieving the objectives, and promote enhanced accountability and leadership within the Organisation.

### 7.4 **HR and Performance Management**

The Organisation adheres to Northern Ireland Civil Services (NICS) HR policies which are designed to ensure that NIPB complies with employment law and has the appropriate numbers of staff with suitable skills to meet its objectives.

7.5 A Performance Management System for reviewing and assessing the performance of individual members of staff. NIPB uses the common NICS system for the management of individual staff performance through HR Connect.

### 7.6 **Budgets and In-Year Monitoring Processes**



The Budget process, coordinated by DoJ for its NDPBs, is an opportunity to review spending plans, normally covering a three year period.

7.7 In-year monitoring provides a formal system for reviewing spending plans and priorities set for the financial year in light of more up to date information.

7.8 The three monitoring rounds are usually conducted in June, October and January. DoJ also coordinate a provisional outturn exercise in May to compare outturn for the year to the final budget figure following the final monitoring round. A final outturn exercise is commissioned in August to reconcile the Resource and Capital spend with the figures and the resource accounts.

#### 7.9 **Fraud Policy and Response Plan**

NIPB's Fraud Policy details responsibilities regarding the prevention of fraud. A separate Fraud Response Plan specifies the procedures to be followed in the event of a fraud being detected or suspected. Both documents relate to fraud and loss within the Organisation.

7.10 Regular reporting and assurance on fraud and error is provided to NIPB's ARAC.

#### 7.11 **Regular Reporting from Sub-Committees**

Following each Committee meeting, and as is detailed within the Committees' Terms of Reference, a Chair's report is submitted to the Board highlighting the material items considered at each meeting and the decisions taken. The Board is also provided with a draft of each Committee's meeting minutes.



8. **Review**

8.1 This Framework is reviewed annually by the ARAC and Chief Executive.



Annex A Northern Ireland and Policing Board Management Statement and Financial Memorandum



Department of  
**Justice**  
[www.dojni.gov.uk](http://www.dojni.gov.uk)

**MANAGEMENT STATEMENT  
AND  
FINANCIAL MEMORANDUM  
FOR THE  
NORTHERN IRELAND  
POLICING BOARD**





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## Note:

References in this MSFM to the Police (Northern Ireland) Act 2000 are to that Act as amended. At the time of updating, amendments had been made by the following statutes:

- The Police (Northern Ireland) Order 2001 (S.I. 2001/2513 (NI 3))
- International Development Act 2002 (c. 1)
- Police (Northern Ireland) Act 2003 (c. 6)
- Justice (Northern Ireland) Act 2004 (c. 4)
- The District Policing Partnerships (Northern Ireland) Order 2005 (S.I. 2005/861 (N.I. 4))
- Inquiries Act 2005 (c. 12)
- Serious Organised Crime and Police Act 2005 (c. 15)
- The Police and Criminal Evidence (Amendment)(Northern Ireland) Order 2007 (S.I. 2007/ 288 (N.I. 2))
- The Northern Ireland Policing Board (Northern Ireland) Order 2007 (S.I. 2007/ 911 (N.I. 5))
- The Policing (Miscellaneous Provisions)(Northern Ireland) Order 2007 (S.I. 2007/ 912 (N.I. 6))
- The Northern Ireland Act 1998 (Devolution of Policing and Justice Functions) Order 2010 (S.I. 2010/976)
- Justice Act (Northern Ireland) 2011 (c. 24)
- Anti-social Behaviour, Crime and Policing Act 2014 (c. 12)
- The Crime and Courts Act 2013 (National Crime Agency and Proceeds of Crime) (Northern Ireland) Order 2015 (S.I. 2015/798)
- Justice Act (Northern Ireland) 2016 (c. 21)

## Management Statement

### 1. INTRODUCTION

#### 1.1 This document

1.1.1 This Management Statement and Financial Memorandum (MSFM) 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 (DoF).

1.1.2 The terms and conditions set out in the combined MSFM 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 MSFM 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 MSFM 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 aims, objectives and targets in support of the DOJ's wider strategic aims, outcomes and targets contained in the current DOJ Departmental Plan;
- 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; and
- 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 MSFM does not convey any legal powers or responsibilities.

1.1.6 The document shall be reviewed at least every five years 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 DoF Supply after consultation with the NIPB as appropriate. (The definition of "significant" will be determined by the DOJ in consultation with DoF).

1.1.8 The MSFM is approved by DoF 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 DoF 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 (NI) Act 2000. The constitution of the NIPB is set out in Part III of Schedule 1 to that Act<sup>1</sup>. 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 (NI) Act 2000 and Justice Act (NI) 2011<sup>2</sup> give the NIPB the following functions and duties:

The NIPB is an independent public body established under the Police (NI) 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 Policing and Community Safety Partnerships, 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 1998 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).

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1. As amended by the Police (NI) Act 2003; the Northern Ireland Policing Board (NI) Order 2007, the NI Act 1998 (Devolution of Policing and Justice Functions) Order 2010; and the Justice Act (NI) 2011.  
2. For provisions relating to Policing and Community Safety Partnerships, see Part 3 of, and Schedules 1 and 2 to, the Justice Act (NI) 2011.

## **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 Departmental Plan. The Minister has agreed the objectives and key targets within the NIPB's corporate and business plans which can be found at:**

[www.nipolicingboard.org.uk/index/publications/corporate-plans.htm](http://www.nipolicingboard.org.uk/index/publications/corporate-plans.htm)

## **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 MSFM 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 (NI) Act 2000, including appointments of independent members to the Board, approving the terms and conditions of Board members, and 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 Departmental Plan;
- 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 Sponsor 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 sponsor team, in conjunction with FSD, 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 Departmental Plan;
- an appropriate budget for the NIPB in the light of the Department's overall public expenditure priorities; and
- 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 Governance Statement (DAO(DFP) 10/12);
- 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 MSFM 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 to the Police (NI) Act 2000.
- 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 paragraphs 2(3) and 7 of Schedule 1 to the Police (NI) Act 2000.

*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 Minister and DOJ;



- 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 DoF and the DOJ;
- receive and review regular financial information concerning the management of the organisation; ensure that it is informed in a timely manner about any concerns about the activities of the NIPB; and provide 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 and Risk Management 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 interests; 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 to the Police (Northern Ireland) Act 2000.

- Appointments to the office of chair and vice-chair are made by the Policing Board from among its members.
  - The chair and vice-chair of the Policing Board shall be selected on each occasion to serve for a period of two years as per Standing Orders July 2016 Section 4 paragraphs (a) – (e).
- 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 reappointment 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 *Codes of Conduct for Board Members of Public Bodies*, (FD (DFP) 04/14 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 by the departmental 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 Departmental Plan;
- 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 (NI) Act 2000 and Justice Act (NI) 2011 including any other relevant instructions and guidance that may be issued from time to time by DoF 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 impinge 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, as scheme manager, carries out its full responsibility as Police Pension Scheme Administrator. It shall provide the Department, as regulatory authority, on a quarterly basis with assurance and supporting evidence that all scheme administrator functions are carried out and that the scheme is fully compliant with relevant government guidance and regulations including any requirements imposed by the Pension Regulator in relation to the scheme;
- 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 DoF;
- sign a Statement of Accounting Officer's responsibilities, for inclusion in the annual report and accounts;
- sign a Governance Statement 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 DoF - 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 DoF 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 DoF.

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 DoF 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 in "Dear Consolidation Officer" (DCO) and "Dear Consolidation Manager" (DCM) letters issued by DoF 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 to agreed standards the services/programmes for which it has responsibility. 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 DOJ 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 DoF reserves the right to ask to see and agree the NIPB's corporate plan.

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 contained in the current Departmental Plan.

4.1.4 The corporate plan shall set out:

- The NIPB'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.

4.1.5 A formal review of the NIPB'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.

4.1.6 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 DoF reserves the right to ask to see and agree the NIPB's annual business plan.

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 regular 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 Public Sector Internal Audit Standards (PSIAS) (DAO (DFP) 11/12).

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) 01/10 for the Internal Audit of the organisation.

4.6.3 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 Chief Audit Executive'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 PSIAS 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; and
  - ensure attendance of a departmental representative at NIPB's Audit and Risk Management Committee meetings as an observer.
- 4.6.4 The NIPB shall consult the DOJ to ensure that the latter is satisfied with the competence and qualifications of the Chief Audit Executive and that the requirements for approving the appointment are in accordance with PSIAS and relevant DoF guidance.
- 4.6.5 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 and Risk Management Committee

- 4.7.1 The NIPB shall maintain an independent audit committee as a committee of its Board, in accordance with the Codes of Conduct for Board Members of Public Bodies (FD (DFP) 04/14 refers) and in line with the Audit and Risk Assurance Committee Handbook (NI) referred to in DAO (DFP) 05/14.
- 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 & Risk Management Committee papers and minutes; and
  - require input on occasion from the NIPB Audit & Risk Management Committee to the Department's own Audit & Risk Management Committee.
- 4.7.3 The DOJ will review the NIPB's Audit & Risk Management Committee terms of reference. The NIPB shall notify the DOJ of any subsequent changes to the Audit & Risk Management 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 DoF and the C&AG. In addition the NIPB shall forward to the DOJ the annual fraud return, commissioned by DoF, 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 & Risk Management 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 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 (FRoM) issued by DoF. *(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 DoF.
- 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 The Comptroller and Auditor General (C&AG) audits the NIPB's annual accounts. 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 DoF, 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 Disclosure (Northern Ireland) Order 1998 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](http://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 and 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 normally be reviewed at least every five years.

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 NIPB is required to operate.
2. The terms and conditions set out in the combined MSFM 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 NIPB.
3. The NIPB 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 NIPB.

### II THE BOARD'S INCOME AND EXPENDITURE

#### The Departmental Expenditure Limit (DEL)

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

#### Procurement

6. The NIPB'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 NIPB's procurement activity should be carried out by means of the Department's 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. Direct Award Contract (DAC) is the process where a contract is awarded to an economic operator (i.e. supplier, contractor) without competition. In light of their exceptional nature, all DACs should be subject to Departmental Accounting Officer approval where appropriate. It is advisable that the NIPB seek an assurance from CPD, or their legal adviser, to provide assurance for the Accounting Officer that the use of a DAC is legitimate were applicable. Further

information is published in Procurement Guidance Note 03/11 on the 'Award of Contracts without a Competition'.<sup>3</sup>

10. The NIPB shall send to the Department after each financial year a report for that year explaining any contracts in which competitive tendering was not employed.

#### Best value for money

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

#### Timeliness in paying bills

12. The NIPB shall collect receipts and pay all matured and properly authorised invoices in accordance with Chapter 4 sections 4.5 and 4.6 of Managing Public Money Northern Ireland (MPMNI) and any guidance issued by DoF or the DOJ.

#### Novel, contentious or repercussive proposals

13. The NIPB shall obtain the approval of the DOJ and DoF 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 NIPB 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 *The Orange Book: Management of Risk: Principles and Concepts* (2004).<sup>4</sup>
15. The NIPB 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 NIPB shall adopt and implement policies and practices to safeguard itself against fraud and theft, in line with DoF's guide *Managing the Risk of Fraud (NI) 2011*.
17. All cases of attempted, suspected or proven fraud shall be reported to the DOJ who shall report it to DoF and the NIAO (see section 4.8 in the Management Statement) as soon as they are discovered, irrespective of the amount involved.

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3. [www.cpdni.gov.uk/index/guidance-for-purchasers/guidance-notes.htm](http://www.cpdni.gov.uk/index/guidance-for-purchasers/guidance-notes.htm)

4. [www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/220647/orange\\_book.pdf](http://www.gov.uk/government/uploads/system/uploads/attachment_data/file/220647/orange_book.pdf)

### 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 Arm's-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 Safer Communities in the DOJ.

### Wider markets

19. The NIPB shall seek to maximise receipts from non-Consolidated Fund sources, provided that this is consistent with (a) the NIPB's main functions and (b) its corporate plan as agreed with the DOJ. The DOJ will confirm with the DoF Supply Officer that such proposed activity is appropriate.

### Fees and charges

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

## III INCOME

### Grant-in-aid

21. Grant-in-aid will be paid to the NIPB in instalments, on the basis of a written application from the NIPB 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 NIPB's functions.
22. The NIPB should have regard for the guidance in Chapter 5 and Annex 5.1 of MPMNI 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 obtain the prior approval of DOJ.
26. If there is any doubt about the correct classification of a receipt, the NIPB shall consult the DOJ which may consult DoF as necessary.



### Interest earned

27. Depending on the budgeting treatment of this receipt, and its impact on the NIPB'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 NIPB, 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 NIPB 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-year is more than estimated, the NIPB 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 DoF 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 NIPB 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 NIPB 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 NIPB 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. The latest FReM requirements should be applied.
34. Before accepting a gift, bequest, or similar donation, the NIPB shall consider if there are any associated costs in doing so or any conflicts of interests arising. The NIPB 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 NIPB shall observe the principles set out in Chapter 5 and the associated annexes of MPMNI when undertaking borrowing of any kind. The NIPB shall seek the approval of the DOJ and, where appropriate, DoF, 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 NIPB 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 NIPB, 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 DoF. The NIPB 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 NIPB's staff. Payment shall be made in accordance with the Civil Service Management Code except where prior approval has been given by the DOJ and DoF to vary such rates. In line with paragraph 12(1) of Schedule 1 to the Police (NI) Act 2000 which states that the Board may pay to Board members "such remuneration and allowances as the Minister of Justice may determine", travel expenses from home to work are to be paid.
39. Annual pay increases of staff must be in accordance with the annual FD letter on Pay Remit Approval Process and Guidance issued by DoF. Therefore, all proposed pay awards must have prior approval of the DOJ and the Minister of Finance before implementation. (FD (DFP) 08/14)
40. The NIPB'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 NIPB is arranged through the NIPB 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 NIPB shall operate a performance-related pay scheme which shall form part of the general pay structure approved by the DOJ and DoF.
42. The NIPB shall comply with the EU directive on contract workers (Prevention of Less Favourable Treatment).

### Pensions; redundancy/compensation

43. The NIPB 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 NIPB. 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 NIPB 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 DoF where staff redundancy schemes are not covered by existing regulations or are more generous than existing NICS schemes. Proposals on severance payments must comply with DAO (DFP) 17/05. Where the PCS(S)(NI) is the relevant pension scheme, the NIPB 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 NIPB does this.
46. The DOJ is responsible for ensuring that the NIPB continues to meet the criteria for membership of the PCS(S)(NI), where this is the pension scheme applicable.

## V NON-STAFF EXPENDITURE

### Economic appraisal

47. The NIPB 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:
  - involve capital or resource DEL spending, or both;
  - are large or small;
  - are above or below delegated limits (see Appendix).
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 applies to the NIPB can be found in:
  - DoF's on-line guide *The Northern Ireland Guide to Expenditure Appraisal and Evaluation* ("NIGEAE", 2009).<sup>5</sup>
  - The HM Treasury Guide, *The Green Book: Appraisal and Evaluation in Central Government* (2003).<sup>6</sup>

5 [www.dfonl.gov.uk/eag](http://www.dfonl.gov.uk/eag)

6 [www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/220541/green\\_book\\_complete.pdf](http://www.gov.uk/government/uploads/system/uploads/attachment_data/file/220541/green_book_complete.pdf)

### 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 NIPB's corporate and business planning process. Subject to paragraph 55, applications for approval within the corporate/business plan by the DOJ and, where necessary, DoF shall be supported by formal notification that the proposed project or purchase has been examined and duly authorised by the NIPB. Regular reports on the progress of projects shall be submitted to the DOJ.
52. Approval of the corporate/business plan does not obviate the NIPB's responsibility to abide by the economic appraisal process.
53. Within its approved overall resources limit the NIPB shall, as indicated in the attached Appendix on delegations, have delegated authority to spend up to their delegated limits. Beyond the delegated limits, the DOJ's and, where necessary, DoF'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 DOJ or DoF 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 DOJ and possibly DoF 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 NIPB shall not, without the DOJ's and, where necessary, DoF'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, DoF. 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 NIPB, 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 of this document must have the prior approval of the DOJ and, where necessary, DoF.
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 DOJ approval must be secured for all property and finance leases. The NIPB 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 NIPB shall demonstrate that the lease offers better value for money than purchase.

#### **Public/Private Partnerships**

64. The NIPB 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 NIPB shall consult the DOJ. The NIPB should also ensure that it is has the necessary budget cover.
65. Any partnership controlled by the NIPB shall be treated as part of the NIPB 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 DoF (who may need to consult with the Office of National Statistics over national accounts treatment).

#### **Subsidiary companies and joint ventures**

66. The NIPB shall not establish subsidiary companies or joint ventures without the express approval of the DOJ and DoF. In judging such proposals the DOJ will have regard to the Department's wider strategic aims and objectives contained in the current Departmental Plan.
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 DoF (who may need to consult with the Office of National Statistics over national accounts treatment). Unless specifically agreed with the DOJ and DoF, such subsidiary companies or joint ventures shall be subject to the controls and requirements set out in this MSFM, and to the further provisions set out in supporting documentation.

### Financial investments

68. The NIPB shall not make any investments in traded financial instruments without the prior written approval of the DOJ and, where appropriate, DoF, 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 NIPB shall equally be subject to DOJ and DoF approval unless covered by a specific delegation.

### Unconventional financing

69. The NIPB shall not enter into any unconventional financing arrangement without the approval of the DOJ and DoF.

### Commercial insurance

70. The NIPB shall not take out any insurance without the prior approval of the DOJ and DoF, 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 NIPB about the circumstances in which an appropriate addition to budget out of the DOJ's funds and/or adjustment to the NIPB's targets might be considered. The DOJ will liaise with DoF Supply where required in such cases.

### Payment/Credit Cards

72. The NIPB, 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 NIPB, 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 NIPB shall adhere to the guidance issued by DoF, as well as any produced by the DOJ in relation to the Use of Consultants. Please see the delegated limits set out in the Appendix.
75. The NIPB 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 NIPB shall maintain an accurate and up-to-date register of its fixed assets.

### Disposal of assets

78. The NIPB 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 DoF on the appropriate treatment.

### Recovery of grant-financed assets

80. Where the NIPB has financed expenditure on capital assets by a third party, the NIPB 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 NIPB's prior consent.
81. The NIPB 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 NIPB shall ensure that if the assets created by grants made by the NIPB 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 NIPB 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 NIPB's corporate business plan, DOJ will send to the NIPB:
  - 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 NIPB.
84. The NIPB's approved annual business plan will take account both of its approved funding provision and of any forecast receipts, and will include a 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 NIPB's budget has been approved by the DOJ [and subject to any restrictions imposed by Statute/the Minister/this MSFM], the NIPB shall have authority to incur expenditure approved in the budget without further reference to the DOJ, on the following conditions:
- the NIPB shall comply with the delegations set out in the Appendix of this document. These delegations shall not be altered without the prior agreement of the DOJ and DoF;
  - the NIPB 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 NIPB's budget shall not remove the need to seek formal DOJ and, where necessary, DoF approval where such proposed expenditure is above the delegated limits set out in the Appendix or is for new schemes not previously agreed;
  - the NIPB 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 NIPB 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 NIPB shall provide the DOJ with, as a minimum, information on a monthly basis which will enable the satisfactory monitoring by the DOJ of:
- the NIPB'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 DoF Outturn and Forecast Outturn Return.

## VIII BANKING

### Banking arrangements

88. The NIPB's Accounting Officer is responsible for ensuring that the NIPB'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 NIPB is part of the departmental banking pool;
  - the NIPB'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 NIPB shall comply with the following general guidance documents:
- This MSFM;
  - *Managing Public Money Northern Ireland (MPMNI)* issued by DoF;
  - *Public Bodies – a Guide for NI Departments* issued by DoF;
  - *Public Sector Internal Audit Standards*;
  - *Managing the Risk of Fraud* issued by DoF;
  - *The Government Financial Reporting Manual (FRm)* issued by HM Treasury;
  - Relevant *Dear Accounting Officer* and *Finance Director* letters issued by DoF;
  - Relevant *Dear Consolidation Officer* and *Dear Consolidation Manager* letters issued by DoF;
  - *Regularity, Propriety and Value for Money*, issued by HM Treasury;
  - The Consolidation Officer Letter of Appointment, issued by DoF;
  - Other relevant instructions and guidance issued by the central Departments (DoF/the Executive Office) 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 MSFM will normally be reviewed at least every five years or following a review of the NIPB's functions as provided for in Section 7 of the Management Statement.
92. DoF Supply will be consulted on any significant variation proposed to the MSFM.

Signed:  Date: 25. 1. 2017 .

On behalf of the Board

Signed:  Date: 20. 02. 2017

On behalf of the Department

## DELEGATED EXPENDITURE LIMITS

## General

These delegated expenditure limits have been agreed by the DOJ and DoF.

## 1. PURCHASING ALL GOODS, SERVICES AND WORKS

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

(All costs exclude VAT)

| THRESHOLDS <sup>7</sup>  | PROCEDURE   |   | AUTHORISATION  |
|--------------------------|---|---|--|
|                          | Goods, utilities and non-construction services  | Construction works and services   |  |
| Up to £5,000             | Departments must demonstrate that value for money has been secured.   | Departments must demonstrate that value for money has been secured.   | Deputy Principal   |
| £5,000 to £30,000        | A minimum of two tenders invited by the person authorised to procure for their organisations in accordance with a Service Level Agreement (SLA) with a CoPE; or<br>A tender process undertaken by a CoPE. | Contractors must be registered on Constructionline <sup>8</sup><br>First six contractors from a randomly selected list generated by Constructionline are invited to tender. | Deputy Principal up to £25,000<br>Grade 7 £25,000 to £30,000 |
| £30,000 to EU Thresholds | Advertise on eTendersNI.<br>Tender process must be conducted in line with PGN 05/12: Procurement of Goods, Works and Services Over £30,000 and Below EU Thresholds.                                       | Advertise on eTendersNI<br>Tender process must be conducted in line with PGN 05/12: Procurement of Goods, Works and Services Over £30,000 and Below EU Thresholds.          | Grade 7 £30,000 to £50,000<br>Chief Executive £50,000 to £1m |
| Above EU Thresholds      | Advertise on eTendersNI.<br>EU Directives apply –advertise in the Official Journal of the European Union (OJEU).  | Advertise on eTendersNI.<br>EU Directives apply –advertise in OJEU.<br>Normally use the restricted procedure  | Chief Executive £50,000 to £1m                               |

## 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.

7. Note: Thresholds are as per Guidance Note PGN 04/12, as amended at 16 May 2016.

8. Constructionline is the UK's register of construction-related contractors and consultants pre-qualified to work for public sector clients.



## 2. AREAS REQUIRING WRITTEN DOF APPROVAL<sup>9</sup>

| Details   | Reference  |
|---|--|
| <b>Use of Resources</b>   |  |
| Public statements which might imply a willingness on the part of the Executive to commit resources or incur expenditure beyond agreed levels  | MPMNI Box A.2.3.A                                    |
| Guarantees, indemnities or general statements of comfort which could create a contingent liability  | MPMNI Box A.2.3.A                                    |
| All expenditure which is novel, contentious, repercussive or which could set a potentially expensive precedent, irrespective of size, even if it appears to offer value for money taken in isolation  | MPMNI Box A.2.3.A                                    |
| Expenditure that could create pressures which could lead to a breach of: <ul style="list-style-type: none"> <li>• Departmental Expenditure Limits (DELs);</li> <li>• resource limits or capital limits; or</li> <li>• Estimates provision.</li> </ul> | MPMNI Box A.2.3.B                                    |
| Expenditure that would entail contractual commitments to significant levels of spending in future years for which plans have not been set   | MPMNI Box A.2.3.B                                    |
| Legislation with financial implications as per guidance in MPMNI  | MPMNI A.2.2.1  |
| New services under the sole authority of the Budget Act   | MPMNI A.2.5.15                                       |
| Loans – on borrowing from the Northern Ireland Consolidated Fund for Contingencies  | MPMNI A.2.5.9  |
| <b>Accounting Officers</b>  |  |
| Appointment of the permanent head of each central government department to be its Accounting Officer  | MPMNI 3.2.1  |
| Appointment of an Accounting Officer for a Trading Fund (TF)  | Financial Provisions (NI) Order 1993 and MPMNI 3.2.2 |
| <b>Internal Management</b>  |  |
| Insurance – Decision to purchase commercial insurance.  | MPMNI 4.4.1 – 4.4.2                                  |
| Payments – Advance payments excluding those allowed under the guidance in MPMNI   | MPMNI A.4.6.5  |
| Payments – Deferred payments excluding those allowed under the guidance in MPMNI  | MPMNI A.4.6.9  |
| Payments - Special severance payments   | MPMNI A.4.13.9                                       |
| Foregoing the recoupment of overpayments of grants.   | MPMNI A.4.11   |
| <b>Funding</b>  |  |
| Banking – Proposals to open an account outside the pool or any proposed changes to Banking Pool arrangements  | MPMNI 5.8.2<br>MPMNI A.5.7.3<br>MPMNI Box A.5.7.B    |

9. See DAO (DFP) 06/12 [www.dfpni.gov.uk/sites/default/files/publications/dfp/daodfp0612v3.pdf](http://www.dfpni.gov.uk/sites/default/files/publications/dfp/daodfp0612v3.pdf)

| <b>Details</b>   | <b>Reference</b>               |
|--|--------------------------------|
| Banking – Requests for indemnities that commercial banks may seek to replace their normal arrangements   | MPMNI Box A.5.7B               |
| Borrowing from the Private Sector for all Arm's-Length Bodies (ALBs)   | MPMNI 5.7.1                    |
| Borrowing on terms more costly than those usually available to government  | MPMNI A.5.6.11                 |
| Borrowing – foreign borrowing  | MPMNI A.5.6.12                 |
| Foreign Currency - Any proposals to negotiate contracts in foreign currencies other than the euro, yen or US dollar  | MPMNI A.5.7.13                 |
| Income - Use of income and cash by departments to meet expenditure needs if there is no specific legislation   | MPMNI A.5.3.1<br>MPMNI A.5.3.5 |
| Income & Receipts - Increases to the amount that can be treated as an accruing resource during a financial year in order to finance a comparable increase in expenditure as per in-year monitoring/ budgeting guidance | MPMNI A.5.3.8<br>MPMNI A.5.3.9 |
| Letters of comfort   | MPMNI A.5.5.18                 |
| Liabilities – Departments seeking statutory authority to accept liabilities  | MPMNI A.5.5.5                  |
| Liabilities – Reporting a contingent liability in confidence by writing to the Chair of the PAC  | MPMNI A.5.5.28                 |
| Liabilities – Departments should consult DoF about reporting a liability outside Assembly sessions during a dissolution  | MPMNI A.5.5.34                 |
| Loans – proposals to make voted loans  | MPMNI 5.6.1<br>MPMNI A.5.6.2   |
| Loans – premature repayment  | MPMNI 5.6.3 &<br>MPMNI A.5.6.4 |
| Loans – write offs   | MPMNI 5.6.6 & MPMNI<br>A.5.6.5 |
| <b>Fees, Charges and Levies</b>  |                                |
| Charges - Primary legislation to empower charging  | MPMNI 6.2.1                    |
| Charges - Restructuring charges using the Fees and Charges (NI) Order 1988 No. 929 (N.I.8) in line with guidance in MPMNI  | MPMNI Box 6.2                  |
| Charges - Public sector supplier moving away from full cost charging   | MPMNI A.6.4.8                  |
| Interdepartmental Transactions – where the transaction may require legislative procedures or where DoF agreement is required under statute   | MPMNI A.6.6.3                  |
| <b>Working with Others</b>   |                                |
| Agency framework documents and the methods of financing an agency  | MPMNI 7.4.2 & Box 7.2          |
| All Management Statements and Financial Memorandums (MSFM) or other relationship documents   | MPMNI 7.7.6                    |

| Details  | Reference   |
|--|---|
| The establishment or termination of an NDPB  | Public Bodies: A Guide for NI Departments                                     |
| The establishment and operation of a Trading Fund including sources of capital   | Financial Provisions (NI) Order 1993 and MPMNI A.6.6.3, MPMNI 7.5.4 & Box 7.3 |
| Grants to Councils under the Local Government (Finance) Act (NI) 2011  | Local Government (Finance) Act (NI) 2011                                      |
| <b>Other Delegations</b>   |   |
| Wider market projects where the full annual cost or aggregated annual income from such services exceeds, or is expected to exceed thresholds agreed by DoF   | MPMNI A.7.6.6   |
| Assets - Transfer or disposal of assets at less than best consideration reasonably obtainable  |   |
| Assets - to appropriate any sums realised as a result of selling an asset above the <i>de minimis</i> level in the DoF Budget/In-year Monitoring Guidance  |   |
| Assets - to allow an organisation to retain receipts arising from the sale of assets funded by grant or grant-in-aid above the <i>de minimis</i> level in the DoF Budget/In-year Monitoring Guidance |   |
| Estimates - form and content of Main and Supplementary Estimates.  | Supply Estimates in Northern Ireland - A Guidance Manual                      |
| Virement   | Supply Estimates in Northern Ireland - A Guidance Manual                      |
| Fraud - any departure from immediate reporting (not including National Fraud Initiative (NFI) for which separate arrangements have been agreed   | FD(DFP) 04/11   |
| Land - Disposal of land at less than LPS valuation or Purchase of land at more than LPS valuation  |   |
| Capital Projects - All other expenditure on Capital Projects involving over £1million of Central Government expenditure unless other delegations specifically allow                                  |   |
| Projects - All PFI projects at key stages as stipulated in NIGEAE  | NIGEAE<br>MPMNI A.7.5.4<br>FD(DFP) 20/09<br>FD(DFP) 17/11                     |
| Receipts - repayment of CFERs from the Northern Ireland Consolidated Fund  |   |
| Redundancy - All staff redundancy schemes not covered by existing regulations or which are more generous than existing NICS scheme.  |   |
| Pay Remits   | FD Letter - Pay Remit Approval Process and Guidance                           |

### 3. AREAS REQUIRING FSD/DOF APPROVAL - SAFER COMMUNITIES

| Details  | Directorate Authority<br>£ |
|--|----------------------------|
| Gifts  | 100                        |
| Consultants (note Ministerial approval is also required for consultancy spend of £10,000 and over).  | 10,000                     |
| Legal Fees   | 10,000                     |
| Waived or abandoned claims   | 50,000                     |
| Losses (other than loans, and failure to make adequate charges for public property or services), Write offs and Special Payments   | 10,000                     |
| Recoupment of overpayments of pay, pensions and allowances   | 20,000                     |
| Ex-Contract & Ex-Gratia payments   | 0                          |
| Consolatory Payments   | 500                        |
| Individual Compensation claims settled out of court <u>unless</u> legal advice is that the department will not win the case if contested in court (excluding claims paid as part of the Compensation Agency's normal business) | 10,000                     |
| Individual Compensation claims settled out of court <u>where</u> legal advice is that the department will not win the case if contested in court (excluding claims paid as part of the Compensation Agency's normal business)  | 10,000                     |
| Individual Compensation payments made as a result of court decision (excluding claims paid as a part of Compensation Agency's normal business)   | 10,000                     |
| Expenditure under the EU programmes for which the Special EU programmes body is responsible  | 0                          |
| Other Capital  | 500,000                    |
| IT Projects  | 100,000                    |
| Consultancy assignments co-sponsored by the Strategic Investments Board  | 10,000                     |
| Grants - payment of any individual grants  | 300,000                    |
| Payments - Payments to be made as a result of a recommendation from the NI Assembly Ombudsman and NI Commission for Complaints   | 0                          |
| Liabilities - Assuming Statutory liabilities including the liabilities of any sponsored bodies in excess of delegation for any one transaction.  | 0                          |
| Liabilities - Non-Statutory guarantees and liabilities.  | 0                          |
| Leases – Property lease renewals, lease breaks, or any proposed new leases   | 0                          |
| Contract Variations (Except PSNI)<br><i>Note: Variations require approval by the original approving authority unless the impact of the variation takes the total cost above any other delegation</i>                           | Lower of 10%<br>or £100k   |
| Resource <sup>10</sup> – expenditure on new (or changes/renewals/extensions of existing) policies, programmes or projects that involve spending or saving money  | 500,000                    |

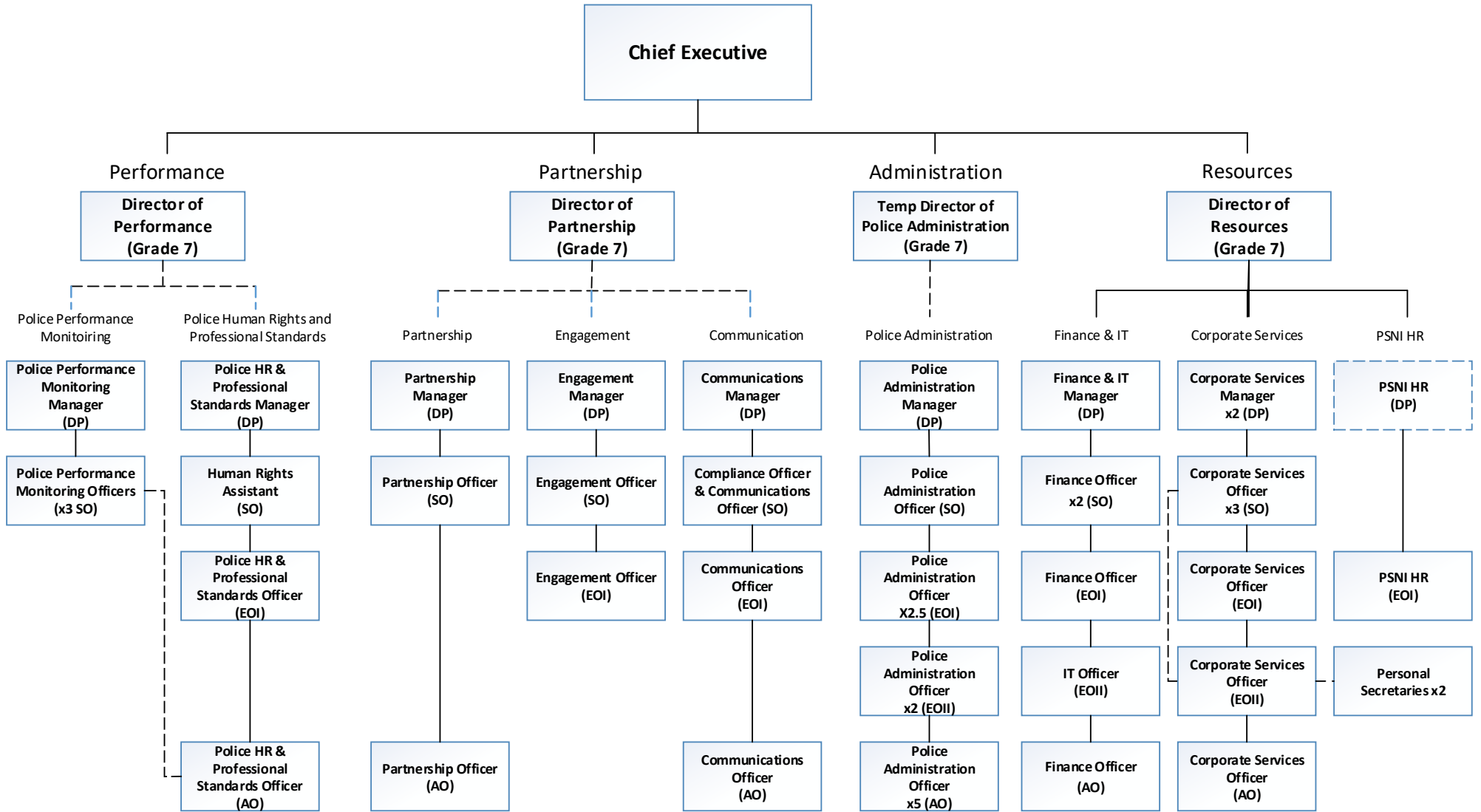
10. Resource expenditure covers all non-capital expenditure with the exception of ongoing and pre-approved expenditure such as payroll, rent, rates etc. If you are unsure whether this delegation applies, please contact your Directorate Accountant in the first instance.





Annex B NIPB Organisational Structure







Annex C Board Standing Orders



# NORTHERN IRELAND POLICING BOARD

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# STANDING ORDERS

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## **STANDING ORDERS FOR THE NORTHERN IRELAND POLICING BOARD**

### **1. MEETINGS OF THE POLICING BOARD**

- (a) The meetings of the Board shall ordinarily be held in Belfast but the Board may, at any time, resolve to hold a meeting in any other place in Northern Ireland.
- (b) The meetings shall be held on such dates, at such times and at such places as the Board may decide, subject to paragraph 19 of Schedule 1 to the Police (NI) Act 2000, amended by the Police (NI) Act 2003, Section 4(1) and (2). The Chairperson, or in his/her absence the Vice-Chairperson, may make such alterations in the arrangements for any such meeting as in his/her opinion are justified.
- (c) The Chairperson, with the agreement of the Vice-Chairperson, may authorise a special meeting of the Board on a day, at a time and a venue to be agreed by the Chairperson or the Vice-Chairperson, as the case may be, to consider any business brought forward by the Chairperson or Vice-Chairperson.
- (d) The Chairperson, or in his/her absence the Vice-Chairperson, shall authorise a special meeting if requested to do so by seven or more Members giving written notice to the Chief Executive of their wish for such a meeting and of the business they request the Board to consider at such a meeting; no business other than that specified in the notice shall be considered at such a special meeting.
- (e) However, in relation to inquiries under Section 60 (Inquiry by Board following report by Chief Constable) of the Police (NI) Act 2000, amended by the Police (NI) Act 2003 paragraph 18 of Schedule 1 to the Act shall apply.

- (f) The Chairperson may require the Chief Constable to attend a meeting with the Board.
- (g) The Chief Constable may at any time ask for a meeting with the Board. The Board will normally accede to such a request.
- (h) The Board shall conduct all elections and appointments at the first meeting of the Board following its establishment for a new term of office, or as otherwise agreed by the Board, and thereafter in accordance with Standing Orders for the remainder of each term of office.
- (i) If present at a meeting of the Board the Chairperson, or in his/her absence the Vice-Chairperson, must chair the meeting.

## 2. **QUORUM**

The quorum for a meeting of the Board shall be seven. However, in accordance with paragraph 17(2) of Schedule 1 to the Police (NI) Act 2000 the quorum for a meeting of the Board at which any appointment is to be made under paragraph 3(10) or 11(4) shall be:-

- (a) 12, if the Board consists of 19 Members
- (b) 11, if it consists of 16, 17 or 18 Members
- (c) 10, if it consists of less than 16 Members.

If a quorum is not present within thirty minutes from the time appointed for the meeting, the meeting shall stand adjourned. If during any meeting the Chairperson, after counting the number of Members present, declares that there is not a quorum present, the meeting shall stand adjourned.

## 3. **ORDER OF BUSINESS**

- (a) Except as otherwise provided by paragraph (b) of this Standing Order, the order of business at every meeting of the Board shall be as follows:-
- (i) Election of a person to act as Chairperson of the meeting if the Chairperson and Vice-Chairperson are absent;
  - (ii) Confirmation of the minutes of the last meeting as a correct record and signature by the Chairperson of the meeting;
  - (iii) Consideration of any matters arising from the minutes of the last meeting;
  - (iv) Consideration of any business remaining from the last meeting.
  - (v) Chairperson's Report to the Board;
  - (vi) Chief Executive's Report to the Board;
  - (vii) Consideration of motions in the order duly received by the Chief Executive in accordance with Standing Order No 7;
  - (viii) Receipt and consideration of reports and recommendations of Committees of the Board including any matters considered by the Committee which require Board consideration/decision;
  - (ix) Chief Constable's Report to the Board;
  - (x) Questions on the Chief Constable's Report;
  - (xi) Questions from Committees for the Chief Constable;
  - (xii) Questions from individual Members for the Chief Constable;
  - (xiii) Any other business relating to the functions of the Board which the Chairperson of the meeting rules may be considered; and
  - (xiv) Any Communication issue arising from the meeting.
- (b) The order of business at any meeting of the Board, other than business falling under (i), may be varied either at the discretion of the Chairperson or by a resolution passed on a motion (which need not be

in writing) duly moved and seconded, which shall be moved and put without discussion.

#### **4. ELECTION OF CHAIRPERSON AND VICE-CHAIRPERSON**

- (a) The Chairperson and Vice-Chairperson shall be elected on each occasion to serve for a period of two years.
- (b) The following procedures will be followed for the election of the Chairperson and Vice-Chairperson of the Board. The Chair for the election will be taken by the Chief Executive of the Board. The Chairperson having been elected, he/she will assume the Chair.
- (c) The candidates for election to Chairperson (and then the Vice-Chairperson) will each require a proposer and seconder. Voting shall be in accordance with paragraphs 3(10), 11(4) and paragraph 17 of Schedule 1 to the Police (NI) Act 2000 and paragraph 14 of the Board's Standing Orders.
- (d) The Chairperson and Vice-Chairperson will be elected provided that the following number of Members of the Board are present and voting:-
  - 12, if the Board consists of 19 Members
  - 11, if it consists of 16, 17 or 18 Members
  - 10, if it consists of less than 16 Members
- (e) In the event of an equality of votes being cast for Chairperson, a further election will be held. In the event of an equality of votes being cast for Vice-Chairperson, the Chairperson, in accordance with paragraph 17(4) of Schedule 1 to the Police (NI) Act 2000 shall have a second or casting vote. In the event of a Chairperson or Vice-Chairperson ceasing to hold office before the expiry of his/her term, the election of a new Chairperson or Vice-Chairperson will be conducted in the same manner as the election of a Chairperson or Vice-Chairperson on the establishment of a new Board. In such circumstances the person

elected to replace the Chairperson or Vice-Chairperson will remain in post for the period for which his / her predecessor was appointed.

## **5. MEETING PAPERS AND MINUTES**

- (a) The Chief Executive shall be responsible for the preparation and issue of Board papers. Seven calendar days before any meeting of the Board, there shall be issued to every member and member's researcher a notice convening the meeting giving its time and place; an agenda for the meeting and all papers along with reports or other documents to be read with the agenda. If a copy of paper, report or other document cannot for exceptional reason be circulated with the agenda, it may nevertheless be tabled and considered. If due notice of any meetings, or any agenda, is not issued to any member, those defects shall not affect the validity of the meeting or any subsequent meeting.
- (b) The Chief Executive shall be responsible for preparation of the minutes of proceedings at all meetings of the Board and copies thereof shall be sent to each Member at least seven calendar days before the meeting next following that to which the minutes relate unless otherwise agreed by the Chairperson.
- (c) The Chairperson shall put the question "May the minutes of the meeting held on the .....day of .....be approved as a correct record".
- (d) Any question of the accuracy of the minutes shall be raised by motion. If such a question is raised, then as soon as it has been disposed of, the Chairperson shall sign the minutes.
- (e) In the minutes of any Board meeting the names of Members present and officers/visitors in attendance at the meeting shall be recorded.
- (f) Once approved by the Board, minutes of Board meetings which are not protectively marked will be published on the Board's website.



## **6. DECISIONS OF THE BOARD**

(a) Decisions of the Board may be made on foot of a motion carried with or without amendment in accordance with Standing Orders, or by endorsement by a majority of Members present or a recommendation of the Chairperson, a committee of the Board, an officer of the Board or the Chief Constable.

(b) In respect of reports under Section 59(1) and inquiries under Section 60 of the Police (NI) Act 2000, paragraph 18 of Schedule 1 to the Act, amended by the Police (NI) Act 2003, and the Code of Practice on Reports and Inquiries issued by the Secretary of State shall apply.<sup>1</sup>

## **7. NOTICES OF MOTION**

(a) Every notice of motion shall relate to a function of the Board and except as provided for in Standing Order No 8 shall be in writing signed by the Member or Members giving the notice and shall be delivered, (subject to the different arrangements for inquiries under Section 60 of the Act as specified in paragraph 18 of Schedule 1 to the Police (NI) Act 2000) at least ten working days before the next meeting, at the office of the Chief Executive by whom it shall be dated, numbered in the order in which it is received and recorded in a manner which shall be open to the inspection of every Member.

(b) The Chief Executive shall set out in the summons for every meeting all motions of which notice has been duly given in the order in which they have been received, unless the Member giving such a notice intimated in writing, when giving it, that he/she proposed to move it at some later meeting, or has since withdrawn it in writing.

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<sup>1</sup> Copies are available from Corporate Services Branch

If a motion, notice of which is specified in the summons to the meeting, be not moved either by the Member who has given the notice or by some other Member on his/her behalf when the same comes up for consideration in due course, it shall, unless postponed by leave of the Board, be treated as abandoned.

The subject matter of any motion of which notice has been duly given, and which has been duly proposed and seconded, may be referred to such committee or committees as the Board may determine, for consideration and report.

#### **8. MOTIONS NOT REQUIRING NOTICE**

Notwithstanding the provisions of Standing Order No 7, motions relating to the following matters may be moved without notice:-

- (a) An item appearing on the summons or in a report to the meeting at which the motion is moved.
- (b) That leave be given to withdraw a motion.
- (c) That the order of business be varied.
- (d) That the question be now put.
- (e) That the debate be now adjourned.
- (f) That a motion be referred to a committee or committees of the Board for consideration and report.
- (g) Amendments to motions.
- (h) Amendments to minutes.
- (i) That the public or particular members of the public be excluded from a meeting or part of a meeting. This paragraph does not apply to meetings held in accordance with paragraph 19 of Schedule 1 to the Police (NI) Act 2000.

- (j) That the Board do adjourn.

## **9. RESCINDING OF PREVIOUS DECISIONS**

No motion to rescind any decision passed within the preceding six months may be proposed by a Member unless the notice thereof given in pursuance of Standing Order No 7 bears the names of at least one-third of all Members. When any such motion has been disposed of, it shall not be competent for any Member to propose a similar motion within a further period of six months.

## **10. QUESTIONS AT BOARD MEETINGS**

- (a) A Member may ask the Chairperson any question provided that it relates to a matter which falls within the functions of the Board.
- (b) When a reply to any question to the Chairperson cannot conveniently be given orally, it shall be deemed a sufficient reply if within ten calendar days of the meeting a written answer is supplied to the questioner and to any other Member who states at the meeting that he/she desires a copy of the reply.
- (c) Subject to paragraph (g) below, all questions to the Chief Constable falling within the remit of the Board or of a Committee shall normally be asked through the relevant Committee.
- (d) The question should be in writing and should be responded to in writing by the Chief Constable within 14 days of submission.
- (e) The response to questions should normally be returned to the relevant Committee. The Committee should consider whether the response is satisfactory, whether a supplementary question should be posed to the Chief Constable and whether the matter should be referred to the Board
- (f) Supplementary questions in writing shall normally be dealt with in a similar manner.

- (g) With the agreement of the Chairperson of the Board an urgent matter may be raised with the Chief Constable orally. Normally such a matter shall be one of significant public interest which requires an urgent response from the Chief Constable.
- (h) In putting a question orally to the Chief Constable or the Chairperson, Members will confine themselves to a period not exceeding 60 seconds.
- (i) Responses to questions will not normally exceed 3 minutes.
- (j) The order in which questions from individual Members shall be taken will be at the discretion of the Chairperson, or in his/her absence the Vice-Chairperson.

## **11. CONDUCT OF DEBATE**

- (a) A Member shall, when speaking, address the Chairperson. If two or more Members wish to speak, the Chairperson shall decide who shall speak first.
- (b) A Member shall not speak on any subject for more than two minutes, or on more than one occasion, without the express permission of the Chairperson.
- (c) The Chairperson shall have power to direct a Member to discontinue speaking in the event of his/her comments being, in the Chairperson's opinion, irrelevant, disrespectful or out of order.
- (d) Any ruling from the Chairperson on a point of order or upon the admissibility of a personal explanation shall be final and shall not be open to discussion.
- (e) If after two warnings from the Chairperson a Member persists in disregarding the authority of the Chair, the Chairperson may order the Member responsible to retire for the remainder of the meeting and in the event of his/her refusal to do so may order his/her removal.

- (f) In the event of disorder at any meeting, the Chairperson shall have power to order a withdrawal from the meeting of any Member or Members or any visitor present who, in his/her opinion, is or are responsible for the disorder and, without prejudice to that power, the Chairperson may, if he/she thinks fit adjourn the proceedings of the meeting.
- (g) No Member (unless he/she speaks on a point of order and identifies the relevant Standing Order) may interrupt the speech of another Member.
- (h) No Member may impute improper motives to or use disrespectful expressions concerning any Member, official or other parties.
- (i) The Chairperson's interpretation of the Standing Orders shall be final and no debate may arise thereon.
- (j) At all times, Members should adhere to the Board policy on the use of electronic devices during meetings.

## **12. ORDER IN DEBATE UPON MOTIONS**

- (a) Every motion or amendment complying with Standing Orders 7 and 8 shall be moved and seconded and if the Chairperson so directs shall be reduced to writing and handed to the Chairperson or to the Chief Executive and shall then be read before it is further discussed or put to the Board.
- (b) A motion or amendment once moved and seconded shall not be withdrawn without the consent of the Board.
- (c) Every amendment shall be relevant to the motion on which it is moved.
- (d) When an amendment upon an original motion has been moved and seconded, no second or subsequent amendment shall be moved until the first amendment shall have been disposed of but notice of any number of amendments may be given.
- (e) An amendment shall be for one of the following purposes only:-

- (i) to leave out words;
- (ii) to leave out words and add others; or
- (iii) to insert or add words.
- (f) If an amendment is rejected, other amendments may be moved on the original motion.
- (g) If an amendment is carried, the motion, as amended, shall take the place of the original motion and shall become the question to be put to the Board or upon which any further amendment may be moved.
- (h) With the permission of the Chairperson, it may be moved at any time on any question under debate that the question be now put, which motion, when duly seconded, shall be decided without debate. If the decision is in the affirmative the main question shall be at once put and decided without further notice.

A Member may move that the Board do now proceed to the next business and, if the motion is seconded, it shall be seconded without a speech. The Chairperson shall then call on the mover of the motion under discussion to speak to the motion just moved for no longer than 2 minutes and, subject thereto, the motion shall forthwith be put to the vote.

### **13. ADJOURNMENT**

- (a) A Member may move that the Board do now adjourn or that a debate on a question is adjourned and if the motion is seconded it shall be seconded formally without a speech and put by the Chairperson without debate.
- (b) A second motion that the Board do now adjourn or that a debate on a question is adjourned shall not be made within thirty minutes of the meeting resuming unless it be moved by the Chairperson.

- (c) When an adjournment debate is resumed, the Member who moved the adjournment shall be entitled to speak first for no longer than 2 minutes.
- (d)

#### **14. VOTING**

- (a) The Board will, where possible, reach decisions by consensus.
- (b) Except when otherwise stated in these Standing Orders, every motion, resolution or recommendation shall be determined by a recorded vote, meaning that the names of all the Members who voted for the proposal, voted against the proposal or abstained on the proposal shall be recorded.
- (c) In dealing with inquiries by the Board under Section 60 (Inquiry by Board following report by Chief Constable) of the Police (NI) Act 2000, voting shall be as specified in paragraph 18 of Schedule 1 to the Act. Approvals for inquiries require a minimum of 8 Members to be present and voting.
- (d) Whilst any decision is being taken or motion or resolution or recommendation determined, no Member shall leave the room unless authorised by the Chairperson.
- (e) In the event of an equality of votes on any motion or resolution or recommendation, the Chairperson shall have and may exercise the right to give a second or casting vote. All casting votes shall be recorded in the minutes.

#### **15. ADMISSION OF MEMBERS OF THE PUBLIC AND OTHERS**

- (a) In accordance with paragraph 19 of Schedule I to the Police (NI) Act 2000, (as revised by paragraph 4(1) of the Police (NI) Act 2003), the Board will hold at least 8 public meetings each year for the purpose of receiving a report prepared by the Chief Constable for the meeting.
- (b) With the exception of meetings held in accordance with paragraph 19 of Schedule 1 to the Police (NI) Act 2000, it shall be agreed in advance of the meeting by the Chairperson, with the agreement of the Vice-Chairperson, who will attend the meeting.
- (c) A member of the public or other person permitted by the Chairperson to be present at a private meeting of the Board may not address that meeting without the permission of the Chairperson. A member of the public attending a public meeting of the Board may not address that meeting without the permission of the Chairperson.
- (d) While any member of the public or other person is present, the Chairperson may direct that any business be not then commenced or proceeded with and he/she may intervene in any debate to give such a direction.
- (e) A Member may move that a member of the public or other person be required to withdraw from the meeting and if such motion is seconded, it shall be put to the vote provided that the Chairperson may, and his/her decision on this shall not be open to discussion, allow a debate on the motion before it is put to the vote. If such a debate is allowed, the Chairperson may require any visitor present to withdraw pending a decision.
- (f) The following procedures will apply in the event of disruption at a meeting held in accordance with paragraph 19 of Schedule 1 to the Police (NI) Act 2000.
- (i) In the event of disruption or threat of disruption by a member



of the public or other person attending a public meeting, the Chairperson will pause the proceedings and ask those responsible to cease the interruption. The Chairperson may remind those attending that the public is present to observe the proceedings not to take part. The Chairperson may ask those causing the disruption to leave the meeting.

- (ii) If there are continuing problems then the Chairperson will adjourn the meeting for a short period. Members may be asked to remain seated, unless in physical danger, in which case the Chairperson will ask Members to leave the room. After the adjournment has elapsed the meeting will be restarted.
- (iii) If there is further disruption the Chairperson may ask those misbehaving to leave and the meeting may be adjourned for a further period after which the meeting will be resumed.
- (iv) If there is further disruption the Chairperson will advise Members that the meeting will be continued in private and may ask Members to move to another room to continue the meeting. The Chairperson may seek the assistance of the police in removing a person from the building.

## **16. SEALING OF DOCUMENTS**

- (a) All documents to which the common seal shall require to be affixed shall be sealed in pursuance of a resolution in relation to the subject matter of the document, provided that a resolution authorising the doing of any act which should be recorded or effected by means of a document under seal shall be sufficient authority for sealing any document necessary to record or give effect to the resolution.
- (b) The common seal shall, when applied to a document, be attested by the signatures of two Members and the Chief Executive or other officer authorised to act in his/her stead on that behalf.

- (c) A record of every sealing of a document shall be made and consecutively numbered including a record of the persons attesting the sealing.
- (d) A schedule of sealed documents shall be regularly received by the Board.

## **17. SIGNING OF DOCUMENTS**

- (a) The Chief Executive and such other officers as may be designated by the Chief Executive shall be authorised to sign on behalf of the Board all documents which are intended to give effect to decisions of the Board and which are not required to be under seal.
- (b) When any document will be a necessary step in legal proceedings on behalf of the Board, it shall be signed by the Chief Executive, unless any enactment otherwise requires or authorises or the Board shall have given the necessary authority to some other person for the purpose of such proceedings.

## **18. EXECUTIVE FUNCTIONS**

Unless specifically authorised to do so by the Board, a Member shall not issue any order to any employee of the Board respecting any executive functions.

## **19. CONTRACTS**

Before entering into any contract for the supply of goods or services or the execution of works, financial matters etc., the Board shall comply with such requirements as the Minister of Justice may direct, in accordance with the Management Statement/Financial Memorandum (MSFM).

## **20. COMMITTEES**

- (a) In accordance with paragraph 24 of Schedule 1 to the Police (NI) Act 2000, the Board may constitute committees of five or more of its Members as the Board may appoint. The Terms of Reference for all committees should be approved by the Board prior to the committee being established and reviewed at the beginning of each financial year.
- (b) The Board may also suspend, disband or review the workings of a committee.
- (c) The Chairperson and Vice-Chairperson of the Board shall be ex-officio Members of every committee of the Board except the Audit & Risk Assurance Committee, and shall not be Chairperson or Vice-Chairperson of any committee except the Special Purposes Committee. Where the Chairperson and Vice-Chairperson are ex-officio Members of committees they shall have no voting rights.
- (d) The Board may delegate to any committee, constituted in accordance with (a) above, any of the functions of the Board subject to such limitations, including financial, as may be prescribed by the Board.
- (e) The Board or a committee may form a sub-group to take forward its business under specific Terms of Reference. The Terms of Reference shall be approved by the Board or the Committee as appropriate prior to the sub-group beginning its business. The Terms of Reference should include the following details – membership of the sub-group (including the Chairperson); remit of the sub-group; reporting arrangements – frequency and nominate of the Committee; and level of decision delegated to the sub-group (if any).
- (f) The Members of committees shall be appointed by the Board.
- (g) Without prejudice to the power of the Board to delegate all or any of its functions to a committee, the responsibilities of the Standing Committees of the Board shall be set out in the Terms of Reference for that Committee.
- (h) An appointment to fill a casual vacancy upon a committee shall be made by the Board as and when such a vacancy arises. A person

appointed to fill a casual vacancy shall remain a Member of the committee concerned for the period for which his/her predecessor was appointed.

- (i) The business of committees, so far as appropriate, shall be conducted in accordance with the arrangements laid down for Board meetings and set out in Standing Orders 1 - 14, except that a reference to the Board shall, where appropriate, be construed as a reference to a committee.
- (j) In relation to the admission of visitors at meetings of committees, the following shall apply:-
  - (i) A visitor shall not be present at a meeting without the permission of the Chairperson and, if so present, may be required by the Chairperson to withdraw at any stage.
  - (ii) A visitor permitted to be present at a meeting of a committee may not address that meeting without the permission of the Chairperson.
  - (iii) While any visitor is present, the Chairperson may direct that any business be not then commenced or proceeded with and he/she may intervene in any debate to give such a direction.
  - (v) A Member may move that any visitor be required to withdraw from the meeting and if such a motion is seconded, it shall be put to the vote provided that the Chairperson may, and his/her decision on this shall not be open to discussion, allow a debate on the motion before it is put to the vote. If such a debate is allowed, the Chairperson may require any visitor present to withdraw pending a decision.
  - (k) A Member of the Board may attend and speak at a meeting of a committee, with the exception of the Special Purposes

Committee and the Audit and Risk Management Committee, of which he/she is not a Member but shall not be entitled to vote on any matter.

**21. URGENT/EXCEPTIONAL DECISIONS**

Where any question arises which would normally be referred to the Board or a committee but cannot await the next scheduled meeting and the Chairperson, or in his/her absence the Vice-Chairperson, of the Board or committee considers it inappropriate to convene a special meeting, the matter may be decided by the Chairperson, or in his absence the Vice-Chairperson.

Decisions taken under these circumstances must be taken in consultation with the Chairperson, Vice-Chairperson and the Chief Executive of the Board and be reported to the next meeting of the Board or committee.

**22. CODE OF CONDUCT FOR POLICING BOARD MEMBERS**

On appointment, Members shall familiarise themselves with the 'Code of Conduct for Policing Board Members' and shall act in accordance with the Code.

**23. SUSPENSION OF STANDING ORDERS**

(a) Upon motion moved on a notice duly given in accordance with these Standing Orders, or in any case of urgency upon motion moved with the permission of the Chairperson, any one or more of these Standing Orders may be suspended at any meeting, so far as regards any business at such meeting, provided that the following number of Members of the Board are present and voting shall so decide:-

10 if the Board consists of 18 or 19 Members

9 if it consists of 16 or 17 Members

8 if it consists of 15 or fewer Members.

- (b) No suspension shall extend more than 6 months.

## **24. INTERPRETATION**

- (a) Throughout these Standing Orders, if not inconsistent with the context, the following terms shall have the meanings hereafter assigned to them:-

“Board” means the Northern Ireland Policing Board.

“Chairperson” means the Chairperson for the time being of the Board and where the context permits the Chairperson of a meeting of the Board or a committee.

“Vice-Chairperson” means the Vice-Chairperson for the time being of the Board and where the context permits the Vice-Chairperson of a meeting of the Board or a committee.

“Member” means a Member of the Board.

“Chief Executive”, who shall act as “Secretary” to the Board, means the senior officer for the time being of the Board.

“Chief Constable” means the Chief Constable or a senior officer representing the Chief Constable.

“Officer” means an officer of the Board not below the grade of Executive Officer.

“Minister of Justice” means the Minister of the Department of Justice of Northern Ireland.

‘Secretary of State’ means the Secretary of State for Northern Ireland.

“Political Member” means a Member of the Board holding office as such during devolved government by virtue of the operation of paragraph 7 of Schedule 1 to the Police (NI) Act 2000 or, during suspension of devolved government, a Member of the Board who is a member of the Northern Ireland Assembly.

“Independent Member” means a Member of the Board holding office as such by virtue of the operation of paragraph 8 of Schedule 1 of the Police (NI) Act.

- (b) The Interpretation Act (Northern Ireland) 1954 shall, save when the context otherwise requires, apply to these Standing Orders as it applies to the interpretation of an Act of the Northern Ireland Assembly.

## **25. REVIEW OF STANDING ORDERS**

The Board will undertake a review of Standing Orders at the start of each new Board.

## **Board Meetings – Responsibilities**

### **1. Responsibilities**

The Board will:

- 1.1 set the strategic direction of the Board through the development of its corporate and business plans and other key corporate cross cutting strategies and policies;
- 1.2 monitor NIPB organisational performance and continuous improvement;
- 1.3 co-ordinate the development of the Policing / Performance Plan;
- 1.4 assess PSNI Performance against the Annual Policing / Performance Plan;
- 1.5 receive updates on significant legacy investigations and progress as appropriate the Board's responsibilities in relation to the work of the Historical Investigations Unit;
- 1.6 meet with the National Crime Agency Director on a six-monthly basis;
- 1.7 co-ordinate the Board's Research Programme;
- 1.8 appoint and dismiss Senior and Chief Officers for PSNI and the NIPB's CEO



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## DOCUMENT TITLE

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**Northern Ireland Policing Board Standing Orders**

## ONLINE FORMAT

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## DISCLAIMER

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While every effort has been made to ensure the accuracy of the information contained in this document, the Northern Ireland Policing Board will not be held liable for any inaccuracies that may be contained within.



Annex D Committee Terms of Reference

# **NORTHERN IRELAND POLICING BOARD**

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## **TERMS OF REFERENCE OF THE STANDING COMMITTEES OF THE BOARD**

# Northern Ireland Policing Board

## Committee Terms of Reference

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Updated September 2020

**NORTHERN IRELAND POLICING BOARD**  
**AUDIT AND RISK ASSURANCE COMMITTEE**  
**TERMS OF REFERENCE**

**1 Role and Authority**

- 1.1 The Northern Ireland Policing Board (the Board) has established an Audit and Risk Assurance Committee (the Committee) to support it in its responsibilities for issues of risk, control, governance and assurance by reviewing the comprehensiveness of the Board and PSNI's governance framework in meeting the Board's and the Accounting Officer's assurance needs and reviewing the reliability and integrity of these assurances, and particularly those in Sections 6.1 and 6.2.
- 1.2 The Committee has been established and functions in accordance with best practice contained in the revised Audit and Risk Assurance Committee (NI) Handbook issued by the Department of Finance in April 2018.
- 1.3 The Committee is an advisory sub-Committee of the Board with no executive functions.
- 1.4 The Terms of Reference for the Committee are approved by the Board.

**2 Membership**

- 2.1 Members of the Committee are normally appointed for the period of their appointment to the Board. Details of Membership can be found on the Board's website.
- 2.2 The Committee will be provided with a secretarial function by the Director of Resources.

### **3 Meetings**

- 3.1 The Committee will meet at least 4 times a year; however, the Chair of the Committee may convene additional meetings as deemed necessary. One of these meetings should include a meeting for consideration of the Annual Governance Statement and Remuneration Report and Financial Statements. The Chair of the PSNI Audit and Risk Assurance Committee will be invited to a meeting once a year to discuss matters arising from the Committee.
- 3.2 A minimum of 3 Members of the Committee will be present for the meeting to be deemed quorate.
- 3.3 Committee meetings will normally be attended by the Accounting Officer, the Director of Resources, the Finance Manager, the Chief Audit Executive of the Internal Audit provider, a representative of External Audit, the Specialist Accountant advisor and an observer from the Department of Justice.
- 3.4 The Committee may ask any other officials of the organisation (Board or PSNI) or advisors to attend to assist it with its discussions on any particular matter.
- 3.5 The Committee may ask any or all of those who normally attend but who are not Members to withdraw to facilitate open and frank discussion of particular matters.
- 3.6 The Board may ask the Committee to convene further meetings to discuss particular issues on which it wants the Committee's advice.

### **4 Access**

- 4.1 The Chief Audit Executive of the Internal Audit provider and the NIAO/External Audit representative will have free and confidential access to the Chair of the Committee.

### **5 Reporting**

- 5.1 The Committee's agenda and minutes will be made available to all Board Members and political party Researchers to keep them up-to-date with the work of the Committee.

- 5.2 The Committee Chair will formally report back to the Board after each meeting. This report will include the Committee's draft minutes and will clearly communicate the Committee's advice and recommendations to the Board.
- 5.3 The Committee will provide the Board with an Annual Report, timed to support finalisation of the Accounts and the Governance Statement, summarising its conclusions from the work it has done during the year.

## **6 Responsibilities**

### **6.1 Board**

The Committee will review and advise the Board and Accounting Officer on:

- Strategic processes for risk, control and governance and the Governance Statement and assurances relating to the risk management framework and processes and corporate governance requirements for the organisation.
- Accounting policies, the financial statements, Remuneration Report, including the process for review of the accounts prior to submission for audit, levels of error identified, and Management's letter of representation to the external auditors.
- Planned activity and results of both Internal and External Audit.
- The adequacy of management response to issues identified by audit activity, including External Audit's Report to those charged with Governance.
- External Audit Annual Strategy and the Internal Audit Strategy and Internal Audit Annual Plans.
- The Accounting Officer's 6-monthly Stewardship Statement.
- The Audit & Risk Assurance Committee Annual Report.
- The Board's Gifts and Hospitality Register.
- Directly Awarded Contracts in respect of the Board.
- Anti-fraud policies and whistle-blowing processes.

### **6.2 PSNI**

In respect of PSNI, the Committee will:

- Ensure attendance by a Board representative<sup>1</sup> at PSNI Audit and Risk Assurance Committee meetings.
- Be provided with all PSNI Audit and Risk Assurance Committee papers and minutes;
- Require input on occasion<sup>2</sup> from the PSNI Audit and Risk Assurance Committee to the Board's own Audit and Risk Assurance Committee; and
- Review the PSNI's Audit and Risk Assurance Committee terms of reference and be notified by PSNI of any subsequent changes.

### 6.3 **Delegated Matters**

The Committee has delegated authority to act for the Board in respect of the following matters:

- To approve the annual Internal Audit programme for the Board.

## 7 **Rights**

The Committee may procure specialist ad-hoc advice at the expense of the organisation, subject to budgets agreed by the Board.

## 8 **Information Requirements**

8.1 For each routine meeting the Committee will be provided with:

- Risk  
A report summarising any significant changes to the strategic risks and a copy of the Corporate Risk Register.
- Internal Audit  
A progress report from the Chief Audit Executive of the Internal Audit provider summarising:

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<sup>1</sup> Chief Executive

<sup>2</sup> Twice yearly, unless decided otherwise by the Board ARAC



- work performed (and a comparison with work planned);
- key issues emerging from Internal Audit work;
- management response to Audit recommendations;
- changes to the Annual Audit Plan; and
- any resourcing issues affecting the delivery of Internal Audit objectives.

- External Audit

A progress report from the External Audit representative(s), summarising work done and emerging findings.

- PSNI Audit and Risk Assurance Committee

A report on the latest Committee meeting(s) including, where appropriate:

- Risk Management;
- Directly Awarded Contracts;
- Suspected/Actual Frauds;
- Internal Audit Reports and Recommendations;
- External Audit Reports and Recommendations;
- Year End Financial Reports; and
- Governance Statements.

8.2 As appropriate, or upon the Committee's request, the Committee will be provided with:

- The draft Governance Statement and Annual Accounts;
- A report on any changes to accounting policies;
- Internal Audit's Annual Assurance Statement;
- Proposals for the Terms of Reference of Internal Audit;
- The Internal Audit Strategy and Audit Plans;
- Quality Assurance reports on the Internal Audit function;
- The External Audit strategy;
- External Audit's Report to those Charged with Governance;
- A report on any proposals to tender for audit functions;
- Fraud Reports;

- Dear Accounting Officer (DAO) letters and Public Accounts Committee (PAC) Reports;
- The Risk Management Strategy;
- Direct Award Contracts within the Board; and
- Board Members' and Staff Gifts and Hospitality Register.

## **9 Evaluation of Performance**

9.1 The Committee will assess its own effectiveness on an annual basis. The Committee will formally report the results of its review of effectiveness to the Board.

## **NORTHERN IRELAND POLICING BOARD**

### **PARTNERSHIP COMMITTEE**

#### **TERMS OF REFERENCE**

#### **1 Role and Authority**

- 1.1 The Northern Ireland Policing Board (the Board) has established a Partnership Committee (the Committee) to support it in its statutory responsibilities for Partnership working, including: Policing and Community Safety Partnerships (PCSPs), oversight of the PSNI Policing with the Community Strategy, strategic engagement and community consultation, particularly those at 5.1.
- 1.2 The Committee is an advisory sub-Committee of the Board with no executive functions.
- 1.3 The Terms of Reference for the Committee are approved by the Board.

#### **2 Membership**

- 2.1 Members of the Committee are normally appointed for the period of their appointment to the Board. Details of Membership can be found on the Board's website.
- 2.2 The Committee will be provided with a secretarial function by the Director of Partnership.

#### **3 Meetings**

- 3.1 The Committee will meet every month unless otherwise agreed; however, the Chair of the Committee may convene additional meetings as deemed necessary.
- 3.2 A minimum of 5 Members of the Committee will be present for the meeting to be deemed quorate.

- 3.3 Committee meetings will normally be attended by the Chief Executive and the Director of Partnership.
- 3.4 The Committee may ask any other officials of the organisation (Board, PSNI or PCSP) or Advisors to attend to assist it with its discussions on any specific matter.
- 3.5 The Committee may ask any or all of those who normally attend, but who are not Members, to withdraw to facilitate open and frank discussion of particular matters.
- 3.6 The Board may ask the Committee to convene further meetings to discuss particular issues on which it wants the Committee's advice.

#### **4 Reporting**

- 4.1 The Committee's agenda and minutes will be made available to all Board Members and political party Researchers to keep them up to date with the work of the Committee.
- 4.2 The Committee Chair will formally report back to the Board after each meeting. This report will normally take the form of the Committee's minutes and will clearly communicate the Committee's advice and recommendations to the Board.
- 4.3 The Committee will provide the Board with an Annual Report, timed to support finalisation of the Accounts and the Governance Statement, summarising its conclusions from the work it has done during the year.

#### **5 Responsibilities**

- 5.1 The Committee will:

##### *PSNI Governance and General Matters*

- Monitor police performance against the measures/indicators specific to the committee in the Annual Policing / Performance plan(s) and support the Board in holding the Chief Constable to account for delivery of the Plan.
- Review policies and procedures pertinent to the Committee's Terms of Reference and make recommendations to the Board in respect thereof.

- Monitor progress in embedding a Policing with the Community culture within PSNI.
- Monitor the development and administration of the Police Property Fund
- Monitor the implementation of the Cross Border Policing Strategy.

#### Policing and Community Safety Partnerships (PCSPs)

- Annually monitor, support and evaluate the effectiveness of PCSPs and report to the Board.
- Monitor the Reconstitution of PCSPs (usually every four years) and make recommendations to the Board concerning the appointment/removal of independent PCSP members as necessary.
- Nominate Members to become Joint Committee members to manage in partnership with the Department of Justice, the Policing and Community Safety Partnership programme.
- Monitor the work of the Policing Committees of the PCSPs.

#### Communications

- Monitor the Board's communications activity.
- Monitor PSNI communication plans and activity.

#### Engagement

- Develop, implement and monitor an Engagement Strategy for the Board that supports confidence and co-operation of the public with the police.
- Develop, implement and monitor activities which secure community involvement in policing, including community consultation activities.
- Monitor and promote the Independent Custody Visitors Scheme (ICV) and the Independent Community Observer Scheme (ICO).

## **6. Rights**

- 6.1 The Committee may procure specialist ad-hoc advice at the expense of the organisation, subject to budgets agreed by the Board.

## **7. Information requirements**

- 7.1 As appropriate, the Committee will be provided with:

- Progress against the specific measures / indicators relating to the committee in the Policing / Performance Plan;
- Policing & Community Safety Partnerships (PCSPs);
- The Board's Engagement Strategy;
- Information on the embedding of a PSNI Policing with the Community culture (PWC);
- The Board's Communications programme;
- The ICV and ICO Schemes; and
- The Police Property Fund.

## **8 Evaluation of Performance**

8.1 The Committee will assess its own effectiveness on an annual basis. The Committee will formally report the results of its review of effectiveness to the Board.

## **NORTHERN IRELAND POLICING BOARD**

### **PERFORMANCE COMMITTEE**

#### **TERMS OF REFERENCE**

#### **1 Role and Authority**

- 1.1 The NI Policing Board (the Board) has established a Performance Committee (the Committee) to support it in its responsibilities for issues related to PSNI operational performance to include performance against the Policing Plan measures specific to the committee, Human Rights compliance and the Professional Standards of Police Officers. The committee will also oversee the exercise of the functions of the National Crime Agency (NCA) in Northern Ireland.
- 1.2 The Committee is an advisory sub-Committee of the Board with no executive functions.
- 1.3 The Terms of Reference for the Committee are approved by the Board.

#### **2 Membership**

- 2.1 Members of the Committee are normally appointed for the period of their appointment to the Board. Details of Membership can be found on the Board's website.
- 2.2 The Committee will be provided with a secretarial function by the Director of Performance.

#### **3 Meetings**

- 3.1 The Committee will meet every month unless otherwise agreed; however, the Chair of the Committee may convene additional meetings as deemed necessary.
- 3.2 A minimum of 5 Members of the Committee will be present for the meeting to be deemed quorate.

- 3.3 Committee meetings will normally be attended by the Chief Executive, the Director of Performance and the Board's Human Rights Advisor.
- 3.4 The Committee may ask any other officials of the organisation (Board or PSNI) or Advisors to attend to assist it with its discussions on any specific matter.
- 3.5 The Committee may ask any or all of those who normally attend but who are not Members to withdraw to facilitate open and frank discussion of particular matters.
- 3.6 The Board may ask the Committee to convene further meetings to discuss particular issues on which it wants the Committee's advice.

#### **4 Reporting**

- 4.1 The Committee's agenda and minutes will be made available to all Board Members and political party Researchers to keep them up-to-date with the work of the Committee.
- 4.2 The Committee Chair will formally report back to the Board after each meeting. This report will include the Committee's draft minutes and will clearly communicate the Committee's advice and recommendations to the Board.
- 4.3 The Committee will provide the Board with an Annual Report, timed to support finalisation of the Accounts and the Governance Statement, summarising its conclusions from the work it has done during the year.

#### **5 Responsibilities**

- 5.1 The Committee will:

##### *Governance and General Matters*

- Review policies and procedures pertinent to the Committee's Terms of Reference and make recommendations to the Board in respect thereof.
- Monitor police performance against the measures/indicators specific to the committee in the Annual Policing / Performance plan and support the Board in holding the Chief Constable to account for delivery of the Plan.



### Other Police Performance

- Keep under review the outcome of external inspections/research or reviews of PSNI performance in the core policing functions of preventing and detecting crime;
- Monitor the implementation of recommendations from PSNI oversight bodies in respect of police performance, practice and policy;
- Consider reports from Independent Reviewers in respect of PSNI use of powers in the Terrorist Act 2000 (TACT) and the Justice & Security (NI) Act 2007(JSA);
- Monitor the work of PSNI Legacy Investigation Branch.

### Human Rights

- Monitor PSNI compliance with the Human Rights Act 1998;
- Produce an annual report on PSNI compliance with the Human Rights Act 1998 and consider and make recommendations to the Board in respect thereof;
- Consider the Board's human rights thematic reports and make recommendations to the Board in respect thereof;
- Monitor the implementation of recommendations from the Board's Human Rights Reports.

### Police Professional Standards

- Revise the Code of Ethics for Police Officers and make recommendations to the Board in respect of the publication thereof;
- Assess the effectiveness of the Code of Ethics;
- Monitor trends and patterns in complaints against PSNI;
- Keep under review the outcome of disciplinary procedures;
- Consider investigation reports of the Police Ombudsman and liaise with the Police Ombudsman in relation to policy and practice;
- Keep under review the outcome of Police Appeal Tribunals;
- Consider appeals on PSNI Officer Business Interests.

### National Crime Agency

- Lead on the Board's oversight responsibilities with regard to the operation of the National Crime Agency (NCA) in Northern Ireland;

- Consider any changes to the Memorandum of Understanding between the Board and the NCA and make recommendations to the Board in respect thereof.

## **6 Rights**

- 6.1 The Committee may procure specialist ad-hoc advice at the expense of the organisation subject to budgets agreed by the Board.

## **7 Information requirements**

- 7.1 As appropriate, the Committee will be provided with:
- Reports on progress against the specific measures / indicators relating to the committee in the Policing / Performance Plan;
  - Reports from police oversight bodies and relevant research reports;
  - Reports from the Independent Reviewers of TACT and JSA;
  - Update reports from the Human Rights Advisor;
  - Progress updates on Human Rights Advisor recommendations;
  - Information from the Office of the Police Ombudsman;
  - Information from PSNI Discipline Branch; and
  - Information from NCA.
  - Information from PSNI in respect of the areas within the Human Rights Monitoring Framework.

## **8 Evaluation of Performance**

- 8.1 The Committee will assess its own effectiveness on an annual basis. The Committee will formally report the results of its review of effectiveness to the Board.

## **NORTHERN IRELAND POLICING BOARD**

### **RESOURCES COMMITTEE**

#### **TERMS OF REFERENCE**

#### **1 Role and Authority**

- 1.1 The NI Policing Board (the Board) has established a Resources Committee (the Committee) to support it in its responsibilities for all issues related to Finance, Human Resources (including Pensions and Injury on Duty Awards), Land and Property, Information Technology and Equality in the PSNI, and particularly those at Section 5.1 and 5.2.
- 1.2 The Committee is an advisory sub-Committee of the Board with no executive functions.
- 1.3 The Terms of Reference for the Committee are approved by the Board.

#### **2 Membership**

- 2.1 Members of the Committee are normally appointed for the period of their appointment to the Board. Details of Membership can be found on the Board's website.
- 2.2 The Committee will be provided with a secretarial function by the Director of Resources.

#### **3 Meetings**

- 3.1 The Committee will meet every month unless otherwise agreed; however, the Chair of the Committee may convene additional meetings as deemed necessary.
- 3.2 A minimum of 5 Members of the Committee will be present for the meeting to be deemed quorate.

- 3.3 Committee meetings will normally be attended by the Chief Executive, the Director of Resources and the Finance Manager.
- 3.4 The Committee may ask any other officials, (Board or PSNI) or Advisors to attend and to assist it with its discussions on any specific matter. In particular, the PSNI's Senior Officers will be expected to be available for each meeting.
- 3.5 The Committee may ask any or all of those who normally attend but who are not Members to withdraw to facilitate open and frank discussion on particular matters.
- 3.6 The Board may ask the Committee to convene further meetings to discuss particular issues on which it wants the Committee's advice.

#### **4 Reporting**

- 4.1 The Committee's agenda and minutes will be made available to all Board Members and political party Researchers to keep them up-to-date with the work of the Committee.
- 4.2 The Committee Chair will formally report back to the Board after each meeting. This report will include the Committee's draft minutes and will clearly communicate the Committee's advice and recommendations to the Board.
- 4.3 The Committee will provide the Board with an Annual Report, timed to support finalisation of the Accounts and the Governance Statement, summarising its conclusions from the work it has undertaken during the year.

#### **5 Responsibilities**

##### **5.1 PSNI**

The Committee will:

##### *Governance and General Matters*

- Monitor police performance against the measures/indicators specific to the committee in the Annual Policing / Performance plan and support the Board in holding the Chief Constable to account for delivery of the Plan.

- Keep informed and as appropriate approve PSNI strategies relevant to the work of the Committee<sup>3</sup>.
- Oversee and report to the Board on the functions performed by the Chief Constable on behalf of the Board namely:
  - Directing and controlling Police staff;
  - Providing and maintaining buildings and equipment for police purposes;
  - Keeping proper accounts and related records; and
  - Preparing and submitting an annual statement of accounts in relation to amounts put at his/her disposal.

#### Financial Management

- Make a recommendation to the Board regarding approval of the PSNI budget for the financial year.
- Monitor the effectiveness of the PSNI's strategic financial planning process including monitoring and scrutiny of management accounts, the budget and forward financial forecasts.
- Consider and approve expenditure above delegated limits and novel, contentious or repercussive proposals.
- Consider and approve issues relating to borrowing, gifts made, write-offs, losses and other special payments.
- Monitor and consider as appropriate compensation claims made against the Chief Constable.

#### Estates

- Monitor and review the PSNI's Estate strategy and recommend to the Board acquisition and disposal of land and property.

#### Human Resources

- Monitor and report to the Board on trends and patterns in the recruitment of police and police support staff; and assess the effectiveness of measures taken to ensure that membership of the police service and the police support staff is representative of the community.
- Undertake the Board's responsibilities in relation to the secondment of PSNI officers up to and including the rank of Chief Superintendent.

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<sup>3</sup> The relevant PSNI enabling strategies include Estates, Transport, Digital Policing, Finance, Procurement , People, Training and Development, Leadership and Health and Safety.

- Exercise strategic oversight of equality and diversity and monitor the implementation of Section 75 within PSNI.
- Approve Special Purchase of Evacuated Dwellings (SPED) and relocation expenses for PSNI officers and staff.
- Undertake the Board's responsibilities in relation to police pay, allowances and conditions of service and provide a recommendation to the Board on input to the Police Remuneration and Review Body (PRRB) annual review of pay for police officers.

#### Police Training

- Advise the Board as appropriate on the facilities and provision of both pre-service and in-service training and development for police officers and staff, and oversee quality standards.
- Monitor the provision of continuous professional development and the opportunities for career development of all police officers and staff.

## 5.2 **Board**

The Committee will:

#### Governance and General Matters

- Review policies and procedures pertinent to the Committee's Terms of Reference and make recommendations to the Board in respect thereof.
- Receive reports on appropriate legal issues pertaining to the Board.
- Undertake the Board's responsibilities under Police and Police Pension Regulations.
- Make recommendations to the Board in respect of pension forfeiture cases.

#### Financial Management

- Make a recommendation to the Board regarding approval of the Board budget for the financial year.
- Scrutinise the Board financial performance, including monitoring and scrutiny of management accounts, the budget and forward financial forecasts.
- Consider and approve expenditure above delegated limits and novel, contentious or repercussive proposals.

- Consider and approve issues relating to borrowing, gifts made, write-offs, losses and other special payments.
- Monitor and consider as appropriate compensation claims made against the Board.

#### Estates

- Advise the Board on the future accommodation for the Northern Ireland Policing Board.

#### Human Resources

- To consider the composition of the PSNI Senior Officer and staff equivalent positions and make recommendations in respect thereof;
- Exercise strategic oversight of equality and diversity and monitor the implementation of Section 75 within the Board.

## **6 Rights**

- 6.1 The Committee may procure specialist ad-hoc advice at the expense of the organisation, subject to budgets agreed by the Board.

## **7 Information requirements**

- 7.1 For each routine meeting the Committee will be provided with a:

- Board Finance Report; and
- PSNI Finance Report.

- 7.2 As appropriate, the Committee will be provided with:

- Reports on progress against the specific measures / indicators relating to the committee in the Policing / Performance Plan;
- External Auditor Reports to those Charged with Governance;
- Reports on Direct Award Contracts;
- Reports on Human Resources issues; and

- Other Reports relating to the Responsibilities in paragraph 5.1. and 5.2.

## **8 Evaluation of Performance**

- 8.1 The Committee will assess its own effectiveness on an annual basis. The Committee will formally report the results of its review of effectiveness to the Board.



## NORTHERN IRELAND POLICING BOARD

### SPECIAL PURPOSES COMMITTEE

#### TERMS OF REFERENCE

## 1 Role and Authority

- 1.1 The Northern Ireland Policing Board (the Board) has established a Special Purposes Committee (the Committee) to receive confidential briefings for the purpose of monitoring the PSNI in accordance with the statutory functions of the Board set out in Sections 59<sup>4</sup> and 60<sup>5</sup> of the Police (Northern Ireland) Act 2000, and particularly those at Section 5.1.
- 1.2 The Committee is an advisory sub-Committee of the Board with no executive functions.
- 1.3 The Terms of Reference for the Committee are approved by the Board.

## 2 Membership

- 2.1 The Committee is comprised of the Board Chair, Vice-Chair and Chairs of each of the Board's Committees. Details of Membership can be found on the Board website.
- 2.2 Members of the Committee are normally appointed for the period of their appointment to the Board.
- 2.3 The Committee will be provided with a secretariat function by the Chief Executive.

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<sup>4</sup> General duty of Chief Constable to report to Board – link to legislation below:  
<https://www.legislation.gov.uk/ukpga/2000/32/section/59>

<sup>5</sup> Inquiry by Board following report by Chief Constable – link to legislation below:  
<https://www.legislation.gov.uk/ukpga/2000/32/section/60>

### **3 Meetings**

- 3.1 The Committee will meet as and when required with the agreement of the Chair.
- 3.2 A minimum of 3 Members of the Group will be present for the meeting to be deemed quorate.
- 3.3 Committee meetings will normally be attended by the Chief Executive.
- 3.4 The Committee may ask any other officials of the organisation (Board or PSNI) or Advisors to attend to assist it with its discussions on any specific matter.
- 3.5 The Committee may ask any or all of those who normally attend but who are not Members to withdraw to facilitate open and frank discussion of particular matters.

### **4 Reporting**

- 4.1 The Committee will keep the Board informed through briefings from the Chair.

### **5 Responsibilities**

- 5.1 The Committee will:
  - receive sensitive information following a section 59 request from the Board; (Information which if disclosed would be likely to put an individual in danger; information which ought not to be disclosed on grounds of national security; information which is sensitive personnel information; or information which if disclosed would, or would be likely to, prejudice proceedings which have been commenced in a court of law);
  - receive information where the Chief Constable has been directed to provide such information by the Secretary of State/Justice Minister; or
  - receive information from a person conducting an inquiry under section 60 should they have advised the Board that they have received certain sensitive

information<sup>6</sup> from the Chief Constable that they wish to share with a Special Purposes Committee<sup>7</sup>.

## **6 Information requirements**

- 6.1 For each meeting the Committee will be provided with any papers relevant to the agenda of the meeting.

## **7 Confidentiality**

- 7.1 Any confidential information provided to the Committee by the Chief Constable or by any other person must not be disclosed beyond Members of the Committee and staff of the Board who provide services to the Committee; to do so is an offence.

## **8 Evaluation of Performance**

- 8.1 The Committee will assess its own effectiveness on an annual basis. The Committee will formally report the results of its review of effectiveness to the Board.

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<sup>6</sup> As above

<sup>7</sup> The Board can only have one Special Purposes Committee.

## NORTHERN IRELAND POLICING BOARD

### CHAIR'S ADVISORY GROUP

#### TERMS OF REFERENCE

#### **1 Role and Authority**

- 1.1 The NI Policing Board (the Board) has established a Chair's Advisory Group (the Group) to provide advice to the Board Chair and to discuss urgent issues which may arise between Board meetings.
- 1.2 The Terms of Reference for the Group are approved by the Board.

#### **2 Membership**

- 2.1 The Group is comprised of the Board Chair, Vice-Chair and Chairs of each of the Board's Committees.
- 2.2 Members of the Group are normally appointed for the period of their appointment as Committee Chairs.
- 2.3 The Board Chair will chair meetings of the Group.
- 2.4 The Group will be provided with a secretarial function by the Chief Executive.

#### **3 Meetings**

- 3.1 The Board Chair will arrange meetings of the Group as and when required.
- 3.2 The Group may ask any other officials of the Board or PSNI to attend to assist it with discussions on any specific matter.
- 3.3 The Group may ask any or all of those who normally attend but who are not Members to withdraw to facilitate open and frank discussion of particular matters.

## **4 Reporting**

4.1 The Chair will update all Board Members as and when required.

## **5 Responsibilities**

5.1 The Group will:

- provide advice to the Board Chair as required; and
- discuss and advise the Chair on urgent issues which may arise between Board meetings.

## LIST OF ABBREVIATIONS

|           |   |
|-----------|---|
| ARAC      | Audit and Risk Assurance Committee            |
| Board     | Northern Ireland Policing Board               |
| DAO       | Dear Accounting Officer                       |
| ICO       | Independent Community Observers               |
| ICV       | Independent Custody Visitors                  |
| JSA       | Justice and Security (NI) Act 2007            |
| MSFM      | Management Statement and Financial Memorandum |
| NCA       | National Crime Agency                         |
| NIAO      | Northern Ireland Audit Office                 |
| PAC       | Public Accounts Committee                     |
| PCSPs     | Policing and Community Safety Partnerships    |
| PRRB      | Police Remuneration and Review Body           |
| PSNI      | Police Service of Northern Ireland            |
| PSNI ARAC | PSNI Audit and Risk Assurance Committee       |
| PWC       | Policing with the Community                   |
| SPED      | Special Purchase of Evacuated Dwellings       |
| TACT      | Terrorist Act 2000                            |

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## DOCUMENT TITLE

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**Northern Ireland Policing Board Terms of Reference of the Standing Committees of the Board**

## ONLINE FORMAT

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This document is available in PDF format from our website. This document may also be made available upon request in alternative formats or languages. Requests should be made to the Northern Ireland Policing Board.

## DISCLAIMER

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While every effort has been made to ensure the accuracy of the information contained in this document, the Northern Ireland Policing Board will not be held liable for any inaccuracies that may be contained within.



Annex E Corporate Governance in Central Government Departments: Code of Good Practice NI 2013



# **Corporate governance in central government departments: Code of good practice NI**

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**2013**

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# Foreword

## About this Code

### Corporate Governance

Corporate governance is the way in which organisations are directed, controlled and led. It defines relationships and the distribution of rights and responsibilities among those who work with and in the organisation, determines the rules and procedures through which the organisation's objectives are set, and provides the means of attaining those objectives and monitoring performance.

Good corporate governance is fundamental and is the hallmark of an effective, well-managed, organisation. This Code seeks to promote good corporate governance in departments.

The Code is written for departments, concentrating throughout on key principles which will have wider application for other parts of the public sector. Such bodies are encouraged to consider and adopt the practices set out in the Code wherever it is relevant and practical and suits their business needs. ***If a department, agency or Arm's Length Body (ALB) considers that it is necessary to depart significantly from the guidance set out in this Code then it should be able to explain and describe what alternative governance measures have been put in place which have similar effect to the principles set out in the Code.***

### Accountability and role of the Board

Governance arrangements in departments are intended to support, help and challenge the way departments are run and how they deliver public services. Departmental Boards are therefore advisory in the sense that they are intended to support and challenge Accounting Officers (AOs) and their senior teams.

The Code is drafted to offer flexibility in the way a Board behaves, and in particular to foster a sense of corporate behaviour amongst Board members.

Each department needs to be pragmatic in the way they implement the principles of the Code. One size never fits all, but the "comply or explain" mechanism, enables departments to deviate from the principles and supporting provisions if justifiable for the good governance of the department.

Good governance is central to the effective operation of government departments. Government departments are not the same as for-profit corporations, but they need to be business-like and operate according to recognised precepts of good governance in business:

- Leadership – articulating a clear vision for the department and giving clarity about how policy activities contribute to achieving this vision, including setting risk appetite and managing risk;
- Effectiveness – bringing a wide range of relevant experience to bear, including through offering rigorous challenge and scrutinising performance;
- Accountability – promoting the government’s goal of transparency through clear and fair reporting; and
- Sustainability – taking a sensible, long-term view about what the department is trying to achieve and what it is doing to get there.

This Code has been developed to be a primary reference and provide an overview of good practice for corporate governance in departments. It should be cascaded to management throughout the public sector. There is further guidance on various aspects of corporate governance in government in a number of other publications, including *Managing Public Money NI (MPMNI)*, the *Audit and Risk Assurance Committee Handbook*, the *Ministerial Code* and the *NI Civil Service Code*.

Codifying the requirements for good governance can only go so far. To maximise the effectiveness of an organisation, people within the governance structure need to adopt appropriate behaviour too. Compliance with this Code cannot guarantee good performance but it does make it more likely. The principles, policy and provisions outlined in this Code provide a framework designed to facilitate good decision-making by departments. In order to foster good decision-making, the Board needs to adopt open and transparent behaviours.

## **This Code**

Where appropriate, the Code draws on best practice in the public, private and charity sectors by: reinforcing the importance of corporate governance as a pre-requisite to achieving good financial management; reflecting changes in governance best practice, including increased emphasis on good leadership (often referred to as ‘tone from the top’); and, promoting better governance arrangements within departmental families.

In addition to departments, the principles in the Code generally hold across other parts of government, including departments’ ALBs and non-Ministerial departments.

## **Comply or Explain**

The Code is based on principles.

The Code needs to be considered in its entirety to ensure a comprehensive perspective of good practice. The Code focuses on the role of Boards, since these provide leadership but departments should apply the principles of the Code to meet their business needs.

Departures from the Code may be justified if good governance can be achieved by other means. Reasons for departure should be explained clearly and carefully in the Governance Statement accompanying its annual resource accounts. In providing an explanation, a department should aim to illustrate how its practices are both consistent with the principle to which the particular provision relates and contribute to good governance.

## **Looking ahead**

The Code is intended to be a living document and will evolve in line with best practice.

# 1

# Accountability

## Principles

- 1.1 The Minister in charge of the department is responsible and answerable to the Assembly for the exercise of the powers on which the administration of that department depends. He or she has a duty to the Assembly to account, and to be held to account, for all the policies, decisions and actions of the department, including its ALBs.
- 1.2 The departmental AO is personally responsible and accountable to the Assembly for the organisation and quality of management in the department, including its use of public money and the stewardship of its assets.

## Supporting provisions

- 1.3 The lead Minister in a department may devolve to his or her junior Ministers responsibility for a defined range of departmental work, including Assembly business.
- 1.4 In non-Ministerial departments, there should be an agreement as to which Minister(s) should answer for the department's affairs in the Assembly.
- 1.5 Generally speaking, civil servants working for a departmental Minister may exercise powers of the Minister in charge of the department. Ministers remain accountable to the Assembly for decisions made under their powers.
- 1.6 The official at the head of the department is normally appointed as its AO. The duties of the post are outlined in *MPMNI*.
- 1.7 The Assembly grants resources to departments for specified purposes. DFP administers these resources on behalf of the Assembly and appoints the AOs who are charged with ensuring resources are used as the Assembly intends.
- 1.8 The AO should establish and document a clear allocation of responsibilities amongst officials in the department, but he or she retains overall personal responsibility and accountability to the Assembly for:
  - propriety and regularity;
  - prudent and economical administration;

- avoidance of waste and extravagance;
- ensuring value for money, judged for the Executive as a whole, not just for the department;
- efficient and effective use of available resources; and
- the organisation, staffing and management of the department.

1.9 An AO who is instructed by the Minister responsible for the department to take a course of action that he or she believes to be contrary to the responsibilities and accountabilities set out in *MPMNI* should seek a written direction from the Minister.

1.10 In addition to forwarding a copy of all Ministerial Directions to the Comptroller and Auditor General for Northern Ireland, who will normally draw the matter to the attention of the Public Accounts Committee (PAC), the AO should also disclose all Ministerial Directions to the Board at the next Board meeting. All Ministerial Directions that would be subject to public disclosure under the Freedom of Information Act 2000 were an appropriate request made should be disclosed in the Governance Statement for the period in which the direction was granted.

1.11 At the request of the departmental AO, other senior officials in the department may be appointed as additional Accounting Officers for certain accounts, requests for resources, or distinct parts of an estimate. The departmental AO retains overall responsibility to the Assembly for ensuring a high standard of financial management in the departmental family as a whole.

# 2

## The role of the Board

### Principles

- 2.1 Each department should have an effective Board, which provides leadership for the department's business, helping it to operate in a business-like manner. The Board should operate collectively, concentrating on advising on strategic and operational issues affecting the department's performance as well as scrutinising and challenging departmental policies and performance, with a view to the long-term health and success of the department.
- 2.2 The Board forms the collective strategic and operational leadership of the department, bringing together its senior officials with non-executives from outside government, helping the department to operate in a business-like manner. The Board's role should include appropriate oversight of sponsored bodies.
- 2.3 The Board does not decide policy or exercise the powers of the Ministers. The department's policy is decided by Ministers on advice from officials. The Board advises on the operational implications and effectiveness of policy proposals.
- 2.4 The Board should meet regularly. It advises on five main areas:
  - Strategic Clarity – setting the vision and/or mission and ensuring all activities, either directly or indirectly, contribute towards it; long-term capability and horizon scanning, ensuring strategic decisions are based on a collective understanding of policy issues; using outside perspective to ensure that departments are challenged on the outcomes;
  - Commercial Sense – approving the distribution of responsibilities; advising on sign-off of large operational projects or programmes; ensuring sound financial management; scrutinising the allocation of financial and human resources to achieve the plan; ensuring organisational design supports attaining strategic objectives; setting the department's risk appetite and ensuring controls are in place to manage risk; evaluation of the Board and its members, and succession planning;
  - Talented People – ensuring the department has the capability to deliver and to plan to meet current and future needs;



- Results Focus – agreeing the operational business plan, including strategic aims and objectives; monitoring and steering performance against plan; scrutinising performance of sponsored bodies; and setting the department’s standards and values; and
- Management Information – ensuring clear, consistent, comparable performance information is used to drive improvements.

2.5 Some activities may be exercised by committees of the Board. As a minimum, this will include a committee responsible for audit, risk and governance, normally referred to as the Audit and Risk Assurance Committee (the responsibilities of which will include reviewing the comprehensiveness of assurances, integrity of financial statements and scrutinising governance arrangements).

## Supporting provisions

2.6 The Board supports senior officials in directing the business of the department in as effective and efficient way as possible with a view to the long-term health and success of the department.

2.7 The Board must support the AO for the discharge of obligations set out in *MPMNI* for the proper conduct of business and maintenance of ethical standards.

2.8 The Board should collectively affirm and document its understanding of the department’s purpose and document the Board’s role and responsibilities in a Board Operating Framework. This document should include a formal schedule of matters reserved for Board discussion, i.e. those which should not be delegated to committees. A model Board Operating Framework is attached at Annex A. The Board Operating Framework should be reviewed and updated from time to time and at least every two years.

2.9 The Board should act corporately and objectively when discharging its responsibilities.

2.10 Board members should act in the public interest in keeping with the Nolan principles of public life.

2.11 The Board should support actions to ensure that officials comply with the *NI Civil Service Code*.

2.12 The Board should ensure that the department’s reporting obligations to the Assembly are met effectively and efficiently, this should include any reporting to DFP that may be required to allow it to exercise its role in relation to resources.

2.13 The Board’s activities should be recorded and communicated as appropriate within the department. Boards may permit certain members of the department to observe all or part of their meetings.

2.14 Board committees should only exercise governance functions and not stray into the executive management of the department which is the role of officials.

The Audit and Risk Assurance Committee should be chaired by a Non-Executive Board Member (NEBM) and have clear terms of reference agreed by the Board. The Board should ensure that it receives adequate and timely feedback on the work of those committees and is able to consider their decisions formally. A schedule of the agreed governance oversight delegations made by the Board to committees, and the mechanisms for feedback and assurance, should be documented in the Board Operating Framework.

**2.15** The Permanent Secretary is responsible for the executive management of the department. The Permanent Secretary should set out for the Board a structure for discharging this responsibility.

**2.16** Where Board members have concerns, which cannot be resolved, about the running of the department or a proposed action, they should ensure that their concerns are recorded in the minutes. This might occur, for example, in the rare circumstance in which the chair of the Board considers it necessary to depart from the collective view of the Board.

# 3

## Board composition

### Principles

- 3.1 The Board should have a balance of skills and experience appropriate to fulfilling its responsibilities. The membership of the Board should be balanced, diverse and manageable in size. The Board should include independent Non-Executive Board Members (NEBMs) to ensure that executive members are supported and constructively challenged in their role.
- 3.2 The roles and responsibilities of all Board members should be defined clearly in the department's Board Operating Framework.

### Supporting provisions

- 3.3 The Board should provide collective strategic and operational leadership to the departmental family, helping it to operate in a business-like manner.
- 3.4 The Board should include people with a mix and balance of skills and understanding to match and complement the department's business and its strategic aims, typically including:
  - leadership;
  - management of change in complex organisations;
  - process and operational delivery;
  - commercial procurement expertise;
  - knowledge of the department's business and policy areas;
  - corporate services professional skills, including finance, human resources, communications, information systems and information technology; and
  - a professionally qualified Finance Director.
- 3.5 The mix and balance of skills and understanding should be reviewed periodically, at least annually as part of the Board effectiveness evaluation, to ensure they remain appropriate for the department's Board.

- 3.6 The search for NEBM Board candidates should be conducted, and appointments made, on merit, with due regard to any guidance issued by the Commissioner for Public Appointments.
- 3.7 The Board should agree and document in its Board Operating Framework a *de minimis* threshold and mechanism for Board advice on the operation and delivery of policy proposals.
- 3.8 The Board should be informed of Executive-wide policies and initiatives and challenge officials on the department's compliance.
- 3.9 NEBMs should provide advice, support and informal ongoing feedback to the department's Permanent Secretary and other civil service Board members.

# 4

## Board effectiveness

### Principles

- 4.1 The Board should ensure that arrangements are in place to enable it to discharge its responsibilities effectively, including:
- formal procedures for the appointment of new Board members, tenure and succession planning for both Board members and senior officials;
  - allowing sufficient time for the Board to discharge its collective responsibilities effectively;
  - induction on joining the Board, supplemented by regular updates to keep Board members' skills and knowledge up-to-date;
  - timely provision of information in a form and of a quality that enables the Board to discharge its duties effectively;
  - a mechanism for learning from past successes and failures within the departmental family and relevant external organisations;
  - a formal and rigorous annual evaluation of the Board's performance and that of its committees, and of individual Board members; and
  - a dedicated secretariat with appropriate skills and experience.

### Supporting provisions

- 4.2 An effective Board requires the effective discharge of the chair's responsibilities.
- 4.3 The attendance record of individual Board members should be disclosed in the Governance Statement and cover meetings of the Board and its committees held in the period to which the resource accounts relate.
- 4.4 The Permanent Secretary should ensure that Board members have the skills, knowledge and familiarity with the department required to fulfil their role on the Board and its committees. Through the Board secretariat, the department should provide the necessary resources for developing and updating the

knowledge and capabilities of Board members, including access to its operations and staff.

- 4.5 The Board should consider succession management and talent development. The Board should satisfy itself that plans are in place for orderly succession to both the Board and to senior management positions, so as to maintain an appropriate balance of skills and experience within the department and the Board.
- 4.6 Board members' time is a finite resource. The Permanent Secretary should through the Board secretary, ensure that Board members receive accurate, timely and clear information. Board information should be concise and fit for purpose, setting out comprehensive, relevant evidence, and avoiding duplication of data collection efforts. It should cover the main areas of the Board's activities along with background on the department's policy portfolio.
- 4.7 Wherever possible, the information presented to the Board should enable comparison with other departments or relevant organisations.
- 4.8 Where necessary Board members should seek clarification or amplification on Board issues or Board papers through the Board secretary. The Board secretary will consider how officials can best support the work of Board members; this may include providing Board members with direct access to officials where appropriate.
- 4.9 An effective Board secretary is essential for an effective Board. Under the direction of the Permanent Secretary, the Board secretary's responsibilities should include:
- developing and agreeing the agenda for Board meetings with the chair, ensuring all relevant items are brought to the Board's attention;
  - ensuring good information flows within the Board and its committees and between senior management and NEBMs, including:
    - challenging and ensuring the quality of Board papers and Board information;
    - ensuring Board papers are received by Board members according to a timetable agreed by the Board;
    - providing advice and support on governance matters and helping to implement improvements in the governance structure and arrangements;
  - ensuring the Board follows due process;
  - providing assurance to the Board that the department:
    - adheres to the Code's principles and supporting provisions on a comply or explain basis (which should form part of the report accompanying the resource accounts);

- acting as the focal point for interaction between NEBMs and the department, including arranging detailed briefing for NEBMs and meetings between NEBMs and officials, as requested or appropriate;
- recording Board decisions accurately and ensuring action points are followed up; and
- arranging induction and professional development of Board members.

**4.10** Evaluations of the performance of individual Board members should show whether each continues to contribute effectively and corporately and demonstrates commitment to the role (including commitment of time for Board and committee meetings and other duties).

**4.11** The Board should agree and document an appropriate system to record interests and manage conflicts and potential conflicts of interest of Board members. The Board should publish, in its Governance Statement, how any identified conflicts of interest, and potential conflicts, of Board members have been managed.

# 5

## Risk management

### Principles

- 5.1 The Board should ensure that there are effective arrangements for governance, risk management and internal control for the whole departmental family. Advice about and scrutiny of key risks is a matter for the Board, not a committee. The Board should be supported by:
- an Audit and Risk Assurance Committee, chaired by a suitably experienced NEBM;
  - an internal audit service operating to Internal Audit Standards issued by DFP; and
  - sponsor teams of the department's key ALBs.
- 5.2 The Board should take the lead on, and oversee the preparation of, the department's Governance Statement for publication with its resource accounts each year.

### Supporting provisions

- 5.3 The Head of Internal Audit may periodically be invited to attend Board meetings, where key issues are discussed relating to governance, risk management or control across the department and its ALBs.
- 5.4 The Board should assure itself of the effectiveness of the department's risk management system and procedures and its internal controls. The Board should give a clear steer on the desired risk appetite for the department and ensure that:
- there is a proper framework of prudent and effective controls, so that risks can be assessed, managed and taken prudently;
  - there is clear accountability for managing risks; and
  - departmental officials are equipped with the relevant skills and guidance to perform their assigned roles effectively and efficiently.
- 5.5 The Board should also ensure that the department's ALBs have appropriate and effective risk management processes through the department's sponsor teams.



- 5.6 The Board should ensure an ALB makes effective arrangements for internal audit.
- 5.7 The Board and AO should be supported by an Audit and Risk Assurance Committee, comprising at least three members. The chair of the committee should be a NEBM of the Board with relevant experience. There should be at least one other NEBM of the Board on the committee; the committee may also choose to seek further non-executive membership from non-members of the Board in order to ensure an appropriate level of skills and experience. At least one, but preferably more, of these committee members should have recent and relevant financial experience.
- 5.8 Advising on key risks is a role for the Board. The Audit and Risk Assurance Committee should support the Board in this role.
- 5.9 An Audit and Risk Assurance Committee should not have any executive responsibilities or be charged with making or endorsing any decisions. It should take care to maintain its independence. The committee should be established and function in accordance with relevant DFP guidance.
- 5.10 The Board should ensure that there is adequate support for the Audit and Risk Assurance Committee, including a secretariat function.
- 5.11 The annual Governance Statement (which includes areas formerly covered by the statement on internal control) is published with the resource accounts each year. In preparing it, the Board should assess the risks facing the department and ensure that the department's risk management and internal control systems are effective. The Audit and Risk Assurance Committee should normally lead this assessment for the Board.
- 5.12 The terms of reference of the Audit and Risk Assurance Committee, including its role and the authority delegated to it by the Board, should be made available publicly. The department, through the Audit and Risk Assurance Committee chair, should report annually on the work of the committee in discharging those responsibilities.

# 6

## Arm's Length Bodies

### Principles

- 6.1 Where part of the business of the department is conducted with and through ALBs<sup>1</sup>, the department's Board should ensure that there are robust governance arrangements with each ALB Board. These arrangements should set out the terms of their relationship and explain how they will be put in place to promote high performance and safeguard propriety and regularity.
- 6.2 The Board's regular agenda should include scrutiny of the performance of the department's sponsored bodies.

### Supporting provisions

- 6.3 ALBs are publicly accountable, whether funded directly from the Assembly, a department, or through a government sponsored commercial structure that enables the body to generate its own revenue. Therefore, ALBs are accountable to their sponsor department for performance and the use of their resources, within the established arm's length relationship as set out in their written agreement (Management Statement and Financial Memorandum or equivalent).
- 6.4 Each department is accountable to the Assembly, through the Minister responsible for the department. This accountability includes the performance of the department's ALBs.
- 6.5 The Board should ensure that the department has a written agreement with each of its ALBs, which defines clearly how the relationship should work. Each departmental agreement with an ALB should be drawn up to reflect the:
  - purpose and responsibilities of the ALB;
  - legal framework (if any) of the ALB; and
  - and environment in which it operates (e.g. commercial, judicial, advisory).

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<sup>1</sup>The term "Arm's Length Bodies" is taken by the Cabinet Office to include a department's executive agencies, NDPBs and public corporations. In the NI context due to the close operating relationship between NI departments and their agencies, agencies are not considered to be arm's length bodies. There may however also be value in considering the department's governance arrangements for other strategic partners e.g. PPP and PFI partners

- 6.6 The written agreement should be reviewed and updated periodically. Certain events should trigger such a review, such as the appointment of a new chair or chief executive officer in an ALB, changes of senior personnel in the sponsor team or a significant change in government policy relating to the ALB's business. As a minimum, written agreements should be reviewed formally at least once every three years.
- 6.7 The agreement should include clear information about the:
- shared aims and mutual responsibilities, including a management framework and potential rewards and sanctions for meeting or missing performance targets within an agreed tolerance;
  - arrangements for reporting and consultation in order to ensure that the departmental Board receives information enabling it to monitor;
  - mechanisms to provide the department with assurance on information provided by ALBs on their performance;
  - roles and obligations of both the department and ALB, along with expectations of support from the other party; and
  - process for making Board and senior management appointments in the ALB.
- 6.8 Departments may want the agreement to specify reporting relationships along professional lines, in addition to that of the department's AO and the ALB's AO. In particular, the relationship between the departmental Finance Director and the ALB's Finance Director should be specified, to support the relationship between AOs.
- 6.9 Guidance on the framework documents between departments and ALBs is included in *MPMNI*.
- 6.10 In practice, departments may adopt a variety of supplementary arrangements to manage these relationships. For example, senior members of ALBs may be members or observers of departmental Boards in their capacity as stakeholders; similarly, departmental Board members may be members or observers of the Boards of ALBs.
- 6.11 The department's relationship with ALBs should reflect the Board's assessment of each ALB's ability to manage its risks, including those relating to delivery and financial management, and its performance. The aim should be to ensure that the department's monitoring of, and support for, its ALBs is concentrated on those with the most significant risks.
- 6.12 The department should report annually on the arrangements it has in place for promoting sound working relationships with its ALBs. Periodically, there should be an external review of the governance arrangements between the department and its ALBs, which may be incorporated within other external reviews whether commissioned by the department or the Executive.
- 6.13 The department should periodically review the effectiveness of its portfolio of ALBs and whether or not they are:

- delivering in line with departmental policy;
- effective and provide value-for-money; and
- the most appropriate mechanism for implementing policy objectives.

# 7

## Glossary

### ALBs

Arm's Length Bodies including a department's NDPBs and public corporations

### AO

Accounting Officer

### The Code

'Corporate governance in central government departments: Code of good practice NI 2013'

### Finance Director

The senior finance professional in a department

### Governance Statement

This includes: the areas formerly covered by the statement on internal control; an account of how the Code has been complied with or an explanation of reasons for departure from the Code; and disclosure of attendance at Board meetings.

### NDPB

Non-Departmental Public Bodies

### NEBM(s)

Non-Executive Board Member(s)

### PAC

Public Accounts Committee

### PFI

Private Finance Initiatives

### PPP

Public-Private Partnerships

### Sponsor team

Officials in a department responsible for the day-to-day support to, liaison with and relationship management of an ALB

### Sponsored bodies

Used interchangeably with ALBs

## Board Operating Framework – Guidance

### Introduction

- 1.1 Each Board Operating Framework (BOF) should be tailored to reflect specific circumstances in which the Board operates. This guidance should be read in that context and not as a blueprint for all Boards to follow. The key objective of a BOF is to clarify roles and responsibilities of the Board and its members. Each Board should:
- agree such a document soon after formation;
  - update the document regularly, including when there is a change of circumstances or a change of key personnel; and
  - review and update the document at least every two years.
- 1.2 All new Board members should be directed to the BOF as part of the induction process.
- 1.3 The BOF should normally cover the areas set out below.

### Purpose

- 1.4 Begin by explaining the department's vision and purpose. Explain how the department's policies are set (e.g. by Ministers, co-ordinated with other departments, consistent with the department's budget and resource constraints).
- 1.5 The BOF should then describe how the Board supports Ministers, the AO and other senior officials in directing the business of the department. Set out the way in which the Board discharges its responsibilities, in particular by collectively scrutinising and advising on the five areas set out in the Code (performance, strategic clarity, efficiency, capabilities and risk). Say how often the Board meets.

### Membership

- 1.6 Set out the membership of the Board, the chair (this should be the Permanent Secretary/AO in the department) and the deputy chair. How the Board membership is comprised:-
- officials, including the Permanent Secretary and Finance Director; and Non-Executive Board Members (NEBMs).

## Roles

- 1.7 Summarise the role of the chair. This might include:
- facilitating Board meetings;
  - ensuring that systems are in place to provide Board members with accurate and timely information of good quality to allow the Board to consider properly all matters before it;
  - ensuring that a Board effectiveness review is performed annually with independent input at least every three years, and that results are acted upon; and
  - ensuring adherence to the comply or explain principle set out in the Corporate Governance Code.
- 1.8 Set out how NEBMs are appointed (on merit, reflecting ability and experience; for a fixed term; etc) and their main roles. These might include:
- using their experience to challenge and support the Board, acting corporately and not simply reflecting their own functions;
  - ensuring that the Board obtains and considers all appropriate information;
  - advising on the operational and delivery implications of policy proposals;
  - forming an Audit and Risk Assurance Committee;
  - involvement in the processes for recruitment and appraisal of senior executives, and succession planning; and
  - reporting their views in their own section of the department's annual report.
- 1.9 Set out the role of the executives in relation to the Board, for example:
- notifying the Board of any matters that threaten the regularity, propriety or value-for-money with which the department carries out its business; and
  - notifying the Board of any significant issues which may impact on the department's leadership, medium-term capability and significant risks to delivery of policy, along with mitigating actions taken.
- 1.10 Consider reference to the specific role of the Finance Director or any other Board member.

## Board committees

- 1.11 The BOFs should identify, and briefly explain the structure and purpose of committees that support the Board. These should include the Audit and Risk Assurance Committee, as well as any other committees the Board deems appropriate.

## Decisions and reporting

- 1.12 This section of the BOF should identify those matters always dealt with by the Board, for example:

- the business plan;
  - appropriate operational strategies to best implement policies set by Ministers;
  - the acceptable level of risk appetite for the department;
  - strategies affecting long term capability of the department (including finance, HR, and IT);
  - budget allocation; and
  - the shape and coverage of the Governance Statement.
- 1.13 The BOF should also include reference to those matters that are delegated but where the Board expects to receive reports for approval or decision as necessary, such as:
- performance against internal targets; and
  - management of relationships (e.g. with ALBs).
- 1.14 It also needs to set out the main categories of information considered at Board meetings, such as:
- progress against business plan milestones and metrics;
  - progress and status of big projects;
  - performance against key efficiency metrics;
  - risk management;
  - scrutiny of performance of the department's sponsored bodies; and
  - management information relating to use of resources compared to budgets, cash flow and balance sheet movements.
- 1.15 The BOF should also set out the Board's role in reviewing, prior to publication, documents such as the departmental report and accounts and the Governance Statement (including a comply or explain account of performance against the Corporate Governance Code).

### **Effectiveness of, and support to, the Board**

- 1.16 The BOF should set out how the performance of the Board is appraised and what support (such as induction facilities and access to departmental resources and officials) is provided. The Board Secretary should normally act as a focal point for NEBMs and should provide assurance to the Board on compliance with the Corporate Governance Code.

### **Relations with arm's length bodies (ALBs)**

- 1.17 The Board defines the relationship of the department with each of its ALBs, including strategic decisions relating to: establishment, status, structure, changes of status, changes of scope, mergers and reviews.
- 1.18 The Board is responsible for ensuring that the department oversees and steers the performance and financial position of each of the department's sponsored ALBs.
- 1.19 The Board should have oversight of the working relationships between the departments and its ALBs, ensuring that an appropriate framework has been



established with necessary communication and control mechanisms in place. The Board should ensure that any underperformance or drift in ALBs is followed up appropriately.

- 1.20 The BOF s should also set out the relationship, including cross-membership or attendance as observers, of the Board and ALB Boards.



Annex F Managing Public Money Northern Ireland



Department of  
**Finance and  
Personnel**

[www.dfpni.gov.uk](http://www.dfpni.gov.uk)

# **Managing Public Money Northern Ireland**

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June 2008





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PLEASE NOTE THAT THE ANNEXES TO THIS DOCUMENT HAVE NOT BEEN PUBLISHED, AS THEY WILL BE REVISED PERIODICALLY.

THEY ARE AVAILABLE ONLINE AT **[WWW.AASDNI.GOV.UK](http://WWW.AASDNI.GOV.UK)**



# FOREWORD

- i** This document sets out the main principles for dealing with resources used by public sector organisations in Northern Ireland (NI). Its origin lies in the requirements for departments in central government, however, the same basic principles generally apply in all parts of the NI public sector, with adjustments for context as necessary. And everyone working in public services in NI should be aware of the need to manage and deploy public resources responsibly in the public interest.
- ii** Vital as these principles are, the advice in this document cannot stand forever. The law moves forward; the standards used in business and public life evolve; new techniques emerge; and public expectations change. Through all these shifts, the Assembly rightly expects that public funds, whether raised through taxation or public sector charges, will be used properly. And the Assembly looks to the Department of Finance and Personnel (DFP) to help the Executive and its public servants meet these expectations in a transparent, responsible and consistent fashion. So it will expect the guidance and standards in this document to be followed.
- iii** The duty to safeguard public funds is invariant. But how it is carried out will change over time. Public sector organisations can and should innovate in carrying out their responsibilities, using new technology and taking advantage of best practice in business efficiency. This could mean new kinds of organisation, new institutional arrangements or new delivery methods. Each will need to be evaluated and implemented carefully to protect the Assembly's rights to authorise and oversee use of public resources.
- iv** Nothing in this document is intended to prevent such healthy developments.
- v** Nor should anything in this document discourage the application of sheer common sense.





# 1. RESPONSIBILITIES

**Under the Northern Ireland Act 1998, the relationship between the Northern Ireland Executive, exercising through ministers the executive power in transferred matters, and the Northern Ireland Assembly with legislative powers, representing the public in relation to those matters, is central to how public finances are managed. Ministers seek to implement policies and deliver public services through public servants; but are able to do so to the fullest extent only when the Assembly grants the right to commit and expend resources. It falls to the Department of Finance and Personnel to respect and secure the rights of both the Assembly and the Executive in this process (and, where appropriate, to ensure compliance with HM Treasury guidance). Resources are provided by central government and hence it is expected that the public sector in Northern Ireland will operate within the broad framework established by HM Treasury.**

## 1.1 Managing public money: principles

**1.1.1** The principles which apply to managing public resources run right across the many diverse organisations delivering public services in Northern Ireland (NI). There are requirements for each kind of body, reflecting its duties, its responsibilities and public expectations. The standards which the public services should seek to deliver are set out in box 1.1. These are generally understood to be demanding.

**1.1.2** At a high level the principles in this handbook apply to public services in NI, complementing the guidance on good governance in the Code of Good Practice on Corporate Governance in Central Government Departments (the Corporate Governance Code).

**Box 1.1: standards expected of all public service**

- honesty      • impartiality      • openness      • accountability      • accuracy
- fairness      • integrity      • transparency      • objectivity      • reliability

**carried out**

- in the spirit of, as well as to the letter of, the law
- in the public interest
- to high ethical standards
- achieving value for money

**1.1.3** Much of this document is about meeting the expectations of the Assembly. Many of the disciplines should also deliver accountability to the general public. The delivery channels used evolve as technology permits. Public services should carry on their businesses and account for their stewardship of public resources in ways appropriate to their duties and context.

# 1. RESPONSIBILITIES

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## 1.2 Ministers

**1.2.1** The Northern Ireland Act 1998, the Ministerial Code and the Departments (Northern Ireland) Order 1999 specify the duties and responsibilities of Ministers of the Northern Ireland Assembly.

**1.2.2** The Minister in charge of a department is responsible for its policy and business. He or she:

- determines the department's policies;
- chooses which areas of business to delegate to the department's officials, and with what conditions;
- looks to the department's Accounting Officer (see chapter 3) to delegate responsibility within the department to deliver the Minister's decisions and to support the Minister in making policy decisions; and
- may also have general oversight of other bodies on whose behalf he or she may answer in the Assembly.

**1.2.3** The Accounting Officer is always responsible for the organisation of the officials in the department. The Minister in the department may give directions to the Accounting Officer. Ministers are not accountable to the Accounting Officer.

**1.2.4** Ministers have wide powers to make policies and to issue instructions to their officials. However, specific legislation is required to authorise expenditure of public funds to pursue their objectives (see section 2.1).

## 1.3 The Assembly

**1.3.1** The Assembly enacts the legislation which empowers ministers to carry out their policies. It finances services for all devolved matters when it approves Requests for Resources, including approval of net cash resources, year by year<sup>1</sup>. Further information about this process is in the *Estimates Manual*.

**1.3.2** From time to time the Assembly may examine particular policies or delivery of services. In addition, departmental committees may examine policies, expenditure, administration and service delivery in particular sectors. Of these, the Public Accounts Committee (PAC - see section 3.5) has a special role in examining financial accounts and scrutinising value for money.

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<sup>1</sup> As a devolved administration, the total amount of resources available is determined mainly by the Barnett Formula giving NI its population share of any change in spending on a comparable English programme

# 1. RESPONSIBILITIES

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## 1.4 DFP

**1.4.1** The Assembly looks to the Department of Finance and Personnel (DFP) to make sure that:

- departments use their powers only as it has intended; and
- expenditure is within the agreed limits.

**1.4.2** Hence it falls to DFP to:

- set the ground rules for the administration of public money; and
- account to the Assembly for doing so.

**1.4.3** This document sets out how DFP seeks to meet these Assembly expectations. The key requirements are regularity, propriety (see box 2.4) and value for money (see 3.3.3). Supporting this, DFP:

- manages the budget process;
- oversees the operation of the Estimates presented by departments to obtain authority to spend year by year. The Estimates Manual contains more detail about the requirements;
- issues any amendments to the *Government Financial Reporting Manual (FReM)* required for NI purposes setting the standards to which departments, non-departmental public bodies (NDPBs) and other parts of the public sector publish annual reports and accounts. The *FReM* adapts generally accepted accounting practice (GAAP) to take account of the public sector context; and
- sets Accounts Directions for the different kinds of central government organisations whose accounts are laid in the Assembly.

## 1.5 Departments

**1.5.1** Within the standards expected by the Assembly, and subject to the overall control and direction of their Ministers, departments have considerable freedom about how they organise, direct and manage the resources at their disposal. It is for the Accounting Officer in each department, acting within Ministers' instructions, to control and account for the department's business.

**1.5.2** The *Corporate Governance* Code encourages departments to use a departmental board as a disciplined way of leading and managing the department's business. The character and organisation of the board in a department will vary according to the nature of its business (see section 4.1). Boards can be valuable in bringing to bear a range and variety of skills and experiences from elsewhere in, and outside of, the public sector.

**1.5.3** Within a department, its staff, resources and assets should be organised to deliver the agreed Programme for Government and any associated objectives. There should be adequate delegations, controls and reporting arrangements to provide assurance to the

# 1. RESPONSIBILITIES

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board, the Accounting Officer<sup>2</sup> and ultimately ministers about what is being achieved, to what standards and with what effect. In turn these arrangements should provide the management information to enable delivery plans to be adjusted as necessary. Similar feedback should enable ministers to reconsider policies where the evidence shows that this is appropriate. This is discussed further in chapter 4.

**1.5.4** In supporting ministers, civil servants in a department should provide politically impartial advice. Should they be asked to carry out duties which appear incompatible with this obligation, the Accounting Officer should take the matter up with the Minister concerned in accordance with Chapter 3 of this document (see also the NICS Code of Ethics at annex 4.2).

**1.5.5** Departments often operate with and through a variety of partners to deliver their Ministers' policies. It is important that these relationships too operate in the public interest: see chapter 7.

## **1.6 The Comptroller and Auditor General for Northern Ireland (C&AG)**

**1.6.1** Supported by the Northern Ireland Audit Office (NIAO), the Comptroller and Auditor General for Northern Ireland (C&AG) helps the Assembly scrutinise how public funds have been deployed in practice. Independent of government, the C&AG is the external auditor of most bodies in central government in Northern Ireland. To help carry out this important role, the C&AG has significant and far reaching rights to inspect the books of a wider variety of public bodies. Further information about the role of the NIAO is available on their website<sup>3</sup> and in annex 1.1.

**1.6.2** The C&AG provides the Assembly with two sorts of audit:

- financial audit of the accounts of departments, agencies, NDPBs and health and personal social services bodies, covering:
  - assurance that their accounts have been properly prepared and are free from material misstatements<sup>4</sup>; and
  - confirmation that the underlying transactions have appropriate Assembly authority;
- value for money reports assessing the economy, efficiency and effectiveness with which public money has been deployed in selected areas of public business. A rolling programme of these reviews covers a wide variety of subjects over a period, taking account of the risks to value for money and the Assembly's interests.

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2 If there is a change of Accounting Officer in the course of the year, the Accounting Officer in place at the year end takes responsibility for the whole year's resource accounts, using assurances as necessary

3 The NIAO website address is [www.niauditoffice.gov.uk](http://www.niauditoffice.gov.uk)

4 See Audit Practice Note 10 of the Audit Practices Board on the FRC website at <http://www.frc.org.uk>



# 1. RESPONSIBILITIES

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## **1.7 The Northern Ireland Ombudsman**

**1.7.1** Public sector organisations are expected to deliver reliable services of good quality. Independent of both the government and the Health Service (HS), the Northern Ireland Ombudsman<sup>5</sup> provides a service to the public by investigating complaints that government departments, a range of other public organisations in NI and the HS in NI have not acted properly or fairly, or have provided a poor service. The role of the NI Ombudsman is discussed further in section 4.13.

### **Annex 1.1** The Comptroller and Auditor General For Northern Ireland

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<sup>5</sup> This is the popular title for two offices – The Assembly Ombudsman and the Commissioner for Complaints





## 2. USE OF PUBLIC RESOURCES

**This chapter explains the process for Assembly authorisation of public resources. The Assembly expects DFP to oversee the operation of these controls. The Assembly consents in principle to the use of public funds through legislation to enable specified policies. It approves use of public resources to carry out those policies year by year. Only in very limited circumstances can lesser authority suffice. Where there are uncertainties the Assembly should be given meaningful information about what is likely to be involved. At the close of each financial year, the Assembly expects a clear account of the use of the public funds it has authorised for use. The Public Accounts Committee (PAC) may investigate specific issues further.**

### 2.1 Power to commit public funds

**2.1.1** The Northern Ireland Departments are statutory corporations and as such have no powers except those which are conferred on them by or under statute. Even if they have the legal power to do something they will only be able to pay for it if they have the financial authority to expend the money. This must be provided through the Assembly which provides the necessary resources through the Supply Estimate system and confirming Budget Act unless, exceptionally, a statute authorises a direct charge on the NI Consolidated Fund. In the Concordat of 1932<sup>6</sup> (see annex 2.1) the Treasury undertook to aim that departments would respect this requirement. DFP has agreed to observe this principle. Therefore for expenditure to be properly incurred, there should be specific statutory authority for the activity or service as well as authority through the Budget Act for the related expenditure.

**2.1.2** DFP controls public expenditure, therefore all legislation with expenditure implications, both primary and secondary, must have the support of DFP (see annex 2.2).

**2.1.3** Box 2.1 outlines how public expenditure is controlled by DFP, authorised by the Assembly and accounted for in public. It is important to note that DFP agreement to budget provision in spending reviews does not alone provide adequate authorisation, nor does the existence of specific legal authority. Assembly approval for drawdown of funds is also essential. The Estimates process is designed to achieve this. Chapter 5 examines this further.

**2.1.4** The Accounting Officer of a department (see chapter 3) is responsible for ensuring that:

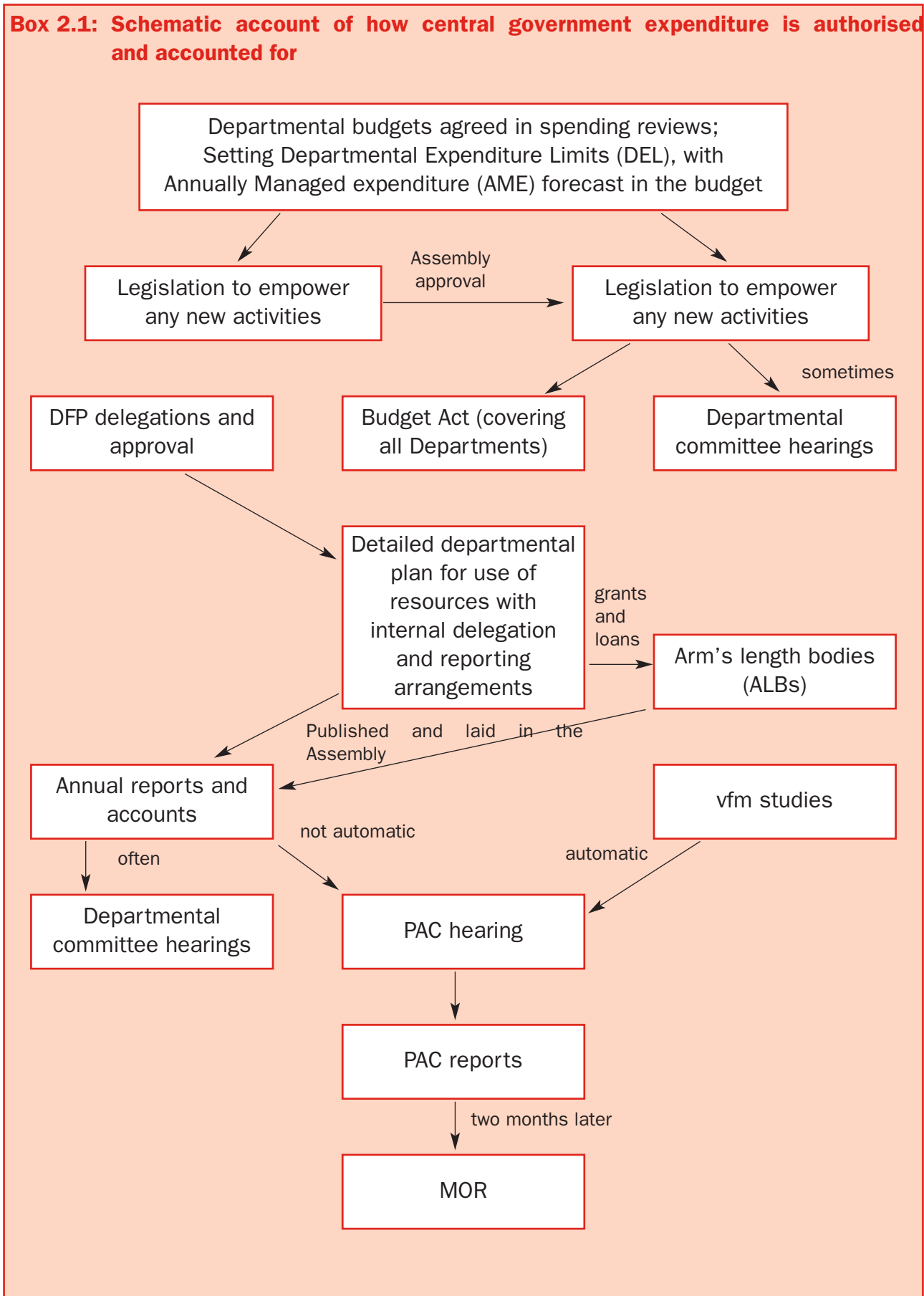
- the Estimate(s) presented to the Assembly for the department's annual expenditure are consistent with the statutory powers and with the Executive's expenditure plans; and
- use of resources in the department is consistent with the Estimate(s);

and must answer to the Assembly for stewardship of these responsibilities.

<sup>6</sup> Also known as the Baldwin convention

# 2. USE OF PUBLIC RESOURCES

**Box 2.1: Schematic account of how central government expenditure is authorised and accounted for**



## 2. USE OF PUBLIC RESOURCES

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**2.1.5** In addition, departments need DFP consent before undertaking expenditure or committing to other resource consumption. Usually DFP agrees general approvals for resource consumption subject to delegated limits and/or exclusions. This avoids the need for specific consent to each item. Some common approaches to setting delegations are suggested in box 2.2 and are discussed further in annex 2.3. Whatever form they take, it is good practice to review these delegated authorities from time to time to make sure that they remain up to date and appropriate.

**2.1.6** Similarly, departments should agree with any bodies to which they provide resources, or over which they have oversight, how their resources should be used. Chapter 7 discusses how such relationships should work in greater depth.

### **Box 2.2: examples of approaches to delegated authorities**

- objective criteria for exceptions requiring specific DFP scrutiny; and/or
- a sampling mechanism to allow specimen cases to be checked; and/or
- a threshold above which certain kinds of projects must achieve specific consent.

**2.1.7** There is an important category of resource commitments for which DFP cannot delegate responsibility. It is transactions which set precedents, are novel, potentially contentious, or could cause repercussions elsewhere in the public sector - see box 2.3. Departments should always obtain DFP consent to resource commitments of this kind before proceeding, even for transactions within the agreed delegated limits which appear to offer value for money. If there is any doubt as to whether DFP approval is required, Departments should discuss the issue with DFP, as it is ultimately DFP, on behalf of the Assembly, which determines what falls into this category.

**2.1.8** Some legislation calls for explicit DFP consents, e.g. for certain large projects. In such cases proceeding without DFP approval is unlawful. In other cases resource consumption without DFP approval is irregular.

**2.1.9** Neither unlawful nor irregular expenditure can be authorised by Assembly approval for the relevant Estimate, so the resource account must be noted accordingly. When such expenditure comes to light, both DFP and the NIAO should be alerted. If DFP gives retrospective consent to irregular expenditure, the transaction is treated in the resource accounts as if it had achieved consent in time. Where there is a statutory requirement for DFP consent, however, retrospective authority for improper (unlawful) expenditure is not possible. Section 5.3 explores this further.

## 2. USE OF PUBLIC RESOURCES

### Box 2.3: some transactions requiring specific DFP consent

- extra statutory payments in settlement of legal disputes out of court
- certain private expenses of employees made necessary because of their public duties
- severance payments in excess of the employer's contractual commitment
- non-standard payments in kind
- unusual financing transactions, especially those with lasting commitments

## 2.2 Regularity, propriety and value for money

**2.2.1** Accounting Officers must make sure that their organisations' activities achieve high and reliable standards of regularity and propriety (see HM Treasury booklet entitled "Regularity and Propriety"). These important terms, which are often used together because they are so closely linked, are defined in box 2.4.

### Box 2.4: regularity and propriety

- **Regularity:** resource consumption should accord with the relevant legislation, the relevant delegated authority and this document.
- **Propriety:** patterns of resource consumption should respect the Assembly's intentions, conventions and control procedures, including any laid down by the PAC.

**2.2.2** The concept of regularity and propriety is powerful. The Assembly has consistently interpreted it as delivering public sector values in the round, encompassing the qualities summarised in box 1.1. Supporting this concept are the Seven Principles of Public Life (the Nolan Principles - see annex 2.4), which apply to the public sector at large. In striving to meet these standards, central government departments should give a lead to the partners with which they work.

**2.2.3** Each departmental Accounting Officer should make sure that the Minister in his or her department appreciates:

- the importance of operating with regularity and propriety; and
- the need for efficiency, economy, effectiveness and prudence in the administration of public resources, to deliver value for money.

**2.2.4** Should a Minister seek a course of action which the Accounting Officer cannot reconcile with any of these requirements, he or she should seek a direction in writing from the Minister before proceeding (see chapter 3).

## 2. USE OF PUBLIC RESOURCES

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**2.2.5** Should departments need to resolve an issue about regularity or propriety, they should consult the relevant DFP Supply Officer. Similarly, arm's length bodies (ALBs - NDPBs, companies in which the department has a significant shareholding and other sponsored bodies) should consult their sponsor departments about such issues, and the department concerned may need in turn to consult DFP.

### 2.3 Using the authority of the Budget Act

**2.3.1** In certain limited circumstances departments may obtain authorisation for their planned expenditure not through specific empowering legislation but by relying just on the authority of the Budget Act. Such Acts cover the whole range of voted expenditure in Estimates. The Assembly does not normally authorise consumption of public resources through these instruments alone because the approval process does not provide a meaningful opportunity for detailed scrutiny.

**2.3.2** The Budget Act for a given year provides Assembly approval for the year's Estimates, authorising resource consumption one year at a time. By convention, this is sufficient authority for expenditure on administration. The same convention also allows departments to seek Assembly authority to use resources one year at a time for administration where there is a more lasting commitment of some kind. Some examples are mentioned in box 2.5. The list is not exhaustive.

**2.3.3** With DFP approval, it is sometimes possible to rely on the Budget Act alone for certain other expenditure in order to avoid an undue burden on the Assembly timetable. So the Assembly is routinely prepared to authorise certain expenditure through the Budget Act alone, subject to the conditions:

- the expenditure is below the threshold set by DFP (see annex 2.5.15)
  - it is expected to last for no more than two years, e.g. to finance a pilot study;
- and
- any existing explicit statutory limits are respected; and
  - no specific legislation on the matter in question is before the Assembly (though see annex 2.5).

#### **Box 2.5: resource use which a Budget Act may authorise**

- expenditure on administration: employment costs, rent, cleaning etc
- lease agreements, eg for photocopiers
- contractual obligations to purchase goods or services (where it might be poor value for money to agree single year contracts only)
- employing staff with significant notice periods
- supporting capital projects lasting for more than a year
- staged grants phased over more than a single financial year
- resources used under prerogative powers such as international treaty obligations

# 2. USE OF PUBLIC RESOURCES

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## 2.4 New services

**2.4.1** When Ministers decide on a new activity, such a new service normally requires both specific legislative authority and cover in the Budget Act. However, the authority of the Budget Act alone can suffice if the conditions in paragraph 2.3.3 are satisfied. This of course is not adequate for any new policy which is intended to last more than a couple of years.

**2.4.2** Nevertheless, sometimes ministers are anxious to make an early start on a new activity which is expected to continue but for which explicit Assembly authority has not yet been secured. In these circumstances there are limited steps that can be taken to make the new service ready for delivery when the Assembly has assented. Specific Assembly consent is always required.

**2.4.3** Relying on the Budget Act ahead of full and specific legal authority will often mean borrowing from the Northern Ireland Consolidated Fund under paragraph 6 of the Financial Provisions (NI) Order 1998 (see annex 2.5). Access to this Fund is controlled by DFP and cannot be assumed. To obtain such an advance the proposal must pass two main tests:

- the proposed expenditure must be genuinely urgent and in the public interest, i.e. there must be wider benefits to outweigh the convention of awaiting Assembly authority; and
- the planned legislation must be certain, or virtually certain, to pass into law, for example, the Bill must have successfully passed Second Stage in the Assembly i.e. there is an Assembly expression of support for the principle of the Bill.

**Annex 2.1** The PAC concordat of 1932

**Annex 2.2** DFP approval of legislation

**Annex 2.3** DFP approval of Expenditure

**Annex 2.4** The Seven Principles of Public Life (the Nolan Principles)

**Annex 2.5** The new services rules





# 3. ACCOUNTING OFFICERS

**This chapter sets out the personal responsibilities of all Accounting Officers, both in government departments and in other parts of central government. Essentially Accounting Officers must be able to assure the Assembly and the public of high standards of probity in the management of public funds. This chapter is drawn to the attention of all Accounting Officers when they are appointed.**

## 3.1 Role of the Accounting Officer

**3.1.1** Each organisation in central government - department, agency, trading fund, HSC body, NDPB or significant arm's length body - must have an Accounting Officer. This person is usually the senior official in the organisation. In line with the *Code of Good Practice on Corporate Governance in Central Government Departments*, it is now usual for the Accounting Officer to be supported by a board whose structure should be agreed with the responsible minister(s) where it is not set in statute. Arrangements for leadership and accountability may be slightly different in other parts of the public sector.

**3.1.2** Formally the Accounting Officer is someone who may be called to account in the Assembly for the stewardship of the resources within the organisation's control. The standards the Accounting Officer is expected to deliver in the organisation are summarised in box 3.1. The senior business managers of other public sector organisations are expected to deliver similar standards.

## 3.2 Appointment of Accounting Officers

**3.2.1** DFP appoints the permanent head of each central government department to be its Accounting Officer. Where there are several Accounting Officers in a department, the permanent head is the Principal Accounting Officer.

**3.2.2** Within departments, DFP also appoints the chief executive of each trading fund as its Accounting Officer; and may also appoint Additional Accounting Officers with responsibility for certain Requests for Resources.

**3.2.3** In turn the Accounting Officer of each department normally appoints the permanent heads:

- of its executive agencies, as Agency Accounting Officers for their agencies; and
- of all its NDPBs<sup>7</sup>, and of most other significant arm's length bodies, as Accounting Officers for these bodies.

<sup>7</sup> In certain NDPBs with small budgets, an Accounting Officer in the sponsor department may assume the role of the Accounting Officer for the NDPB, with the costs of the NDPB charged directly to the sponsor department's Estimate. This is the usual arrangement for advisory bodies and Royal Commissions.

# 3. ACCOUNTING OFFICERS

## **Box 3.1: standards expected of the Accounting Officer's organisation**

Acting within the authority of the Minister(s) to whom he or she is responsible, the Accounting Officer should ensure that the organisation, and any subsidiary to it or organisation sponsored by it, operates effectively and to a high standard of probity. The organisation should:

### **governance**

- have a governance structure which transmits, delegates, implements and enforces decisions
- have trustworthy internal controls to safeguard, channel and record resources as intended
- operate with propriety and regularity in all its transactions
- treat its customers and business counterparties fairly and honestly
- offer redress for failure to meet agreed customer standards where appropriate
- give timely, transparent and realistic accounts of its business, underpinning public confidence;

### **decision-making**

- support its Ministers with clear, well reasoned, timely and impartial advice
- make all its decisions in line with the strategy, aims and objectives of the organisation set by ministers and/or in legislation
- meet DFP's requirements about limits on use of public resources
- manage its staff fairly, with inclusive policies designed to promote and integrate diversity having regard to Section 75 of the Northern Ireland Act
- communicate its decisions openly and transparently;

### **financial management**

- use its resources efficiently, economically and effectively, avoiding waste and extravagance
- carry out procurement and project appraisal objectively and fairly, seeking good value for the public sector as a whole
- use management information systems to secure assurance about value for money and the quality of delivery and so make timely adjustments
- avoid overdefining detail and imposing undue compliance costs, either on its own staff or on its customers and stakeholders
- have practical documented arrangements for working in partnership with other organisations
- use internal and external audit to improve its internal controls and performance.

# 3. ACCOUNTING OFFICERS

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## 3.3 Special responsibilities of Accounting Officers

**3.3.1** It is important that each Accounting Officer takes personal responsibility for ensuring that the organisation he or she manages delivers the standards in box 1.1. In particular, the Accounting Officer must personally sign:

- the organisation's accounts;
- the annual report;
- the statement on internal control (SIC);

and, having been satisfied that they have been properly prepared to reflect the business of the organisation, must personally approve any Request(s) for Resources.

**3.3.2** In the case of Accounting Officers of corporate arm's length bodies, the Accounting Officer should also arrange for a board member to sign the accounts as well, if (unusually) he or she is not a member of the board.

**3.3.3** There are several other areas where the Assembly expects Accounting Officers to take personal responsibility:

- *regularity and propriety* (see box 2.4), including seeking DFP approval for any expenditure outside the normal delegations or outside the subheads of Estimates, and carried through with appropriate disclosures in the resource accounts;
- selection and appraisal of programmes and projects: using the *Green Book* (supported by *additional DFP guidance*) to evaluate alternatives, and good quality project and programme management techniques, such as Office of Government Commerce (OGC) Gateways™, to track and where necessary adjust progress;
- *value for money*: ensuring that the organisation's procurement, projects and processes are systematically evaluated and assessed to provide confidence about suitability, effectiveness, prudence, quality, good value and avoidance of error and other waste, judged for the public sector as a whole, not just for the Accounting Officer's organisation;
- management of *opportunity and risk* to achieve the right balance commensurate with the institution's business and risk appetite;
- *learning from experience*, both using internal feedback, and from right across the public sector; and
- accounting accurately for the organisation's *financial position and transactions*: to ensure that the government published financial information is transparent and up to date, and that the organisation's efficiency in the use of resources is tracked and recorded.

# 3. ACCOUNTING OFFICERS

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## 3.4 Advice to Ministers

**3.4.1** Each departmental Accounting Officer should take care to bring to the attention of the Minister to whom he or she is responsible any conflict between the Minister's instructions and his or her duties as set out in this chapter. Examples of concerns where this procedure is appropriate are in box 3.2 but the ultimate judgement must lie with the Accounting Officer personally.

**3.4.2** There is no set form for doing this, though the Accounting Officer should be specific about the nature of his or her objections and where possible set these out in writing. Before doing so it is good practice for an Accounting Officer to discuss the matter with DFP if time permits. It may also be necessary to discuss the issue with officials from the Office of First Minister and Deputy First Minister to determine if the matter needs to be brought to the Executive Committee under the terms of the Ministerial Code.

**3.4.3** If, despite the Accounting Officer's advice, the Minister decides to continue with a course the Accounting Officer has advised against, the Accounting Officer should ask for a formal Ministerial Direction to proceed. This can be oral but, if so, should be confirmed in writing as soon as possible. Directions of this kind are rare but the acid test is whether the Accounting Officer could justify the proposed activity if asked to defend it.

**3.4.4** Such a direction is likely to mean that the associated expenditure is novel or contentious and therefore outside of the departmental delegated expenditure. Having received a Direction from the Departmental Minister, in these circumstances, the Accounting Officer should seek DFP approval.

**3.4.5** A Minister may decide, in these circumstances, that the issue should be discussed by the Executive. If this happens and a decision reached at the Executive is to agree to the course of action proposed by the Departmental Minister it will be recorded in the minutes which can be treated as formal approval. The DFP Minister, as part of the Executive, is bound by this decision and in these circumstances it is not envisaged that it will be necessary for the Accounting Officer to seek a formal written approval from DFP. If the Executive decides not to proceed the Accounting Officer should abide by the Executive's decision and not undertake any course of action which could be seen as contrary to the decision.

**3.4.6** When a Ministerial Direction is confirmed by the DFP Minister or Executive Committee as appropriate, the Accounting Officer should:

- write to the C&AG with the relevant details of the issue. This correspondence should be copied to DFP. The C&AG will normally draw the matter to the attention of the PAC, who will attach no blame to the Accounting Officer;
- follow the direction without further ado; and
- if asked, explain the Ministers/Executive's course of action. This respects Ministers' rights to frank advice, while protecting the quality of internal debate.

# 3. ACCOUNTING OFFICERS

## **Box 3.2: examples when Accounting Officers should seek a direction reflecting previous cases**

- **Irregularity:** if a proposal is outside the legal powers, Assembly consents, or DFP delegations.
- **Impropriety:** if a proposal would breach Assembly control procedures.
- **Poor value for money:** if an alternative proposal, or doing nothing, would deliver better value, e.g. a cheaper or higher quality outcome.

## **3.5 Public Accounts Committee**

**3.5.1** The PAC may hold public hearings on the accounts of central government organisations laid in the Assembly (see section 1.6). In practice most PAC hearings focus on NIAO value for money studies. The PAC expects that NIAO will agree the texts of these reports with the Accounting Officer(s) of the organisation(s) concerned so there is a clear evidence base for their scrutiny to proceed.

**3.5.2** When a hearing is scheduled, the PAC normally invites the Accounting Officer(s) of the relevant institution(s) to attend as witness(es). An Accounting Officer may be accompanied by appropriate officials. Where it is appropriate, and the PAC agrees, the Accounting Officer may send a substitute. In answering questions, the Accounting Officer should take responsibility for the organisation's business, even if it was delegated or if the events in question happened before he or she was appointed Accounting Officer.

**3.5.3** The PAC expects witnesses to give clear, accurate and complete evidence. If evidence is sensitive, witnesses may ask to give it in private. It is also acceptable to offer supplementary notes if a witness does not have the detail to hand at the hearing. Where such notes are offered, they should be provided within two weeks and with attention to the PAC's concerns in asking for the information. If the evidence might take longer to prepare, witnesses may seek an extension. They should do so without delay.

**3.5.4** The Treasury Officer of Accounts (TOA) (a DFP official who answers questions on behalf of DFP as the central department concerned with financial matters) or his/her nominee attends all PAC hearings. This allows scope for the PAC to explore any issues of more general application arising out of the subject of the hearing. Other responsibilities of the TOA are listed in Box 3.3.

## **3.6 When the Accounting Officer is not available**

**3.6.1** Each organisation must have an Accounting Officer available for advice or decision as necessary at short notice.

**3.6.2** When the Accounting Officer is absent and cannot readily be contacted, another senior official should deputise. If a significant absence of more than 4 weeks is planned, the Accounting Officer, should invite DFP (or the sponsor department, as the case may be) to appoint a temporary acting Accounting Officer.

# 3. ACCOUNTING OFFICERS

## **Box 3.3: Specific responsibilities of the TOA**

To supply advice on:

- the principles underlying the resource accounting system;
- the responsibilities and appointment of Accounting Officers;
- the responsibilities of Finance Directors;
- policy on internal audit and the prevention of fraud;
- propriety, in terms consistent with the Assembly's requirements for the conduct of financial business and whether, and in what form, specific authority for expenditure is required;
- financial provisions in Assembly Bills affecting public funds, accounting and audit arrangements, and acceptance of contingent liabilities;
- contingent liabilities generally and on the use of commercial insurance;
- fees and charges issues; and
- the departmental use of banks

In addition the TOA is also Head of Finance Profession for the Northern Ireland Civil Service.

## **3.7 Conflicts of interest**

**3.7.1** If an Accounting Officer faces an actual or potential conflict of interest, it is essential to find a way of eliminating it. There must be no doubt that the Accounting Officer meets the standards described in box 3.1 without divided loyalties. Possible ways of managing this issue include:

- for a significant but temporary conflict, inviting DFP (or sponsor department, as the case may be) to appoint an interim Accounting Officer for the period of the conflict of interest;
- for a minor conflict, arranging for someone other than the Accounting Officer to make the key decisions on the issue(s) in question; or
- for serious and lasting conflicts, resignation.

## **3.8 Arm's length bodies**

**3.8.1** The responsibilities of Accounting Officers in departments and in ALBs are essentially very similar. But Accounting Officers in ALBs must also take account of their special responsibilities and powers. In particular, they must respect the legislation (or equivalent) establishing the organisation and the terms of the Management Statement/Financial Memorandum (MS/FM) agreed with the sponsor department. The relationship between sponsor departments and their ALBs is discussed further in chapter 7.



# 3. ACCOUNTING OFFICERS

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**3.8.2** The Accounting Officer of a department which sponsors an ALB should, in addition, make arrangements to satisfy himself or herself that the Accounting Officer of the ALB is carrying out his or her responsibilities. Similarly, the Accounting Officer of an ALB with a subsidiary should have some meaningful oversight of the subsidiary. This means taking steps to gain assurance that public resources in the ALB, or its subsidiary, are being managed to appropriate standards (see box 3.1). It is not acceptable to establish ALBs, or subsidiaries to ALBs, in order to avoid or weaken Assembly scrutiny.

**3.8.3** The MS/FM agreed between an ALB and its sponsor always envisages the sponsor department exercising meaningful oversight of the ALB's strategy and performance, pay arrangements and/or major financial transactions, e.g. by monthly returns, standard delegations, exception reporting or other techniques. ALBs should refer to their sponsor departments any activities which appear novel, contentious or repercussive; in turn the sponsor department may need to seek DFP consent.

**3.8.4** There are some sensitivities about the role of the Accounting Officer in an ALB which is governed by an independent board, e.g. a charity or a company. The Accounting Officer, who will normally be a member of the board, must take care that his or her personal responsibilities do not conflict with his or her duties as board member. In particular, the Accounting Officer should vote against any proposal which appears to cause such a conflict; it is not sufficient to abstain.

**3.8.5** Moreover, if the chair or board of such an ALB is minded to instruct the Accounting Officer to carry out some course which appears inconsistent with the standards in box 3.1, then the Accounting Officer should make his or her reservations clear, preferably in writing. If the board is minded nevertheless to proceed, the Accounting Officer should then:

- inform the Accounting Officer of the sponsor department without undue delay who will need to consider intervening to resolve the difference of view, preferably in writing;
- if the board's decision stands, seek its written direction to carry it out, asking the sponsor department to inform DFP;
- proceed to implement without delay; and
- inform the C&AG of what has happened.

**3.8.6** This process is similar to what happens in departments (section 3.4), allowing for the special position of the organisation's board, which will often have been appointed under statute.

# 3. ACCOUNTING OFFICERS

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## 3.9 In the round

**3.9.1** It is not realistic to set firm rules for every aspect of the business with which an Accounting Officer may deal. Sometimes the Accounting Officer may need to take a principled decision on the facts in circumstances where precedents are of limited value. Should that happen, the Accounting Officer should be guided by the standards in box 3.1, adapted if need be to suit the issue. Where time permits, DFP stands ready to help Accounting Officers think through and decide upon an appropriate course of action.





# 4. INTERNAL MANAGEMENT

**This chapter discusses how public sector organisations should manage their governance, systems and processes. In general it is for each public sector organisation to define its own standards within the policy framework set by ministers and public expectations of public services, including openness about governance and public sector activities generally. There are some specific requirements for central government organisations, notably reporting to the Assembly.**

## 4.1 Governance structure

**4.1.1** Each public sector organisation needs explicit arrangements for its internal governance, complemented by appropriate accountability. Most will have some key ground rules laid down in statute or by convention. But significant discretion usually remains. Those running the organisation should make, and then periodically review, decisions about how in practice the organisation should operate.

**4.1.2** Box 4.1 contains a checklist of decisions that the governing body of each public sector organisation should take to clarify how it should operate. In a government department this will be for the management board or its equivalent; in many ALBs it will be for a statutory board of some kind.

### **Box 4.1: checklist of key governing body decisions**

- its role and responsibilities
- its remit and objectives
- the scope of its delegations
- its procedures and processes
- arrangements for monitoring performance and reporting back
- control and management of relationships with ALBs and other partners
- the organisation's risk appetite and risk control procedures
- how it should account for its decisions and actions – to its Ministers, to its staff, and to the wider public
- how, and how often, its membership should be refreshed to furnish the desired skill set
- how, and how often, it should review its working practices

# 4. INTERNAL MANAGEMENT

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**4.1.3** In central government departments, it may be necessary to clear these decisions with ministers. It is good practice to document the chain of responsibilities and the processes by which they will be delivered. There should be clear records of the processes for reporting to the board, taking forward board decisions, and resolving disputes and uncertainties.

**4.1.4** In central government departments, the board should be guided by the *Corporate Governance Code*. In particular, the board of a central government department should include a professional finance director (FD) (see guidance in annex 4.1). With appropriate adjustments, the same principles should apply in other kinds of organisation in the public sector.

**4.1.5** The governing body of each public sector organisation should have clear arrangements for resolving disputes, including any concerns that the Accounting Officer may have. It should always be possible for the Accounting Officer to seek a written direction, if need be, from the appropriate authority, e.g. the Minister in the case of a department. Sections 3.4 and 3.8 expand on this.

**4.1.6** It is good practice to define the roles of the different kinds of board members, typically:

- executives drawn from the organisation's staff;
- executives from operationally independent internal units, e.g. people from agencies within a department;
- non-executives from connected organisations, e.g. people from NDPBs (or other ALBs) sponsored by a department;
- independent non-executives, among whom a senior non-executive may be appointed as primary spokesperson; or
- (sometimes) members with specific responsibilities, e.g. for regional or professional issues.

## 4.2 Processes

**4.2.1** Each public sector organisation should strive to attain and maintain the standards described in box 3.1, adopting or adapting good modern commercial practice where it makes sense to do so. The *NICS Code of Ethics* (annex 4.2) shows what is expected of civil servants. Annex 4.3 sets out some standards against which services may be judged in the event of failure of delivery or complaint.

**4.2.2** Each public sector organisation should have robust and effective systems for decision making. Box 4.2 sets out some key essentials. Some organisations may require special additional processes, e.g. where it is important to integrate scientific, artistic or other professional standards with administrative procedure.

# 4. INTERNAL MANAGEMENT

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**4.2.3** A key concept in the use of public funds is achieving value for money. It bears on nearly all aspects of deployment of public resources: procurement, asset management, disposals, administrative systems and financing arrangements such as leases and PFI transactions. This means finding solutions which achieve the best mix of quality and effectiveness for the least outlay. This may not always mean choosing the immediately cheapest option since, for instance, it may be more cost effective to buy a more reliable service or a better quality asset with lower maintenance costs and a longer operating life. The Executive's policy on procurement is to achieve "best" value for money having regard to the twelve guiding principles which govern the administration of public procurement in Northern Ireland. The concept of "best" value for money is defined as "the optimum combination of whole life cost and quality (or fitness for purpose) to meet the customer's requirements". This allows a public body to compile a procurement specification which includes social, economic and environmental policy objectives within the procurement process. More guidance on procurement can be found in annex 4.4.

**4.2.4** As part of reaching and maintaining high standards of ethical behaviour, all central government organisations should support DFP in meeting its obligations under the Concordat (see annex 2.1). It is important that they are able to provide timely and accurate information to DFP about their planned and actual use of public funds (see section 5.1). So:

- departments should provide DFP with high level information about in-year developments of their expenditure, performance against objectives and evolution of risk (e.g. serious unforeseen events or discovery of proven or suspected fraud);
- ALBs should provide their sponsor departments with similar information; and
- the established mechanisms for controlling and reporting public expenditure, including DFP support or approval where necessary, should be respected.

# 4. INTERNAL MANAGEMENT

## Box 4.2: essentials of effective internal decision making

### choice

- active management of the portfolio of risks and opportunities, drawing on the Orange Book
- appraisal of alternative courses of action using the techniques in the Green Book (supported by *additional DFP guidance*), and including assessment of feasibility
- where appropriate, use of pilot studies to provide evidence on which to make decisions among policy or project choices
- active steering of initiatives, e.g. using Gateway™ reviews to help guide progress at critical points of projects

### operation

- appropriate internal delegations
- regular and meaningful management information on costs (including unit costs), efficiency, quality and performance against targets to enable assessment of value for money
- proportionate administration and enforcement mechanisms, without unnecessary complexity
- periodic assessment of whether decisions taken remain appropriate, drawing on feedback from internal and external audit and elsewhere
- systematic iterative appraisal of risk, to track changes and make adjustments in response

### afterwards

- after the event evaluation of policy, project and programme outputs and outcomes, including whether to continue, adjust or cease any lasting activities
- arrangements to draw out and propagate lessons from experience

**4.2.5** In particular, departments should consult DFP (and ALBs their sponsor departments) at an early stage about proposals to undertake unusual transactions or financing techniques. This applies especially to any transactions which may have wider implications elsewhere in the public sector (see paragraph 2.1.7 and box 2.3).

**4.2.6** One such class of transactions is those involving tax planning or tax avoidance on the part of the supplier, often in the context of procurement. Generally, public sector organisations should avoid using tax advisers or tax avoidance schemes as any apparent savings can only be made at the expense of other taxpayers or other parts of the public sector.

# 4. INTERNAL MANAGEMENT

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**4.2.7** It is important to assess the impact on the public sector as a whole in considering proposals for non-standard tax treatment. It is good practice to seek expert advice from Her Majesty's Revenue and Customs (HMRC) before proceeding. DFP approval is nearly always required because such transactions tend to be novel, contentious, or both (see section 2.1). Annex 4.4 discusses this further.

## 4.3 Opportunity and risk

**4.3.1** Embedded in each public sector organisation's internal systems there should be arrangements for recognising, managing and tracking its opportunities and risks. Each organisation's governing body should make a considered choice about its desired risk profile, taking account of its legal obligations, Ministers' policy decisions, its business objectives, and public expectations of what it should deliver. This can mean that different organisations take very different approaches to the same risks.

**4.3.2** There should be a regular discipline of reappraising the opportunities and risks facing the organisation as both alter with time and circumstances, as indeed the chosen responses may do too. In the public sector there is a common risk to reputation, since poor performance could undermine the credibility, and ultimately the creditworthiness, of the public sector as a whole. It is also important to be aware that excessive caution can be as damaging as unnecessary risk taking.

**4.3.3** Decisions on how to control and manage risk generally draw from the five standard responses outlined in box 4.3. In choosing among them, factors to consider include cost, feasibility, probability and the potential impact. For routine processes, it is a good discipline to consider building in safeguards to manage risk out, or at least downwards, so that some protection is automatic. For other risks, it can be useful to consider the scope for risk sharing, or for copying or adapting the conditions imposed by commercial insurers, who often keep their premiums down by reducing risk potential.

**4.3.4** Evidence from internal and external audit is especially valuable for those making decisions about how to manage and control opportunity and risk. Audit can provide specific, objective and well-informed insight to help an organisation evaluate its effectiveness in achieving the outcomes it seeks. It can be helpful for the audit committee to advise the governing board of a public sector organisation on the key decisions it must make on governance and managing opportunities and risks. In turn the board should support the Accounting Officer in drawing up the Statement on Internal Control (SIC), which forms part of the resource accounts. Further information on this important discipline is in the *Orange Book*.

# 4. INTERNAL MANAGEMENT

## Box 4.3: responses to risk

- **take opportunities:** for circumstances where the potential gain seems likely to outweigh the potential downside
- **tolerate:** for unavoidable risks, or those so mild or remote as to make avoidance action disproportionate or unattractive
- **treat:** for risks that can be reduced or eliminated by prevention or other control action
- **transfer:** where another party can take on some or all of the risk more economically or more effectively, e.g. through insurance, sharing risk with a contractor, or management techniques such as public-private partnership
- **terminate:** for intolerable risks, but only where it is possible for the organisation to exit (note that some risks can only be assumed by the public sector)

## 4.4 Insurance

**4.4.1** It is generally not good value for money for central government organisations to take out commercial insurance. This is because the public sector has a wide and diversified asset portfolio as well as a reliable income by virtue of the ability to raise revenue through taxation. So the public purse is uniquely able to finance the repair or replacement of damaged assets or deal with other crystallised risks, even very large ones. If the government were to insure its large range of risks, it would add to its costs, even allowing for the expense of remedying damage, because it would also have to meet the costs and profit margins of the commercial insurers.

**4.4.2** However, there are some limited circumstances in which it is appropriate for public sector organisations to insure. They include legal obligations (such as public liability insurance) and, depending on the circumstances, wider markets activities (see section 7.11). In the latter case, it is important that the value or availability of public assets is not damaged by activities outside statutory requirements. Further information about insurance generally is in annex 4.5.

## 4.5 Control of expenditure

**4.5.1** DFP coordinates a system through which departments are allocated administrative control totals for their public expenditure. Each department's allocation covers its own spending and that of its associated ALBs. Within the agreed totals, it has considerable discretion over setting priorities to deliver the public services for which it is responsible. Public sector organisations should keep their use of public resources within the agreed budgets, and take them into account when entering into commitments.

**4.5.2** Public sector organisations should also ensure that their use of resources is properly authorised and controlled. The nature of these arrangements will depend on the range of payments to be made, the techniques available and the risks to be managed (annex 4.6 provides advice on types of payments). It is good practice to review these systems from

# 4. INTERNAL MANAGEMENT

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time to time to check that they are fit for purpose and deliver good value. A checklist of essential features is at box 4.4. Advice about countering and dealing with fraud is at annex 4.7.

## **Box 4.4: essentials of systems for committing and paying funds**

- Internal controls to provide authority for acquiring the goods or services to be purchased (including controls on new suppliers), within any legal constraints.
- Authorisation for payment separated from the process of making the payment, with appropriate validation and recording at each step.
- Checks that the goods or services acquired have been supplied in accordance with the relevant agreement(s) before paying for them.
- Payment terms chosen or negotiated to provide good value.
- Invoices paid accurately when mature, once and on time, avoiding late payment penalties.
- A balance of preventive and detective controls to tackle and deter fraud, corruption, etc.
- Audit trails, which can readily be checked and reported upon both internally and externally.
- Periodic reviews to bring to bear any lessons from internal audit examination or other relevant experience, or to implement developments in good practice.

**4.5.3** Where an organisation discovers an underpayment, the deficit should be made good as soon as is practicable and in full. If there has been a lapse of time, for example caused by legal action to establish the correct position, it may be appropriate to consider paying ex gratia interest, depending on the nature of the commitment to the payee and taking into account the reputation of the organisation and value for money for the public sector as a whole (see also section 4.11).

## **4.6 Receipts**

**4.6.1** Similarly, public sector organisations should have arrangements for identifying, collecting and recording all amounts due to them promptly and in full. Outstanding amounts should be followed up diligently. Key features of internal systems of control are suggested in box 4.5.



# 4. INTERNAL MANAGEMENT

## **Box 4.5: essential features of systems for collecting sums due**

- Adequate records to enable claims to be made and pursued in full.
- Routines to prevent unauthorised deletions and amendments to claims.
- Credit management systems to manage and pursue amounts outstanding.
- Controls to prevent diversion of funds and other frauds.
- Clear lines of responsibility for making decisions about pressing claims increasingly more firmly, and for deciding on any abatement or abandonment of claims which may be merited.
- Decisions about any fees and charges made in line with the principles in chapter 6.
- Audit trails which can readily be checked and reported upon both internally and externally.

## **4.7 Unusual circumstances**

**4.7.1** Sometimes public sector organisations face a dilemma in dealing with transactions in public funds. They may have a legal or business obligation which it would be uneconomic or inappropriate to carry out assiduously to the letter. In such cases it may be right to seek a just, pragmatic and transparent alternative approach, appropriately reported to the Assembly and set out in the organisation's report and accounts. One-off schemes of this kind are nearly always novel and so require DFP approval, not least because they may also require legislation or have to rest on the authority of the Budget Act. Box 4.6 suggests precedented examples.

## **Box 4.6: examples of one-off pragmatic schemes**

- A court ruling could mean that a public sector organisation owed each of a large number of people a very small sum of money. It might cost more to set up and operate a payment scheme than the total payable. The organisation could instead make one-off donation(s) equal to the sum outstanding to one or more charities connected with the recipient group.
- A dispute with a contractor might conclude that the contractor owed a public sector body an amount too big for it to meet in a single year while staying solvent. The customer organisation might agree more favourable payment terms for the remainder of an existing contract instead, provided it was satisfied that this arrangement would be value for money, and with appropriate safeguards.



# 4. INTERNAL MANAGEMENT

## 4.8 Dealing with initiatives

**4.8.1** Public sector organisations need to integrate all the advice in this handbook when introducing new policies or planning projects. Each is unique and will need bespoke treatment. The checklist in box 4.7 may help to bring all the different factors together. It applies primarily to central government organisations but the principles will be of value elsewhere.

### Box 4.7: factors to consider when planning policies or projects

#### design

- Has the proposal been evaluated against alternative options, including doing nothing?
- Is there a case for pilot testing before full roll out?
- Are the controls documented clearly?
- Have the risks and opportunities been considered systematically? How will they be managed? Is the process resilient to shocks? What contingencies might arise?
- Is the intended policy proportionate to the perceived need for intervention?
- Will the outcome(s) to be delivered achieve adequate standards?
- Could the proposal be simplified without loss of function?
- If it is to operate with one or more partners, is the allocation of responsibilities documented?
- Will the proposal be efficient, effective and offer good value for money?
- Is the policy sustainable in the broadest sense? Should it have a sunset clause?
- Does the planned activity meet high standards of probity, integrity and honesty?
- Will the proposal deliver the desired outcome to time and cost in a feasible fashion?

#### control

- Is the proposal empowered in legislation? If not, what steps are needed to secure the necessary vires?
- Is the policy or project within European law, including limits on state aids?
- How will the proposal be financed? Is there budget and Estimate cover?
- Is the proposed action within the department's delegated authorities?
- What DFP agreement is required, if any?
- How will the internal governance and delegation work? Will it be effective? Is it transparent?
- What financial techniques will be used to manage rollout and implementation?
- Are project and programme management techniques likely to be useful?
- How will the intended new arrangements be monitored and efficiency measured?

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- Are there arrangements to use feedback to improve outcomes?
- What safeguards are planned to encourage proper and accurate use of resources, prevent misuse and counter fraud?
- How will the associated risks be tracked and the responses adjusted?
- What intervention will be possible if things go off track?

## **accountability**

- Should the Assembly/Executive/Departmental Committee be told of the proposal? If so how?
- How will the Assembly/Executive/Departmental Committee be kept informed of progress?
- What targets will be used? Are they stretching? Do they need to be linked to any PSAs?
- Should there be customer standards? Should there be feedback to learn from complaints?
- Should there be arrangements for redress after poor delivery?
- Is enforcement required? If so, is it proportionate?
- Is public access called for? How?
- Will any new policy or service be administered and enforced openly, fairly and impartially?
- Is an appeal mechanism needed?
- Is any regulatory oversight called for?

## **learning lessons**

- What audit arrangements (internal and external) are intended?
- What information about and records of the activity will be published? How and how often?
- When and how will the policy or project be evaluated to assess its cost and benefits and to determine whether it should continue, be adjusted, replaced or ceased?

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## 4.9 Staff

**4.9.1** Each public sector organisation should have sufficient staff with the skills and expertise to manage its business efficiently and effectively. The span of skills required will depend on its objectives, responsibilities and resources. There should be an appropriate balance between those with professional, practical or operational skills and policy makers, recognising the value of each discipline. Succession and disaster planning should ensure that the organisation can cope robustly with changes in the resources available, including unforeseen disruption.

**4.9.2** Public sector organisations should seek to be fair, honest and considerate employers. Some desirable characteristics are suggested in box 4.8.

### **Box 4.8: public sector organisations as good employers**

- fairness, integrity, honesty, impartiality and objectivity
- clear lines of reporting and responsibility
- equal access to development opportunities to make good use of staff potential
- diversity valued and personal privacy respected
- processes to identify and deal with poor performance
- discipline to underpin the department's integrity
- mechanisms to support efficient working practices, both normally and under pressure
- arrangements for whistle blowers to raise worries privately without personal repercussions

**4.9.3** Similarly, public sector employers have a right to expect good standards of conduct from their employees. The qualities and standards expected of civil servants are set out in the *NICS Code of Ethics* (annex 4.2). Other public sector employees should strive for similar standards, appropriate to their context.

## 4.10 Assets

**4.10.1** All public sector organisations own or use a range of assets. Each organisation needs to devise an appropriate asset management strategy to define how it acquires, maintains, tracks, deploys and disposes of the various kinds of assets it uses. Annex 4.8 discusses some features that are usually worth covering in such a strategy.

**4.10.2** An important part of asset management is good procurement delivering best value for money. Public sector organisations should normally acquire goods and services through fair and open competition, having regard to the twelve guiding principles which govern the administration of public procurement in Northern Ireland and using the guidance on procurement which is issued by the Central Procurement Directorate (CPD) to determine best

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practice. Annex 4.4 offers further advice on techniques. It is important to ensure that procurement is in line with European law, including restrictions on state aids, discussed further in annex 4.9.

**4.10.3** It is good practice for public sector organisations to take stock of their assets from time to time and reconsider whether they are being used efficiently. If there is irreducible spare capacity there may be scope to use part of it for other government activities, or to exploit it commercially for non-statutory business - sometimes called wider markets activity. These can generate additional income for the organisation, improving its efficiency (see section 7.11).

## **4.11 Non-standard transactions**

**4.11.1** From time to time public sector organisations may find it makes sense to carry out transactions outside the usual planned range, e.g.:

- write-offs of unrecoverable debts or overpayments;
- recognising losses of stocks or other assets;
- long term loans of assets; or
- gifts of assets.

**4.11.2** In each case it is important to deal with the issue in the public interest, with due regard for probity and value for money. Annexes 4.10 to 4.13 set out what is expected when such transactions take place in central government, including notifying the Assembly.

**4.11.3** Similarly, public sector organisations may have reason to carry out current transactions which would not normally be planned for. These might be:

- extra contractual payments to service providers;
- extra-statutory payments to claimants;
- ex gratia payments to customers; or
- severance payments to employees leaving voluntarily before retirement or the end of their contract.

**4.11.4** Again it is important that these payments are made in the public interest, objectively and without favouritism. The disciplines the Assembly expects of central government entities are set out in annex 4.13, which explains the notification procedure to be followed for larger one-off transactions of this kind. The steps to be considered when setting up compensation schemes, both statutory and ex gratia, are discussed in annex 4.14. In most cases DFP approval will be required for such transactions as they would fall within the definition of “novel or contentious”.

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## 4.12 Standards of service

**4.12.1** The Assembly and the public do not find poor quality public services acceptable. Public sector organisations should therefore define what their customers, business counterparties and other stakeholders can expect of them.

**4.12.2** Standards of this kind can be expressed in a number of ways. Examples include guidelines (e.g. response times), targets (e.g. take-up rates) or a collection of customer rights in a charter. In central government these will sometimes be defined in departmental strategic objectives or public service agreements (PSAs). Even where standards are not set explicitly, they may sometimes be inferred from the way the provider organisation carries out its responsibilities.

**4.12.3** Whatever standards are set, they should be defined in a measurable way, with plans for recording performance, so that delivery can be readily gauged. It is good practice to use customer feedback, including from complaints, to reassess from time to time whether they remain appropriate and meaningful to customers.

**4.12.4** Where public sector organisations fail to meet their standards, or where they fall short of reasonable behaviour in relation to those they do business with, it may be appropriate to consider offering remedies. These can take a variety of forms, including apologies, restitution (e.g. supplying a missing licence) or in more serious cases financial payments beyond what the law or contract strictly requires. When deciding whether financial remedies might be appropriate, each organisation should consider the legal rights of the other party or parties, the potential effects on its reputation and the impact on its future business.

**4.12.5** When central government organisations consider making such payments, whether statutory or ex gratia, they should follow the guidance in annex 4.14. Any schemes of financial redress which are unusual or could have implications elsewhere should be discussed with DFP before commitments are made, just as with any other public expenditure out of the normal pattern (see sections 2.1 and 2.2).

## 4.13 Complaints

**4.13.1** The Northern Ireland Ombudsman is the popular name for two offices, the Assembly Ombudsman and the Northern Ireland Commissioner for Complaints. He/she investigates complaints that government departments, a range of other public organisations in NI (including the Health Service in the role of Commissioner for Complaints) have not acted properly or fairly, or have provided a poor service. In the light of the investigation of a case, the NI Ombudsman decides whether those complaining have suffered injustice or hardship because of maladministration or service failure, and whether any injustice or hardship has been, or will be, remedied. The NI Ombudsman's view is final, subject to judicial review by the courts.

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**4.13.2** Where maladministration or service failure is found, the NI Ombudsman may recommend that the public organisation concerned should provide redress for those complaining, and for any others who may have suffered in the same way. Further guidance about redress is at annex 4.14. Departments proposing to reject an Ombudsman recommendation should consult OFMDFM before doing so, copying the correspondence to their DFP Supply Officer. If the NI Ombudsman considers that the injustice has not been, or will not be, remedied, he/she may lay a special report before the Assembly. The power to make a special report is not available to the NI Ombudsman in his/her role as Commissioner for Complaints.

**4.13.3** There are a number of other organisations charged with investigating complaints and recommending further action where it is merited. Some of these are also called Ombudsmen. In general they operate according to similar principles to those governing the NI Ombudsman, though not with the same reporting arrangements to the Assembly.

**4.13.4** Further information on the role of the NI Ombudsman can be found at <http://www.ni-ombudsman.org.uk/index.htm> .

## 4.14 Transparency

**4.14.1** All public sector organisations should operate as openly as is compatible with the requirements of their business. In line with public rights under the Freedom of Information Act 2000, the Data Protection Act 1998, the Environmental Information Regulations 2004, and the Re-use of Public Sector Information Regulations 2005, they should make available timely information about their services, standards and performance. This material should strike an appropriate balance between protecting confidentiality and open disclosure in the public interest. It is good practice to adopt a publication scheme routinely offering information about the organisation's activities.

**4.14.2** All public sector organisations should also publish regular information about their plans, performance and use of public resources. For instance, box 4.9 shows what is expected of central government departments.

### Box 4.9: annual publications by central government departments

- Estimates
- resource accounts, including a Statement on Internal Control and a management commentary (including a statement on corporate governance), subject to DFP direction

**4.14.3** In certain areas of public business it is also important or desirable to provide adequate public access to physical assets. Unnecessary or disproportionate restrictions should be avoided. Managed properly, this can be a valuable mechanism to promote inclusion and enhance public accountability.

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- Annex 4.1** Finance Directors
- Annex 4.2** The Northern Ireland Civil Service Code of Ethics
- Annex 4.3** Principles of good administration
- Annex 4.4** Procurement
- Annex 4.5** Insurance
- Annex 4.6** Expenditure and payments
- Annex 4.7** Fraud
- Annex 4.8** Asset management
- Annex 4.9** State aid
- Annex 4.10** Losses and write-offs
- Annex 4.11** Overpayments
- Annex 4.12** Gifts
- Annex 4.13** Special payments
- Annex 4.14** Remedy
- Annex 4.15** Value Added Tax (VAT)
- Annex 4.16** The Statement on Internal Control (SIC)







# 5. FUNDING

**This chapter explores the means by which central government organisations may obtain funds, and the framework for controlling expenditure so financed. In line with the Concordat, DFP operates disciplines to respect the Assembly’s concern to prevent unauthorised expenditure.**

## 5.1 The framework for public expenditure control in NI

5.1.1 Departments’ centrally allocated budgets for use of resources (see para 4.5.1) are split into resource and capital totals. Each department’s budget is in turn split between a departmental expenditure limit (DEL) and annually managed expenditure (AME). The totals of DEL and AME together make up total managed expenditure (TME). More information is in box 5.1.

### Box 5.1: elements of resource budgets

**Departmental expenditure limits (DEL):** provision planned and managed over three years, with some scope (subject to DFP agreement and rules) for carrying forward unspent provision into future years. Usually comprises most of each department’s resource budget. Includes limits on near-cash expenditure and on the cost of administration.

**Annually managed expenditure (AME):** expenditure which is not as readily controlled as DEL is, but which must be budgeted for each year, including social security expenditure

Both DEL and AME may include capital and current resource provision.

5.1.2 In turn each central government department allocates its budget among its own responsibilities, cascading provision appropriately to those which receive grants from it, e.g. NDPBs. Annex 5.1 discusses the principles on which grants (for specific purposes) and grants-in-aid (unspecific support) should be based. In general it is sensible to consider arrangements for protecting the public purse through clawback of specific grants should the purposes for which they are agreed not materialise (annex 5.2).

5.1.3 Within the resource budgeting framework, a variety of mechanisms are used to encourage the wise and effective deployment of public expenditure to meet the Assembly’s objectives including:

- *administration budgets*: limiting the amount of resource DEL provision that can be used for basic support services such as salaries;
- *asset management strategies (including the Investment Strategy for NI)*: plans to build and manage capital assets through investment;
- *public service agreements (PSAs)*: performance targets for public services, such as waiting times or educational standards.

5.1.4 The budgeting framework is explained in the *Consolidated Budgeting Guidance* and the current In-year Monitoring of Public Expenditure Guidelines.

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## 5.2 Estimates

**5.2.1** The agreed departmental budgets do not of themselves confer authority to spend or commit resources. That requires Assembly agreement through the Estimates process and the Budget Acts. Departmental Estimates containing one or more Requests for Resources (RfRs) are put to the Assembly covering one financial year at a time. In turn many departments' Estimates also contain provision for cash and other resources to finance their ALBs through grants or loans.

**5.2.2** Once agreed, the Estimates become the expenditure limits voted by the Assembly, set in the Budget Acts. These provide the legal authority for public expenditure within the ambit of each RfR. The ambit describes the activities on which expenditure is permitted by the RfR. There is some scope for transferring (viring) provision from one section or subhead to another within the same RfR. Details are in the *Estimates Manual*.

**5.2.3** Agreed Estimate provision for one year cannot be carried forward to the next. If a department needs to spend resources it did not consume in a previous year, and provided the budget will bear it, authority to spend in a subsequent year must be requested afresh. Annex 5.3 explains the treatment of receipts, in particular when they can score as accruing resources, so reducing the gross provision for resource consumption for which Assembly approval must be sought.

**5.2.4** There are some limited exceptions to the need for Estimates, the main one being various NICF Standing Services.

**5.2.5** The annual expenditure which the Assembly authorises in Estimates is not calculated in quite the same way as multi year resource budgets. Annex 5.4 explains how the two are related. Detailed information on the operation of Estimates is in the *Estimates Manual*.

## 5.3 Excess votes

**5.3.1** Accounting Officers have an important role in overseeing the overall accuracy of the presentation of the RfRs for which they are responsible. In particular, Accounting Officers are responsible for ensuring that actual spending is within the ambit of each RfR, is regular (see box 2.4), and does not exceed the amount of Estimate provision. DFP presents the Assembly each year with a Statement of Excesses to request retrospective authority for the unauthorised resources (or cash or income) consumed above the relevant limits.

**5.3.2** This statement identifies two kinds of excess expenditure:

- expenditure outside the ambit (EOTA)
- spending above the amount provided in an RfR.

**5.3.3** The Assembly would regard EOTA as particularly unsatisfactory because it means that the department concerned has flouted the intentions that the Assembly has set in statute. It is important to note that an RfR may be noted for EOTA for any excess not covered by suitable statutory powers, even if the total amount spent does not exceed the Budget Act limit.

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**5.3.4** Expenditure in excess of provision is also to be avoided since the authority of the Budget Act is required just as much as specific statutory authority. It is possible, with DFP agreement, to raise the amount in an RfR during the course of the year through a Supplementary Estimate. But if need be, Accounting Officers should reduce or postpone use of resources to keep within the provision the Assembly has agreed.

**5.3.5** The C&AG reports both kinds of excess vote to the Assembly. The PAC may examine the responsible Accounting Officers to see whether there is evidence of some underlying weakness of control.

## 5.4 Commitments

**5.4.1** Just as Assembly authority is required for use of public funds in a given financial year, so the Assembly also expects advance notice of any commitment to the future use of public funds for which there is no active request for resources through Estimates.

**5.4.2** Ministers may agree policies with financial implications without statutory authority, but in time they translate into resource consumption. So all commitments should be scrutinised and appraised as stringently as specific proposals for resource consumption (box 4.7 may help). It is essential for departments to have budget cover and DFP agreement before going firm. It is best practice then to obtain statutory authority before entering into all commitments to future deployment of public resources

**5.4.3** As the Concordat (annex 2.1) notes, the Assembly is not bound to honour commitments unless and until there are statutory powers to meet them and it authorises public funds to finance them in a given year. So it is essential to give the Assembly prompt and timely notice of any significant commitments, including contingent liabilities (above a specified threshold) into which the department or its bodies intends to enter. This is especially important if the business in question is outside the department's existing statutory powers. The process for informing the Assembly is set out in annex 5.5.

**5.4.4** The general rule is to err on the side of caution in keeping the Assembly informed of emerging contingent liabilities. It is impossible to generalise about every possible set of circumstances but some guidance is in box 5.2.

## 5.5 Public dividend capital

**5.5.1** Certain public sector businesses, notably trading funds, are set up with public dividend capital (PDC) in lieu of equity. Like equity, PDC should be serviced, though not necessarily at a constant rate. PDC is not a soft option: in view of the risk it carries, it should deliver a rate of return comparable to commercial equity investments carrying a similar level of risk. There is scope for the return to vary to reflect market conditions and investment patterns; but persistent underperformance against the agreed rate of return should not be tolerated.

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## **Box 5.2: contingent liabilities: notifying the Assembly**

- The Assembly should be notified of uncertain liabilities in a way that is meaningful without attempt at spurious accuracy. It is good practice to notify the Assembly if the estimated liability changes significantly, or can be clarified.
- If a contingent liability affects several departments but cannot confidently be allocated among them, the relevant Minister should inform the Assembly in a way which offers pragmatic information while recognising the scope for variation.
- If, exceptionally, the liability needs to remain confidential, the Minister should inform the chairs of the relevant departmental committees and the PAC; then inform the Assembly openly if the need for confidentiality lifts.
- Ministers should inform the Assembly if an NDPB assumes a contingent liability which it could not absorb within its own resources, since the risk ultimately lies with the sponsor department's budget.

**5.5.2** A department needs specific statutory power to issue PDC to an arm's length body, together with Estimates cover to pay it out of the NICF. Sometimes instead of a specific issue of PDC, the legislation establishing (or financially reconstructing) a public sector business deems an issue of PDC to the new business. Dividends on PDC, and any repayments of PDC, are paid to the sponsor department of the business.

**5.5.3** Further information about the use of PDC is in section 7.5 (trading funds) and in the *Estimates Manual*.

## **5.6 Borrowing by public sector organisations**

**5.6.1** Some public sector organisations, e.g. certain trading funds, are partly financed through loans provided through the sponsor department's Estimate "Voted Loans"; or from the NICF. DFP consent and specific legal powers are always required. Limits and other conditions are common. Further discussion is at annex 5.6.

**5.6.2** Every loan by a department should be made with reasonable expectation that it will be serviced and repaid on the agreed schedule. Departments are responsible for scrutinising borrowers' creditworthiness, not relying solely on their track record. If timely repayment could not realistically be expected, the loan could be unlawful. Should a sponsor department become aware of concerns about the security of outstanding loans, it should warn DFP promptly and consider what action it can take to minimise any potential loss.

**5.6.3** Arrangements for borrowing mirror closely those that apply in Great Britain and are subject to change. Details of these at any point in time can be obtained from Government Accounts Branch in DFP which should also be consulted on any proposals for premature repayment.

**5.6.4** As a general rule, departments should ensure that they obtain specific statutory powers to make loans. Departments are also responsible for ensuring that the borrower has any necessary statutory authority to borrow. Such loans should be made not only on the sole

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authority of the Budget Act but also only where the conditions specified by Government Accounts Branch within DFP would be satisfied and with the prior approval of the relevant Supply Officer in DFP.

**5.6.5** Departments should consult the appropriate Supply Officer about any proposals for the premature repayment of loans.

**5.6.6** The treatment of repayments and interest payments in Estimates and resource accounts is discussed in the *Consolidated Budgeting Guidance*, the *Estimates Manual* and the *FReM*. DFP also accounts for NICF transactions in the Public Income & Expenditure Account. Any proposed write-offs must be notified to the Assembly after obtaining DFP agreement: see annex 5.6.

## 5.7 External borrowing

**5.7.1** Public sector organisations may borrow from private sector sources only if they can achieve better value for money for the public sector as a whole by doing so. In practice it is usually difficult to satisfy this condition unless efficiency gains arise in the delivery of a project because of the introduction of externally raised debt (e.g. PFI). DFP Supply agreement to any such borrowing for ALBs is essential, and must be justified on value for money grounds. Nevertheless it can sometimes be expedient for public sector bodies to borrow short term, for example by overdraft.

**5.7.2** When a sponsor department's ALB borrows in this way, the department should normally arrange to guarantee the loan to secure a fine rate. There may sometimes be overriding constraints, e.g. where such a guarantee would rank as a state aid (see annex 4.9). A department which guarantees a loan needs a specific statutory power as well as Estimate provision. On rare and exceptional occasions temporary non-statutory loans may be possible. In either case, DFP Supply must be notified when a loan guarantee is given (before giving it in the case of non-statutory loans), using the reporting procedures in annex 5.5. The Assembly should be notified in all cases where a loan is guaranteed.

**5.7.3** Occasionally there is a case for a sponsored body to borrow in foreign currency in its own name rather than the Executive's. Because this can affect the credit standing of the United Kingdom public sector as a whole, and may well cost more, it is essential to consult DFP Supply beforehand.

**5.7.4** The same principles apply to the borrowing of any bodies, such as subsidiaries, for which a sponsor department's ALBs are responsible. This is because their borrowing affects the creditworthiness of their sponsor department and thus of the UK as a sovereign borrower.

## 5.8 Banking

**5.8.1** Departments need to control access to central government accounts in order to undertake the processes of making payments and collecting receipts in ways which protect public funds and obtain good value for money for the NICF as a whole. Public monies should be held centrally by DFP to the maximum possible extent consistent with value for money. It

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is therefore important that receipts and other funds which are surplus to immediate requirements are credited to the Paymaster General's Account or other government bank accounts at the earliest, practicable and cost effective opportunity thereby reducing the amount and cost of the Government's borrowing or increasing its income from interest.

**5.8.2** There is an agreement whereby a specified list of central and departmental accounts have their balances pooled for charging purposes. Provided the pool is not overdrawn the accounts in the pool are exempt from charges. If overnight the pool as a whole is overdrawn interest is charged to the NICF at a special rate. To ensure value for money, departments should bank under this contract. The contract and pool arrangement are controlled by Government Accounts Branch within DFP therefore any changes to the arrangements must be done through DFP. Departments must also seek DFP approval if they wish to open an account outside the pool.

**5.8.3** It is essential for departments and NDPBs to minimise the balances in their bank accounts. Were each to retain a significant sum in its own account with such banks, the amount of net government borrowing outstanding on any given day would be appreciably higher, adding to interest costs and hence worsening the fiscal balance.

**5.8.4** Each department is advised to have a strategy for cash management including banking arrangements and to ensure that it is formally documented. The strategy should reflect the size of the body and the scale and complexity of its transactions and include arrangements for measuring and reviewing performance against objectives. See annex 5.7 for guidance. Sponsor departments should make sure that their ALBs are aware of the importance of managing this aspect of their business efficiently and effectively (see box 7.2).

## 5.9 Other financing techniques

**5.9.1** Depending on its circumstances, purposes and risk profile, a public sector organisation may consider using financial instruments provided by the commercial markets. Among the techniques which may merit consideration are foreign currency transactions and various hedging instruments designed to control or limit business risks, for example those arising out of known requirements for specific future purchases of market priced commodities. Another possibility is permitting payments by various electronic means, including credit cards.

**5.9.2** As with making decisions about other policies and projects, an organisation considering using an unfamiliar financing technique should evaluate it carefully. The checklists in boxes 4.3 and 4.7 have reminders of factors that may need to be considered. If the proposed transaction(s) are novel, contentious or repercussive, it is essential to consult DFP. Any organisation using a new technique should ensure that it has the competence to manage, control and track its use and any resulting financial exposures, which may vary with time. In particular, departments should consult DFP (and ALBs their sponsoring departments) before using derivatives for the first time.

**5.9.3** When assessing an unfamiliar financial technique, it is important to remember that providers of finance and complex financial instruments intend to profit from their business. And providers' costs of finance are always inferior to the UK government's cost of



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borrowing. So it is usually right to be cautious about novel financial techniques. DFP will always refuse proposals to speculate. Offers which appear too good to be true usually are.

**5.9.4** A simple example is the use of credit cards to pay debts owed to public sector organisations. When evaluating the options, it is important to balance any extra cost against the value of additional or faster flows of funds expected by offering this facility. There may be a case for limiting the transactions acceptable in this way, e.g. for payments up to certain amounts, or only using certain cards (depending on the commercial deals that can be negotiated). The Assembly expects the public sector to make shrewd and well-informed decisions based on sound commercial principles.

**5.9.5** A more complex example is deals financed under the Private Finance Initiative. There is more about this in section 7.10.

**5.9.6** As with managing other business, the Assembly may ask Accounting Officers to justify any decisions about use of financial transactions, especially if with hindsight they have not achieved good value for money.

**Annex 5.1** Grants and grants-in-aid

**Annex 5.2** Protecting public investments (clawback)

**Annex 5.3** Treatment of income and receipts

**Annex 5.4** How Estimates provision is derived from departmental budgets

**Annex 5.5** Liabilities

**Annex 5.6** Lending to Public Bodies

**Annex 5.7** Banking

**Annex 5.8** The Northern Ireland Consolidated Fund (NICF)







# 6. FEES, CHARGES AND LEVIES

**Where a fee is charged for access to public goods or services, there are some specific rules about how the charge should be determined. It is important to protect the Assembly's right to decide which services should be charged for, and how public resources are to be allocated.**

## 6.1 Basic policy

**6.1.1** Many departments and public bodies charge for publicly provided goods and services. This approach helps allocate use of goods or services in a rational way because it prevents waste through excessive or badly targeted consumption. It also makes for easier comparisons with the private sector, promotes competition and helps develop markets.

**6.1.2** The norm is to charge at full cost. Some exceptions are noted in box 6.1.

### Box 6.1: exceptions to full cost charging

- **Subsidised services:** where departments decide to spend public resources on lowering costs for some or all consumers of public services, e.g. free prescriptions for children.
- **Taxation:** where the Assembly authorises charges above cost, e.g. vehicle excise duty.
- **Information services:** where charges are generally low or minimal as a matter of policy, e.g. most freedom of information (FoI) requests.
- Certain discretionary services provided in **competition** with the private sector, where a commercial rate is normally charged, e.g. letting out public space for private use.
- **Levies:** licences to operate using public goods, often set to recover associated costs such as supervision by a regulator, e.g. gambling licences.

**6.1.3** The guidance in this chapter applies to all charges and levies set by ministers or by an extensive range of public bodies: departments, trading funds, NDPBs, health and social care organisations, and most public corporations. It also applies to charges for goods and services one central government organisation supplies to another; and to certain other statutory charges set by ministers, e.g. some local government fees. Those setting up a service carrying a charge may find the checklist in annex 6.1 useful.

**6.1.4** Central government bodies usually need primary legislation to charge for a service provided to the public since the Assembly expects to control use of public resources. Except in the case of commercial services (see section 6.4), if the charge exceeds the cost of supply, the excess must be remitted to the NI Consolidated Fund. If the excess is significant, the Office of National Statistics (ONS) may classify the whole charge as a tax.

# 6. FEES, CHARGES AND LEVIES

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## 6.2 Setting the charge

**6.2.1** Setting a fee for a public service normally<sup>8</sup> requires powers in primary legislation. These powers are usually fairly general, with the fee structure and each fee set in secondary legislation. Prior DFP approval is required for primary legislation empowering charges. Even if the primary legislation does not call for it, the delegated authorities within which the organisation operates (see paragraph 2.1.5) will often insist upon DFP consent for charges.

**6.2.2** In a limited range of cases, it may be possible to rely on secondary (rather than primary) legislation. One such group of cases is implementation of EU legislation. Depending on the policy to be implemented, it may be possible to use secondary orders under s2(2) of the European Communities Act 1972 for the substantive policy and under s56 of the Finance Act 1973 to set charge levels.

**6.2.3** In certain other cases, charges can be adjusted where otherwise primary legislation would be necessary by using an order under the Fees and Charges (Northern Ireland) Order 1988 No.929 (N.I.8). Because such orders amend primary legislation, they would be unpopular in the Assembly and should therefore be used rarely. Box 6.2 explains the routine. Use of this procedure often indicates that the fee is classified as a tax.

### **Box 6.2: restructuring charges using the Fees and Charges (Northern Ireland) Order 1988 No.929 (N.I.8).**

- Explicit prior DFP agreement is essential.
- The order can vary or extend the powers in existing primary legislation by permitting specified factors to be taken into account in setting fees, e.g. to restructure fees to recover costs not directly related to the current costs of the service, or to recover past deficits.

#### **But**

- The Order cannot undermine primary legislation, e.g. it cannot authorise a charge for which no primary legislation exists, nor lift explicit statutory restrictions on which groups of consumers should pay a charge for a service.

**6.2.4** When deciding the level of a charge, it is important to define:

- the range(s) of services for which a charge is to be made; and
- how any different categories of service are to be differentiated, if at all, in setting charges.

**6.2.5** Normally the same charge should apply to all users of a defined category of service. The policy might be to charge at a uniform rate for all varieties of a service; or different fees may be set for objectively different categories of service costing different amounts to provide. Box 6.3 has some acceptable distinctions. It is often helpful to consult

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<sup>8</sup> This requirement does not apply to discretionary services: see section 6.4

# 6. FEES, CHARGES AND LEVIES

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DFP as the categories to bear different charge levels are developed. This is essential if the proposed arrangements entail any features which could affect other parts of the public sector or set precedents for them.

**6.2.6** Annex 6.2 contains guidance about how full cost should be measured for the purpose of setting charges. Special rules apply to charges for information services: see annex 6.3.

## **Box 6.3: possible ways of setting charge for different categories of service**

- Supply differences, e.g. in person, through the post, over the telephone or using the internet.
- Priority, e.g. where consumers pay more for a faster, more expensive, service.
- Scale or value, e.g. where a premium service offers more facilities to the customer than others.
- Structural, where it costs more to supply some consumers with a consistent service.

### **But not**

- Differentiation by different kinds of customer, e.g. less for personal consumers and more for corporates (unless permitted or required by the primary powers).

**6.2.7** Once defined, the full cost of each category of service should be measured realistically and objectively: see annex 6.2. The cost should be estimated, extrapolating past trends and forecasting future consumption patterns. The calculation should take full account of non-cash items e.g. depreciation, the cost of capital and the notional cost of insurance where applicable. There is some limited flexibility about the charge in any single year, since demand cannot be forecast precisely and it may make practical sense to round charges. But neither factor can justify planning to recover less or more than 100% of costs.

**6.2.8** If ministers decide on a financial target short of full cost recovery, there should be a plan to achieve full cost recovery within a reasonable period. If this is not intended, it is important to decide (and document) clearly why and how long any deliberate public subsidy should last.

**6.2.9** In general, cross subsidies are not good practice, e.g. businesses subsidising individuals or large businesses subsidising small ones. They may foster inefficient or wasteful patterns of consumption. Thus they always require explicit Ministerial agreement and primary legislation (or use of the Fees and Charges (Northern Ireland) Order 1988 No.929 (N.I.8)). And such charges are often classified as taxes.

**6.2.10** Charges within and among central government organisations should be made at full cost, including the standard cost of capital. To charge otherwise would risk creating unwarranted subsidies or distorting competition.

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## 6.3 Levies

**6.3.1** Compulsory levies, e.g. licences to operate charged by statutory regulators, or to support industry specific research foundations, are normally classified as taxation. Such licences are justified in the wider public interest and not to provide a beneficial service to those who pay them. DFP may allow such bodies to retain the fees charged if this approach is efficient and in the public interest.

**6.3.2** As with other fees and charges, levies of this kind should be designed to recover the full costs of the service provided. If the legislation permits, these costs can include the costs of the statutory body, e.g. a regulator could be empowered to recover the cost of supervision as well as registration to provide a licence. It may be appropriate to charge different levies to different kinds of licensees, depending on the cost of providing the licence.

## 6.4 Commercial services

**6.4.1** Some public sector services are discretionary, i.e. no statute requires them. Services of this kind are often supplied into competitive markets, though sometimes the public sector supplier has a monopoly or other natural advantage. The key steps to take before setting up such a service are outlined in box 6.4.

### Box 6.4: setting up a commercial service

- Check whether the service is supplied in a competitive market.
- Establish whether adequate statutory authority exists for undertaking the planned activity.
- Consider whether Estimate authority is required to use public resources to supply the service.
- Agree the required rate of return with DFP.
- Obtain DFP consent for any adjustment to the supplier's financial objective.
- If the intended commercial service is likely to be significant and to endure, tell the Assembly of the plan to provide it.

**6.4.2** For these services, the charges should be set at a commercial rate, including delivering a proper return on the use of resources acquired with public funds. So the financial target should be in line with market prices, using an appropriate risk weighted rate of return on capital. The rate of return used in pricing calculations for sales into commercial markets should be:

- for sales into commercial markets, in line with competitors' assessment of their business risk, rising to higher rates for more risky activities; or
- where a public sector body supplies another, or operates in a market without competitors, the standard rate for the cost of capital (see annex 6.2).

# 6. FEES, CHARGES AND LEVIES

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**6.4.3** If a publicly provided commercial service does not deliver its target rate of return, outstanding deficits should be recovered, e.g. by adjusting charges. Any objective short of achieving the target rate of return calls for Ministerial agreement, and should be approved by DFP. In particular, discretionary services should never undermine the supplier organisation's public duties, including its financial objective(s).

**6.4.4** It is important for public suppliers of commercial services to respect competition law. Otherwise public services using resources acquired with public funds might disturb or distort the fair operation of the market, especially where the public sector provider might be in a dominant position: see annex 6.4.

**6.4.5** Wider markets activities are a special case of commercial services. See annex 7.6 for a fuller discussion.

## 6.5 Taking stock

**6.5.1** As with any other use of public resources, it is important to monitor performance so that the undertaking can be adjusted as necessary to stay on track. It is good practice to review the service routinely at least once a year, to check, and if appropriate revise, the charging level. At intervals, a more fundamental review is usually appropriate, e.g. on a timetable compatible with the dynamics of the service. Box 6.5 suggests some issues to examine.

### Box 6.5: reviewing a public service for which a charge is made

- Is it still right for a public sector organisation to use public resources to supply the service?
- Does the business structure still make sense? Are the assets used for the service adequate?
- Would another business model (e.g. licensing, contracting out, privatising) be more satisfactory?
- For services supplied within the public sector, is there scope to supply others to take advantage of economies of scale?
- Is the financial objective right?
  - for a statutory service (or one supplied to another public organisation) if full costs are not recovered, why not?
  - for a commercial service, does the target rate of return still reflect market rates?
- Can efficiency and effectiveness be improved?
- Looking ahead, what developments might change the business climate?
- Do any discretionary services remain a good fit for the business model and wider objectives?
- Should any underused assets be redeployed, used for wider markets activity, or sold?

# 6. FEES, CHARGES AND LEVIES

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## 6.6 Accounts

**6.6.1** As with public expenditure, the resources used in supplying public services and the proceeds of charges should be properly recorded and accounted for. Each service should keep records of its costs and the associated receipts. A memorandum trading account (MTA) prepared in accordance with GAAP and any relevant accounts direction is often a convenient way of doing this (see annex 6.5). Because MTAs record how the costs and revenues evolve, they help generate the end year resource accounts, whether the operation of the service is consolidated with the parent department's business or not.

**6.6.2** The FReM discusses audit and reporting of trading funds in more detail.

**Annex 6.1** Checklist for setting up new services

**Annex 6.2** How to calculate fees

**Annex 6.3** Charging for information

**Annex 6.4** Competition law

**Annex 6.5** Memorandum Trading Accounts (Operating Accounts)

**Annex 6.6** Interdepartmental Transactions



# 7. WORKING WITH OTHERS

**This chapter considers the working partnerships that public sector organisations may establish in order to deliver their objectives more effectively than they could acting alone. There are some common features to competent management of these relationships, and some specifics which apply to certain sorts of relationships. It is essential that the public interest and value for public resources are given a high priority in the management of all these relationships.**

## 7.1 The case for working partnerships

**7.1.1** The Assembly and the public expect high quality public services, adapted flexibly to suit the needs of different kinds of customers. It can make sense for public sector organisations to work with partners to deliver these services. The partners may be other public sector organisations, commercial organisations, or bodies from the third sector such as charities and voluntary groups. In this way the public sector can harness skills appropriate to the purpose in hand.

**7.1.2** There are many different kinds of partnership. Each involves some tension between autonomy and accountability with scope for conflict if the terms of engagement are not resolved openly at the outset. Box 7.1 outlines some key areas that need to be decided early in the relationship. Each partnership requires its own customised terms to work effectively. One size does not fit all.

### **Box 7.1: issues for every partnership with a public sector member**

- As for projects, the decision to engage with a partner should rest on a business case in the public interest, evaluated against a range of alternative courses, including doing nothing.
- Conflicts of interest, including reputation risks, should be consciously recognised and dealt with, e.g. through explicit safeguards in the terms of the partnership.
- The cultural fit of the partners should be good enough to give each party confidence about trusting the other(s).
- The partnership framework should be documented and the terms of engagement kept up to date so that there is no doubt about responsibilities.
- Partnerships should not be a way of weakening accountability for the use of public resources, including reporting to the Assembly.

## 7.2 Setting up new arm's length bodies

**7.2.1** When a department sets up a new arm's length body (ALB), it needs to decide which kind of body it should be. Each has its strengths and merits. In general it makes sense to let the functions of the new body determine its form. DFP approval is required to establish such bodies and it may be helpful if DFP is consulted early in the process. Annex 7.1 suggests sources of guidance on some common types of ALB, while annex 7.2 outlines how to determine whether a new ALB should be an agency, an NDPB or a non-Ministerial department.



# 7. WORKING WITH OTHERS

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**7.2.2** Designing a new body for partnership with a public sector organisation always requires careful planning. It is important to ensure that the new arrangement will deliver the intended outcome(s) without unnecessary and confusing complexity. The sponsor department is responsible in the first instance for ensuring that the budgetary control and internal disciplines of new ALBs are satisfactory. It is desirable to arrange for a clear line of sight between those making the key decisions and the machinery for implementing them.

**7.2.3** While the established models of public sector bodies are often useful, it can sometimes make sense to design new kinds of ALB. When departments plan to innovate in this way, it is usually necessary to consider whether primary legislation is required and to secure appropriate Estimate cover. Additional DFP approval for any innovative development will also be required.

## 7.3 What to clarify

**7.3.1** When documenting an agreement with a partner, public sector organisations should analyse the relationship and consider how it might evolve. The terms of the agreement must be clearly understood by each party to avoid confusion as the partnership develops. Box 7.2 lists terms which should always be considered for inclusion in partnership agreements. The list is not exhaustive.

**7.3.2** In framing founding documentation of this kind, the partners should adopt a proportionate approach in line with the scale and risk of the business involved. The Assembly expects that public funds will be used in a way that gives reasonable assurance that public resources will be used to deliver the intended objectives. It is good practice to develop structured arrangements for regular dialogue between the parties to avoid misunderstandings and surprises.

**7.3.3** In this process the aim should be to put the Accounting Officer(s) of the parties in a position to take a well-informed view on the status of the relationship, enabling timely adjustments to be made as necessary. So there might initially be a significant degree of reporting and other exchanges, with potential for intervention, underpinning a venture which is large, experimental and/or risky; and scaling back later if experience gives confidence about performance. Conversely, a partnership following a well-tested pattern in a familiar area might call for less intervention.

**7.3.4** Where a new partnership is being developed, it may be necessary or desirable to devise bespoke working arrangements sensitive to the position of each of the partners. Box 7.1 may not cover every angle. For instance, a partnership with a charity will need to be compatible with the charity's purposes and constitution, while safeguarding the public investment.

## 7.4 Agencies

**7.4.1** Each agency is either part of a central government department or a department in its own right. Agencies are intended to bring professionalism and customer focus to the management and delivery of central government services, operating with a degree of independence from the centre of their home departments. Some are also trading funds.



# 7. WORKING WITH OTHERS

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**7.4.2** Each agency is established with a framework document on the lines sketched out in box 7.2. With the exception of those agencies which are trading funds (see section 7.5), they are normally funded through public expenditure supplied by Estimates. DFP approval is required for all such framework documents and it may be helpful for Departments to consult DFP at an early stage in their preparation.

**7.4.3** Depending on the scale and nature of an agency's responsibilities, it may be appropriate for a senior official of an agency to be a member of the sponsor department's departmental board. It may also be appropriate for a representative of the sponsor department to join the agency's board, as part of the sponsor department's responsibilities for strategy, performance, risk taking and delivery within the department.

## 7.5 Trading funds

**7.5.1** A trading fund is either part of a department or a department in its own right. Its business must finance most or all of its operations.

**7.5.2** Each trading fund is set up through an order under the Financial Provisions (Northern Ireland) Order 1993, subject to affirmative resolution procedure. Before such an order can be laid in the Assembly, DFP will need to be satisfied that a proposed trading fund can satisfy the statutory requirement that it is likely to deliver better efficiency and effectiveness. A period of shadow operation as a pilot trading fund may help inform this assessment.

**7.5.3** Each trading fund must primarily be financed out of its trading income like any other enterprise. In particular, each trading fund is expected to generate a financial return commensurate with the risk of the business in which it is engaged. In practice this means the target rate of return should be no lower than its cost of capital. The actual return achieved may vary a little from one year to the next, reflecting the vagaries of the market in which the trading fund operates.

**7.5.4** The possible sources of capital for trading funds are shown in box 7.3. They are designed to give trading funds freedom from the discipline of annual Estimate funding. The actual mix for a given trading fund must be agreed with the sponsor department (if there is one) and with DFP.

**7.5.5** Further detail about trading funds is in annex 7.3. Guidance on setting charges for the goods and services trading funds sell is in chapter 6.

**7.5.6** Some trading funds move on to become wholly owned companies within the public sector. When this process is in prospect, the appropriate disciplines (see section 7.8) should be adopted.

# 7. WORKING WITH OTHERS

## **Box 7.2: framework terms for partnership agreements**

### **purpose**

- The aims of the relationship, its working remit, standards, and the key objectives and targets.

### **governance and accountability**

- The statutory position, including any financial or other limits and any regulatory requirements.
- The governance of the partnership: the terms of engagement of the partners and any arrangements for appointment (or approval) of the senior people in the other partner.
- The extent to which any department is responsible to the Assembly for the conduct of a partner (this is always appropriate for partnerships with departments' ALBs).
- Any other important features of the sponsorship role of the public sector partner, e.g. acting as intelligent shareholder or consulting third parties.
- Any arrangements for successor activity, e.g. establishing similar partnerships elsewhere.

### **decision making**

- How strategic decisions about the future of the partnership will be made, with timetable, terms for intervention, break points, dispute resolution procedures, termination process, and so on.
- How the chain of responsibility should work, e.g. stewardship reporting, keeping track of efficiency, risk assessment, project appraisal, management of interdependencies, and so on.
- How the partnership will identify, manage and track opportunities and risks.
- The status of the staff; and how they are to be hired, managed and remunerated.
- How any professional input (e.g. medical, scientific) is to be managed and quality assured.
- Arrangements for taking stock of performance and learning lessons from it.

### **financial management**

- The financial relationship of the partners, e.g.:
  - any founding capital (including assets, goods, financial sums or other valuables)
  - any grants, one off or periodic, and their terms
  - how any charges to customers or users are to be set
  - how the partnership's corporate plan and annual target(s) are to be agreed
  - how asset management and capital projects are to be decided and managed
  - how cashflow is to be managed, and current expenditure financed
  - the distribution of income and profit flows
  - any financial target, e.g. return on capital employed (ROCE)
  - terms for disposal of assets acquired with public funds
  - any agreed limits on the partnership's business.
- Monitoring, reporting, regular liaison and any other tracking arrangements.
- Internal and external audit arrangements, with any relevant accounts directions.

# 7. WORKING WITH OTHERS

## **Box 7.3: sources of finance for trading funds**

- public dividend capital (equivalent to equity, bearing dividends - see annex 7.3)
- reserves built up from trading surpluses
- long or short term borrowing (either voted from a sponsor department or direct from the Northern Ireland Consolidated Fund)
- temporary subsidy from a sponsor department, voted in Estimates
- finance leases

## **7.6 Departments working together**

**7.6.1** To promote better delivery and enhance efficiency, departments often find it useful to work with other government departments (or NDPBs - see section 7.7). This can make sense where responsibilities overlap, or both operate in the same geographical areas or with the same client groups - arrangements loosely categorised as joined up government. Another model might entail sharing common services, perhaps in a common building. Such arrangements offer opportunities for departments to reduce costs overall while each department plays to its strengths.

**7.6.2** Such relationships can be constituted in a number of different ways. Some models are sketched in box 7.4. The list is not exhaustive.

**7.6.3** Shared services often need funding to set up infrastructure, e.g. specialist IT for procurement. This could be agreed in a spending review, or customers could buy in by transferring budget provision to the lead provider. Each of the Accounting Officers involved will need assurance that the project offers value for money for the public sector as a whole. The provider's charges should be at cost, following the standard fees and charges rules within central government (see chapter 6).

**7.6.4** If the PAC decides to investigate joined up activity, the Accounting Officers of each of the participants should expect to be summoned as witnesses.

## **Box 7.4: example models of joined up activities in central government**

- one partner can act as lead provider selling services (such as IT, HR, finance functions) to other(s) as customers, operating under service level agreement(s)
- cost sharing arrangements for common services (e.g. in a single building), allocated in line with an indicator such as numbers of staff employed or areas of office space occupied
- joint procurement using a collaborative protocol
- a joint venture project with its own governance, e.g. an agency or company, selling services to a number of organisations, some or all of which may be public sector
- an outsourced service, delivering to several public sector customers

# 7. WORKING WITH OTHERS

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## 7.7 Non-departmental public bodies

**7.7.1** Non-departmental public bodies (NDPBs) may take a number of legal forms, including various corporate models and/or charities. Most executive NDPBs have a bespoke framework in legislation or its equivalent (e.g. a Royal Charter). This framework may specify in some detail what the NDPB is to do, what powers are invested in it, and how it should be financed. Annex 7.1 has links to further information about NDPBs.

**7.7.2** Each NDPB is a special purpose body which plays a part in the process of government. Each has a sponsor department charged with general oversight and responsibility for reporting its activity to DFP. So sponsor departments should have appropriate arrangements for regular monitoring with scope for steering the NDPB's performance as necessary. Sometimes other departments also take an interest in particular aspects of an NDPB's business.

**7.7.3** NDPBs' sources of finance vary according to their constitution and function. Box 7.5 shows the main options available.

### Box 7.5: sources of finance for NDPBs

- specific conditional grant(s) from the sponsor department (and/or other departments)
- general (less conditional) grant-in-aid from the sponsor department
- income from charges for goods or services the NDPB may sell
- public dividend capital

**7.7.4** In practice NDPBs operate with some independence and are not under day-to-day ministerial control. Nevertheless, ministers are ultimately accountable to the Assembly for NDPBs' efficiency and effectiveness. This is because ministers: are responsible for NDPBs' founding legislation; have influence over NDPBs' strategic direction; (usually) appoint their boards; and have the ultimate sanction of winding up unsatisfactory NDPBs.

**7.7.5** As with agencies (see 7.4.3) there may be value in some cross membership of an NDPB board with its sponsor department's board. This can foster mutual confidence and provide valuable insight for both parties. In any case sponsor departments need arrangements to monitor and understand their NDPBs' strategy, performance and delivery, usually built around a Management Statement/Financial Memorandum (MS/FM) which includes terms on the lines of box 7.2 (see annex 7.4 for a suggested outline and a specimen example). In practice these arrangements can be very similar to those departments need for their relationships with agencies (see section 7.4).

**7.7.6** Whether in the usual form of a MS/FM or other format, all such agreements must be approved by DFP.

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## 7.8 Public corporations

**7.8.1** Some departments own controlling shareholdings in public corporations or Companies Act companies, perhaps (but not necessarily) as a step toward disposal. Except where a public corporation's powers are defined in statute, such a company is subject to all the disciplines of corporate legislation; and may also be an NDPB. Advice on shareholdings of this kind can be obtained from the Shareholder Executive.

**7.8.2** To manage relationships of this kind, departments need to adapt the framework in box 7.2 to suit the corporate context while delivering public sector disciplines. The financial performance expected of a public corporation should give the shareholding department a fair return on the public funds invested in the business. Box 7.6 offers a checklist. The same approach may be appropriate for a trading fund, especially if it is expected to become a Companies Act company in time.

### **Box 7.6: outline terms for a relationship with a public corporation**

- the shareholder's strategic vision for the business, including the rationale for public ownership and the public sector remit of the business
- the capital structure of the business and the agreed dividend regime, with suitable incentives for business performance
- the business objectives the enterprise is expected to meet, balancing policy, customer, shareholder and any regulatory interests
- the department's rights and duties as shareholder, including:
  - governance of the business
  - procedure for appointments
  - performance monitoring
  - any necessary approvals processes
  - the circumstances of, and rights upon, intervention

**7.8.3** A shareholder department may also use a company it owns as a contractor or supplier of goods or services. It is a good discipline to separate decisions about the company's commercial performance from its contractual commitments, so avoiding confusion about objectives. So there should be clear arm's length contracts between the company and its customer departments defining the customer-supplier relationship(s).

## 7.9 Outsourcing

**7.9.1** Public sector organisations often find it useful to outsource some non-core services or functions rather than provide them internally. Typical candidates include cleaning, catering and IT support. A much wider range of services is potentially suitable, depending on the nature of the organisation's business. The first step in setting up any outsourcing agreement should be to specify the service(s) to be provided and the length of contract to be sought.

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**7.9.2** It is good practice to arrange some form of competition for all outsourcing and advice should be sought from Central Procurement Directorate. In most cases, it is legally essential to open the competition to all firms in the EU (see annex 4.4). Where the organisation foresees the need to hire services at short notice, for example legal services to support opportunities, threats or other business pressures which emerge with little warning, it is good practice to arrange a competition to establish a standing panel of providers from which services can be called upon to deal with rapidly emerging needs.

**7.9.3** In choosing partners to provide outsourced services, public sector organisations should seek the best value available. This may not be the same as the cheapest price.

## 7.10 PPPs and PFIs

**7.10.1** Public private partnerships (PPPs) use structured arrangements between the public and private sectors to secure an outcome delivering good value for money for the public sector. These arrangements use private sector management skills, with suitable arrangements to protect staff terms and conditions. Various different business models are possible.

**7.10.2** One special kind of PPP is the private finance initiative (PFI). In such deals a public sector organisation contracts with a private sector entity to construct a facility and provide associated services of a specified quality over a sustained period. Because the private sector contractor puts its own funds at risk, it has powerful incentives to deliver to time and cost, and can thus offer value for money. Such contracts should normally be built up using standard terms published by the Treasury (see annex 7.5).

**7.10.3** PFI procurement is a flexible, versatile and often effective technique. But it is not appropriate for every project. Annex 7.5 discusses when PFI is worth considering and how it should best be used for good results.

## 7.11 Wider markets activity

**7.11.1** Wider markets activity is part of good asset management in the public sector (see annex 4.8). Significant projects nearly always require some form of public-private partnership to operate and grow successfully, e.g. harnessing a private sector firm's marketing reach. In this way public sector organisations can make use of private sector expertise and finance to exploit the commercial potential of government assets. A great variety of business models is possible.

**7.11.2** When public bodies have assets which are not fully used but are to be retained, it is good practice to consider exploiting the spare capacity to generate a commercial return in the public interest. Any kind of public sector asset can and should be considered. These can include both physical and intangible assets, for example land, buildings, equipment, software and intellectual property.

**7.11.3** Such commercial services always go beyond the public sector supplier's core duties. Nevertheless the assets concerned have been acquired with public funds. So it is important that services are priced fairly: see chapter 6. It is also important to respect the



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rules on state aids: see annex 4.9. In planning any wider markets activity, central government organisations should work through the checklist at box 7.7 and the guidance in annex 7.6. Further advice can be obtained from the Economic Policy Unit within OFMDFM.

## **Box 7.7: planning wider market activities**

- define the service to be provided
- establish that any necessary vires and (if necessary) Estimate provision exist
- identify any prospective business partners and run a selection process
- if the proposed activity is novel, contentious, or likely to set a precedent elsewhere, obtain DFP approval. DFP approval is also required where the full annual cost or aggregated annual income from services exceeds, or is expected to exceed, certain financial limits. Current applicable limits can be obtained from DFP Supply.
- take account of the normal requirements for propriety, regularity and value for money

**7.11.4** While it makes sense to make full use of assets acquired with public resources, such activity should not squeeze out, or risk damaging, a public sector organisation's main objectives and activities. Similarly, it is not acceptable to acquire assets just for the purpose of engaging in, or extending, wider markets activity. If a public sector supplier's wider markets activity reaches a point where further investment is needed to keep it viable, reappraisal is usually appropriate. This should consider alternatives such as selling the business, licensing it, bringing in private sector capital, or seeking other way(s) of exploiting the underused potential in the assets or business.

**7.11.5** It is a matter of judgement when departments should inform the Assembly of the existence, or growth, of significant wider markets ventures. It is good practice to consult DFP in good time on this point so that the Assembly can be kept properly informed and not misled.

## **7.12 Working with third sector bodies**

**7.12.1** Central government organisations may also find it helpful to form working relationships with third sector bodies: that is, charities, social, voluntary or community institutions, mutual organisations and other not-for-profit bodies. Partnership with such bodies can achieve more than either the public or the third sector can achieve alone. For example, it can offer an extra dimension by providing insight into what particular groups and communities want, and what they can contribute, to the delivery of public services.

**7.12.2** In this kind of relationship it is common for a public sector funder to make resources available to a third sector partner. These could be payments for services, assets, grants or other transfers for particular purposes. It is usual to include safeguards to ensure that any grants are used for the intended purpose (see annex 5.2). Otherwise the Assembly might not be confident that its approval of voted resources is being honoured.

**7.12.3** The safeguards to be applied should be agreed at the start of the relationship. They should be designed to suit the purpose and circumstances of the transaction. It is often

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right to agree terms in which public sector donors reclaim the proceeds if former publicly owned assets are sold (clawback). But it can be appropriate and valuable to set more flexible terms and conditions so long as they ensure that publicly funded assets are used for the intended purposes in broad terms. This is explored further in annex 7.7.

**Annex 7.1** Sources of guidance on setting up ALBs

**Annex 7.2** Setting up new ALBs

**Annex 7.3** Trading funds

**Annex 7.4** Model Management Statement and Financial Memorandum (MS/FM)

**Annex 7.5** Private Finance Initiative (PFI) projects

**Annex 7.6** Wider markets activities

**Annex 7.7** Working with the third sector





## **Accounting Officer**

A person appointed by DFP or designated by a department to be accountable for the operations of an organisation and the preparation of its accounts. The appointee is, by convention, usually the Head of a department or other organisation or the Chief Executive of a non-departmental public body (NDPB). See chapter 3.

## **Accounts direction**

A direction issued setting out the accounts which a body must prepare, and the form and content of those accounts.

## **Accruing Resources**

Income received by a department which it is authorised to retain (rather than surrender to the NI Consolidated Fund) to offset related expenditure. Such income is voted by the Assembly and accounted for in departmental resource accounts.

## **Affirmative resolution**

An Assembly procedure for exercising control over secondary legislation (i.e. a Statutory Rule in the form of an Order or Regulations). The positive approval of the Assembly is required before the instrument can take effect.

## **Annually Managed Expenditure, AME**

Spending included in Total Managed Expenditure (TME), which does not fall within Departmental Expenditure Limits (DELs). Expenditure in AME is less predictable and controllable than expenditure in DEL.

## **Arm's length bodies, ALBs**

NDPBs, companies in which the department has a significant shareholding and other sponsored bodies.

## **Assembly authority**

The Assembly's formal agreement to authorise an activity or expenditure.

## **Budget Acts**

Annual Acts of the Assembly, which give formal approval to departmental Supply Estimates. The Budget Bill when enacted becomes the Budget Act.

## **Capital Spending**

Spending on the purchase of assets, above a certain threshold, which are expected to be used for a period of at least one year. It includes the purchase of buildings, equipment and land. The threshold is set by each body: items valued below it are not counted as capital assets, even if they do have a productive life of more than one year.

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| <b>CCAB</b>                                       | Consultative Committee of Accounting Bodies comprising CIPFA, ICAEW, ICAI, ICAS, ACCA and CIMA.   |
| <b>Central government bodies</b>                  | Departments and departmental executive agencies, non-departmental public bodies, and health and social care organisations.  |
| <b>Chief Executive</b>                            | Title for the head of an arm's length body, normally appointed as accounting officer.   |
| <b>Civil Service Code of Ethics</b>               | A concise statement which sets out the framework within which all NI civil servants work and the core values and standards they are expected to uphold (see annex 4.2).   |
| <b>Clawback</b>                                   | The concept that where an asset financed by public money is sold, all or part of the proceeds of the sale should be returned to the NICF.   |
| <b>Commercial banks</b>                           | Bodies which provide banking services, including private sector banks and building societies.   |
| <b>Commissioner of Public Appointments for NI</b> | <a href="http://www.ocpani.gov.uk/">http://www.ocpani.gov.uk/</a> an independent body which monitors, regulates, reports and advises on Ministerial appointments to public bodies in Northern Ireland.  |
| <b>Common Law</b>                                 | One of the historical sources of law in the United Kingdom. Often used to distinguish judge made case-law and longstanding legal principles from legislation.   |
| <b>Comptroller and Auditor General, C&amp;AG</b>  | The head of the Northern Ireland Audit Office, appointed by the Crown, and an Officer of the Assembly. As Comptroller, the C&AG's duties are to authorise the issue by DFP of public funds from the NI Consolidated Fund to government departments and others; as Auditor General, the C&AG certifies the accounts of all government departments and most other public bodies, and carries out value-for-money examinations. See annex 1.1. |
| <b>Concordat</b>                                  | A long-standing agreement between the Treasury and the Public Accounts Committee that continuing functions of government should be defined in specific statute. See annex 2.1.  |

# GLOSSARY

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| <b>Consolidated Fund Extra Receipts, CFERs</b> | Receipts realised or recovered by departments in the process of conducting services charged on public funds which are not authorised to be used to offset expenditure. Examples include excess accruing resources.  |
| <b>Consolidated Fund standing services</b>     | Payments for services which the Assembly has decided by statute should be met directly from the NI Consolidated Fund, rather than financed annually by voted money.   |
| <b>Contingent liabilities</b>                  | Potential liabilities that are uncertain but recognise that future expenditure may arise if certain conditions are met or certain events happen.  |
| <b>Control total</b>                           | The measure used by the government to plan public expenditure for the medium term, and monitor and control it within each financial year.   |
| <b>Corporate governance</b>                    | The system by which organisations are directed and controlled.  |
| <b>Cost of capital</b>                         | The cost to the government of financing investment, i.e. the rate at which it borrows. This is charged to departments to improve transparency under resource accounting and encourage efficient use of assets. It is included in the calculation when setting fees and charges and is calculated as a percentage of the net asset value.                                      |
| <b>Data Protection Act</b>                     | Legislation (1998) which governs how organisations can use personal information which they hold.  |
| <b>Delegated authority</b>                     | A standing authorisation by DFP under which a body may commit resources or incur expenditure from money voted by the Assembly without specific prior approval from DFP. Delegated authorities may also authorise commitments to spend (including the acceptance of contingent liabilities) and to deal with special transactions (such as write-offs) without prior approval. |
| <b>Departmental Expenditure Limit, DEL</b>     | Expenditure limit within which a department has responsibility for resource allocation (subject to DFP agreement and rules), though some elements may be demand led.  |

# GLOSSARY

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| <b>Depreciation</b>                                  | A measure of the wearing out, consumption or other reduction in the useful life of a fixed asset whether arising from use, passage of time or obsolescence through technological or market changes.  |
| <b>Derivative</b>                                    | A financial instrument derived from another, usually sold singly or in packages to promote hedging, e.g. interest rate and exchange rate options.  |
| <b>Detective controls</b>                            | Controls designed to detect error, fraud, irregularity or inefficiency.  |
| <b>Discretionary services</b>                        | Services that are not required by statute but are provided, often into competitive markets.  |
| <b>Estimate</b>                                      | A statement of how much money departments need in the coming financial year, and for what purpose(s), by which Assembly authority is sought for the planned level of expenditure and receipts in a department.   |
| <b>Estimates Manual</b>                              | A practical reference guide issued by the Treasury which provides detailed information on the Supply Estimates process. A Northern Ireland version should be issued in 2009.   |
| <b>Excess Vote</b>                                   | A request for resources which, after the year end, is found to have financed expenditure not agreed by the Assembly, whether because it exceeds the prescribed amount of expenditure or because part is outside the descriptions the Assembly has approved. See section 5.3. |
| <b>Expenditure outside the ambit of a vote, EOTA</b> | Expenditure outside the ambit of a vote, i.e. resources spent on matters which were not included in the relevant ambit in the departmental Estimate and therefore the Assembly has not authorised. See section 5.3.  |
| <b>Framework document</b>                            | A document setting out the key principles of accountability for agencies.  |
| <b>Freedom of Information</b>                        | Legislation (2000) designed to promote public access to a wide range of public sector data and information (but not personal data).  |

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| <b>Full cost</b>                                    | The total cost of all the resources used in providing a good or service in any accounting period (usually one year). This will include all direct and indirect costs of producing the output (both cash and non-cash costs), including a full proportional share of overhead costs and any selling and distribution costs, insurance, depreciation, and the cost of capital, including any appropriate adjustment for expected cost increases.   |
| <b>Funding</b>                                      | Transferring monies to an account, so that they are available when needed for payments.  |
| <b>Gateway™</b>                                     | A review process operated under OGC rules in which people not associated with a programme, policy or project assess its progress and offer pointers to improve its delivery.   |
| <b>Generally accepted accounting practice, GAAP</b> | <p>UK GAAP refers to the accounting and disclosure requirements of the Companies Act and pronouncements by the Accounting Standards Board (principally accounting standards and Urgent Issues Task Force abstracts), supplemented by accumulated professional judgement.</p> <p>International GAAP in the context of use in the public sector refers to international accounting standards, that have been adopted by the European Commission (principally accounting standards and International Financial Reporting Interpretations Committee interpretations), supplemented by accumulated professional judgement.</p> <p>The Chancellor announced in March 2008 that public bodies would move to preparing their accounts under International GAAP for the financial year 2009/10.</p> |
| <b>Grant</b>  | Payments made by departments to outside bodies to reimburse expenditure on agreed items or functions.  |
| <b>Grant in aid</b>                                 | Regular payments made by departments to outside bodies (usually non-departmental public bodies) to finance expenditure on agreed items or functions.   |
| <b>Hedging</b>                                      | Transaction(s) designed to reduce or eliminate financial risk, e.g. because of interest rate or exchange rate fluctuations.  |
| <b>Joined-up government</b>                         | Arrangements under which policy-making and service delivery are unhindered by departmental boundaries.   |

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| <b>Judicial review</b>   | A procedure by which the courts can review the legality of the decisions and actions of public authorities, including the government. Judicial review looks at the fairness of the decision-making process rather than the merits of the decision itself.   |
| <b>Levies</b>  | Licences to operate public goods, often set to recover associated costs such as supervision by a regulator. See section 6.3.  |
| <b>Maladministration</b>   | Any form of administrative failing or bad practice. Maladministration can be investigated by various complaints handling authorities, including the Northern Ireland Ombudsman.   |
| <b>Management statement/<br/>financial memorandum,<br/>MS/FM</b> | A document setting out the strategic control framework within which a non-departmental public body (NDPB) is required to operate, including the conditions under which any government funds are provided to the NDPB.   |
| <b>Memorandum trading<br/>accounts, MTAs</b>                     | An informal working document, prepared before the start of the financial year in the form of a forecast to determine the appropriate level of fees and charges for a repayment service, and after the end of the year in the form of an outturn statement to provide a record of performance.   |
| <b>Misstatement</b>  | A statement which is untrue. The maker of a misstatement can be sued for damages by those who have relied on the misstatement, but only if in the circumstances it was reasonable to rely on it.  |
| <b>Near-cash</b>   | Resource expenditure that has a related cash implication, even though the timing of the cash payment may be slightly different. For example, expenditure on gas or electricity supply is incurred as the fuel is used, though the cash payment might be made in arrears on a quarterly basis. Other examples of near-cash expenditure are: pay, rental. |
| <b>Net cash requirement,<br/>NCR</b>                             | The upper limit agreed by the Assembly on the cash which a department may draw from the Northern Ireland Consolidated Fund to finance the expenditure within the ambit of its Request for Resources. It is equal to the agreed amount of net resources and net capital less non-cash items and working capital movements.                               |
| <b>Non-cash cost</b>   | Costs where there is no cash transaction but which are included in a body's accounts (or taken into account in charging for a service) to establish the true cost of all the resources used.  |

# GLOSSARY

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| <b>Non-departmental public body, NDPB</b>                     | A body which has a role in the processes of government, but is not a government department or part of one. NDPBs accordingly operate at arm's length from NI Departments.  |
| <b>Northern Ireland Practical Guide to the New Green Book</b> | DFP's primary guide to the appraisal, evaluation, approval and management of policies programmes and projects, introduced in 2003. It is due to be replaced by the Northern Ireland Guide to Expenditure Appraisal in 2009.  |
| <b>Northern Ireland Audit Office, NIAO</b>                    | Office of the Comptroller and Auditor General, which audits resource accounts. See annex 1.1.  |
| <b>Northern Ireland Consolidated Fund, NICF</b>               | The Assembly's "current account", kept by DFP, through which pass most of the Assembly's payments and receipts.  |
| <b>Northern Ireland Consolidated Fund for Contingencies</b>   | Where the requirement for resources and associated expenditure on some services is so urgent that it cannot await the normal Supply procedure, DFP may use the NICF to make repayable cash advances in anticipation of provision for those services by the Assembly. |
| <b>Northern Ireland National Insurance Fund, NINIF</b>        | A government fund used to meet the cost of contribution-based benefits, financed mainly by contributions paid by employers and individuals.  |
| <b>Notional cost of insurance</b>                             | A cost which is taken into account in setting fees and charges to improve comparability with private sector service providers. The charge takes account of the fact that public bodies do not generally pay an insurance premium to a commercial insurer.            |
| <b>Office of Government Commerce, OGC</b>                     | An office of the Treasury, with a status similar to that of an agency, which aims to maximise the government's purchasing power for routine items and provide professional expertise on capital projects.  |
| <b>Orange Book</b>  | The informal title for <i>Management of Risks: Principles and Concepts</i> , which is published by the Treasury for the guidance of public sector bodies.  |
| <b>Overdraft</b>  | An account with a negative balance.  |
| <b>Prerogative powers</b>                                     | Powers exercisable under the Royal Prerogative, i.e. powers which are unique to the Crown, as contrasted with common-law powers which may be available to the Crown on the same basis as to natural persons.   |



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| <b>Primary legislation</b>             | Acts which have been passed by the Westminster Parliament and, where they have appropriate powers, the Scottish Parliament and the Northern Ireland Assembly. Begin as Bills until they have received Royal Assent.                                  |
| <b>Private Finance Initiative, PFI</b> | Arrangements under which a public sector organisation contracts with a private sector entity to construct a facility and provide associated services of a specified quality over a sustained period. See annex 7.5.                                  |
| <b>Propriety</b>                       | The principle that patterns of resource consumption should respect the Assembly's intentions, conventions and control procedures, including any laid down by the PAC. See box 2.4.   |
| <b>Public Accounts Committee, PAC</b>  | A committee of the Assembly which examines the accounting for and the regularity and propriety of the Executive expenditure. It also examines the economy, efficiency and effectiveness of expenditure.  |
| <b>Public Corporation</b>              | A trading body controlled by central government, local authority or other public corporation that has substantial day to day operating independence. See section 7.8.  |
| <b>Public dividend capital, PDC</b>    | Finance provided by the Executive to public sector bodies as an equity stake; an alternative to loan finance.  |
| <b>Public/Private partnership, PPP</b> | A structured arrangement between a public sector and a private sector organisation to secure an outcome delivering good value for money for the public sector. It is classified to the public or private sector according to which has more control. |
| <b>Public Service Agreement, PSA</b>   | Sets out what the public can expect the Executive to deliver with its resources. Every large government department has a PSA which sets out a single aim, a number of objectives, and targets linked to the objectives.                              |
| <b>Rate of return</b>                  | The financial remuneration delivered by a particular project or enterprise, expressed as a percentage of the net assets employed.  |
| <b>Regularity</b>                      | The principle that resource consumption should accord with the relevant legislation, the relevant delegated authority and this document. See box 2.4.  |



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| <b>Request for Resources, RfR</b>       | The functional level into which departmental Estimates may be split. RfRs contain a number of functions being carried out by the department in pursuit of one or more of that department's objectives.  |
| <b>Resource account</b>                 | An accruals account produced in line with the Government Financial Reporting Manual (FReM).   |
| <b>Resource accounting</b>              | The system under which budgets, Estimates and accounts are constructed in a similar way to commercial audited accounts, so that both plans and records of expenditure allow in full for the goods and services which are to be, or have been, consumed – i.e. not just the cash expended. |
| <b>Resource Budget</b>                  | The means by which the Executive plans and controls the expenditure of resources to meet its objectives.  |
| <b>Restitution</b>                      | A legal concept which allows money and property to be returned to its rightful owner. It typically operates where another person can be said to have been unjustly enriched by receiving such monies.   |
| <b>Return on capital employed, ROCE</b> | The ratio of profit to capital employed of an accounting entity during an identified period. Various measures of profit and of capital employed may be used in calculating the ratio.   |
| <b>Royal charter</b>                    | The document setting out the powers and constitution of a corporation established under prerogative power of the monarch acting on Privy Council advice.  |
| <b>Secondary legislation</b>            | Laws, including orders and regulations, which are made using powers in primary legislation. Normally used to set out technical and administrative provision in greater detail than primary legislation. They are subject to a less intense level of scrutiny.                             |
| <b>Second Stage</b>                     | The second time a Bill enters the Assembly. Debate on the Bill is held and the whole principle on which it is based is either affirmed or denied by the Assembly.   |
| <b>Service-level agreement</b>          | Agreement between parties, setting out in detail the level of service to be performed. Where agreements are between central government bodies, they are not legally a contract but have a similar function.   |

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| <b>Shareholder Executive</b>              | A body created to improve the government's performance as a shareholder in businesses.   |
| <b>Spending review</b>                    | Sets out the key improvements in public services that the public can expect. It includes a thorough review of departmental aims and objectives to find the best way of delivering the government's objectives, and sets out the spending plans for the given period. |
| <b>State Aid</b>                          | State support for a domestic body or company which could distort EU competition and so is not usually allowed. See annex 4.9.  |
| <b>Statement of Excess</b>                | A formal statement detailing departments' overspends prepared by the Comptroller and Auditor General as a result of undertaking annual audits.   |
| <b>Statement on Internal Control, SIC</b> | An annual statement that Accounting Officers are required to make as part of the accounts on a range of risk and control issues.   |
| <b>Subhead</b>                            | Individual elements of departmental expenditure identifiable in Estimates as single cells, for example cell A1 being administration costs within a particular line of departmental spending.   |
| <b>Supply</b>                             | Resources voted by the Assembly in response to Estimates, for expenditure by government departments.   |
| <b>Supply Estimates</b>                   | A statement of the resources the Executive needs in the coming financial year, and for what purpose(s), by which Assembly authority is sought for the planned level of spending.   |
| <b>Supply Resolution</b>                  | The process where the NI Assembly are asked to consider and vote on a motion seeking their approval to the total amounts of cash and resources in the Estimates.   |
| <b>Target rate of return</b>              | The rate of return required of a project or enterprise over a given period, usually at least a year.   |
| <b>Third sector</b>                       | Private sector bodies which do not act commercially, including charities, social and voluntary organisations and other not-for-profit collectives. See annex 7.7.  |
| <b>Total Managed Expenditure, TME</b>     | A Treasury budgeting term which covers all current and capital spending carried out by the public sector (i.e. not just by central departments).   |

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| <b>Trading fund</b>          | An organisation (either within a government department, or forming one) which is largely or wholly financed from commercial revenue generated by its activities. Its Estimate shows its net impact, allowing its income from receipts to be devoted entirely to its business.          |
| <b>Value for money</b>       | The process under which organisation's procurement, projects and processes are systematically evaluated and assessed to provide confidence about suitability, effectiveness, prudence, quality, value and avoidance of error and other waste, judged for the public sector as a whole. |
| <b>Virement</b>              | The process through which funds are moved between subheads such that additional expenditure on one is met by savings on one or more others.  |
| <b>Vote</b>                  | The process by which the Assembly approves funds in response to supply Estimates.  |
| <b>Voted expenditure</b>     | Provision for expenditure that has been authorised by the Assembly. The Assembly 'votes' authority for public expenditure through the Supply Estimates process. Most expenditure by central government departments is authorised in this way.  |
| <b>Wider market activity</b> | Activities undertaken by central government organisations outside their statutory duties, using spare capacity and aimed at generating a commercial profit. See annex 7.6.   |
| <b>Windfall</b>              | Monies received by a department which were not anticipated in the spending review.   |





Annex G Audit and Risk Assurance Committee Handbook (NI) 2018

# **Audit and Risk Assurance Committee Handbook (NI)**

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**April 2018**

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# 1

## Introduction

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1.1 The “Corporate governance in central government departments: Code of Good Practice (NI)” (hereafter referred to as “the Corporate Governance Code NI”) **Principle 5.1** provides that:

“The Board should ensure that there are effective arrangements for governance, risk management and internal control for the whole departmental family. Advice about and scrutiny of key risks is a matter for the Board, not a committee. The Board should be supported by:

- an Audit and Risk Assurance Committee, chaired by a suitably experienced Non-Executive Board Member (NEBM);
- an internal audit service operating to Internal Audit standards issued by the Department of Finance (DoF); and
- sponsor teams of the department’s key Arm’s Length Bodies (ALBs).”

1.2 On Audit and Risk Assurance Committees, this principle is supported by six supporting provisions in the Code.

- The Accounting Officer and Board should be supported by an Audit and Risk Assurance Committee, comprising of at least three members;
- Advising on key risk is a role for the Board. The Audit and Risk Assurance Committee should support the Board in this role;
- An Audit and Risk Assurance Committee should not have any executive responsibilities or be charged with making or endorsing any decision;
- The Board should ensure that there is adequate support for the Audit and Risk Assurance Committee, including a secretariat function;
- The Audit and Risk Assurance Committee should normally lead the assessment of the annual Governance Statement for the Board; and
- The terms of reference of the Audit and Risk Assurance Committee should be made available publicly.

1.3 The Corporate Governance Code (NI) states “In addition to departments, the principles in the Code generally hold across other parts of government, including departments’ ALBs and non - Ministerial departments.

**This means that Audit and Risk Assurance Committees should be established in all departments, executive agencies, executive Non-Departmental Public Bodies and other ALBs.**

1.4 The Corporate Governance Code (NI) requires that the Audit and Risk Assurance Committee should report annually on the work of the Committee in discharging its responsibilities. In accordance with this Handbook the Audit and Risk Assurance Committees should focus on:



- assurance arrangements over governance; financial reporting, annual reports and accounts; including the Governance Statement; and
- ensuring there is an adequate and effective risk management and assurance framework in place. It should be noted that the remit of an Audit and Risk Assurance Committee should be clear and distinct from executive risk management work or risk management committees that may exist in some organisations.

**1.5** Any significant non-compliance with the five good practice principles of this Handbook (summarised in Chapter 2) should be explained and reported in the Governance Statement. Other non-compliance may also be reported.

# 2

## Good practice principles for Audit and Risk Assurance Committees

This Handbook sets out five good practice principles for the Audit and Risk Assurance Committee in central government. These are summarised below and each principle is then further explained in the following chapters. Each principle is of equal importance.

### **Principle 1: Membership, independence, objectivity and understanding**

The Audit and Risk Assurance Committee should be independent and objective; in addition, each member should have a good understanding of the objectives and priorities of the organisation and of their role as an Audit and Risk Assurance Committee member.

### **Principle 2: Skills**

The Audit and Risk Assurance Committee should corporately own an appropriate skills mix to allow it to carry out its overall function.

### **Principle 3: The role of the Audit and Risk Assurance Committee**

The Audit and Risk Assurance Committee should support the Accounting Officer and Board by reviewing the comprehensiveness and reliability of assurances on governance, risk management, the control environment and the integrity of financial statements and the annual report.

### **Principle 4: Scope of work**

The scope of the Audit and Risk Assurance Committee's work should be defined in its terms of reference and should encompass all the assurance needs of the Accounting Officer and Board. Within this, the Audit and Risk Assurance Committee should have particular engagement with the work of Internal Audit, risk management, the External Auditor, and financial management and reporting issues.

### **Principle 5: Communication and reporting**

The Audit and Risk Assurance Committee should ensure that it has effective communication with all key stakeholders, for example, the Board, the Head of Internal Audit, the External Auditor and other relevant assurance providers e.g. Risk Manager.



# 3

## Membership, independence, objectivity and understanding

*“The Audit and Risk Assurance Committee should be independent and objective; in addition each member should have a good understanding of the objectives and priorities of the organisation and of their role as an Audit and Risk Assurance Committee member.”*

### Independence

3.1 An effective Audit and Risk Assurance Committee must have members who are both independent and objective. The Accounting Officer and Board should be supported by an Audit and Risk Assurance Committee with no executive responsibilities, comprising of at least three members. The Chair of the Committee should be a Non-Executive Board Member (NEBM) with relevant experience. There should be at least one other NEBM on the Committee; the Committee may need to seek further independent, non-executive membership from sources other than the Board in order to ensure an appropriate level of skills and experience. In order to operate in an independent and competent manner, the Committee should possess the requisite knowledge and skills to effectively engage with and challenge the organisation (see Chapter 4).

### Relationship with the Executive

3.2 Executive members of the organisation should not be appointed to the Audit and Risk Assurance Committee. The role of the executive is to attend, to provide information, and to participate in discussions, either for the whole duration of a meeting or for particular items.

3.3 The Accounting Officer and the Finance Director should routinely attend the Audit and Risk Assurance Committee. It is also normal for the Head of Internal Audit and a representative of the External Auditor to attend. However, the terms of reference should also provide for the Audit and Risk Assurance Committee to sit privately without any non-members present for all or part of a meeting if they so wish.

3.4 It is also good practice for the Chair of the Audit and Risk Assurance Committee to meet the Accounting Officer, the Finance Director, the Head of Internal Audit and the External Auditor’s senior representative outside of the formal Committee structure (see Communication and reporting, Chapter 6). Departments and Audit and Risk Assurance Committees should consider the need to meet with other key bodies within the departmental group.

### Other participants

3.5 For some ALBs sponsored by a department there may be significant overlap or homogeneity of function, for example, covering different remits/regions, or an ALB may represent a large or important element of a department’s remit or expenditure. In such cases, it may prove more efficient and effective (as well as helping to promote group working across departmental families) to establish shared Audit and Risk Assurance Committee arrangements or to have membership crossover in the separate committees, avoiding conflicts of interest. Sponsoring departments and their ALBs should ensure that the inter-relationship, including any cross-attendance of Audit and

Risk Assurance Committees is agreed and appropriately documented (using the inter-relationship of accountabilities at the Accounting Officer level as a guiding factor). Attention should be given to the processes by which information and assurance is communicated between Audit and Risk Assurance Committees, in particular regarding assurance necessary to support the departmental Governance Statement.

## **Conflicts of interest**

3.6 There should be a process for registering members' interests and for declaring and managing conflicts of interests in the Audit and Risk Assurance Committee, normally this should mirror the processes used at Board level. Each member of the Committee should take personal responsibility to declare pro-actively any potential conflict of interest arising out of business undertaken by the organisation(s), arising on the Committee's agenda or from changes in the member's personal circumstances. The Chair of the Committee should then determine an appropriate course of action with the member. For example, the member might simply be asked to leave while a particular item of business is taken; or in more extreme cases the member could be asked to stand down from the Committee. If it is the Chair who has a conflict of interest, the Accounting Officer/Board should consider the appropriate course of action. This should take account of the views of other Audit and Risk Assurance Committee members. A key factor in determining the course of action will be the likely extent and duration of the conflict of interest - a conflict likely to endure for a long time is more likely to suggest that the member should stand down.

## **Terms of appointment**

3.7 All members of the Audit and Risk Assurance Committee should have a clear understanding of:

- what is expected of them in their role, including time commitments;
- how their individual performance will be appraised, including a clear understanding of what would be regarded as unsatisfactory performance and the criteria which would indicate the termination of Audit and Risk Assurance Committee membership should be considered;
- the duration of their appointment and how often it may be renewed. Typically the period of appointment will be a three year period, with potential for reappointment to extend to no more than six years in total i.e. two terms of three years.
- training required and how this will be provided.

3.8 The terms of appointment of an Audit and Risk Assurance Committee member should be clearly set out at the time of appointment. A model letter of Appointment is set out at **Annex C**. The letter should also specify what other activities the individual may or may not undertake in relation to the organisation. The impact on independence of any remuneration from other activities should be given careful consideration.

# 4

## Skills

*“The Audit and Risk Assurance Committee should corporately own an appropriate skills mix to allow it to carry out its overall function”.*

### Range of skills

4.1 The Audit and Risk Assurance Committee is charged with ensuring that the Accounting Officer and Board of the organisation gain the assurance they need on governance, risk management, the control environment and on the integrity of the financial statements, as well as other elements of the Annual Report and Accounts. It therefore needs a good range of skills and experience in relation to governance, risk and control. Because of the importance of financial management and reporting to every organisation, at least one member of the Committee should have recent and relevant financial experience sufficient to allow them to competently analyse the financial statements and understand good financial management disciplines.

4.2 The Audit and Risk Assurance Committee should identify, and agree with the Accounting Officer and Board, the other skills required for Committee effectiveness. These wider skills may be in relation to the core business of the organisation or related to key developments, for example relating to change management or IT where this is of strategic significance to the organisation. The required skills set should be periodically reviewed.

4.3 As the Audit and Risk Assurance Committee matures, the skills and knowledge of the members should also develop, enabling them to focus on the key issues facing the organisation. Audit and Risk Assurance Committee networking or conferences within and across departmental boundaries can be a good way to keep up with current developments.

4.4 Although Audit and Risk Assurance Committee members are recruited for their individual skills, it is vital that they are able to work collaboratively.

### Additional skills

4.5 The Audit and Risk Assurance Committee should be empowered to both:

- co-opt members for a period of time (not exceeding a year, and with the approval of the Accounting Officer/Board) to provide specialist skills, knowledge and experience which the Committee needs at a particular time; and
- procure specialist advice at the expense of the organisation on an ad-hoc basis to support them in relation to particular pieces of Committee business. This should be done with the Accounting Officer's/Board's approval.

### Training and development

4.6 All Audit and Risk Assurance Committee members, whatever their status or background, will have training and development needs. Those who have recently joined the Audit and Risk Assurance

Committee will need induction training to help them understand their role and/or the organisation. In particular those joining a public sector Audit and Risk Assurance Committee for the first time with no experience of government will need training to help them understand the public sector accountability framework, especially those elements relating to governance and accountability.

**4.7** The Committee Chair should, in addition, ensure that all Committee members have an appropriate programme of engagement with the organisation and its activities to help them understand the organisation, its objectives, business needs, priorities and risk profile.

**4.8 Annex G** provides a suggested Competency Framework for Audit Committee and Risk Assurance members.

# 5

## The role and scope of the Committee

*“The Audit and Risk Assurance Committee should support the Accounting Officer and Board by reviewing the comprehensiveness and reliability of assurances on governance, risk management, the control environment and the integrity of financial statements and the annual report.”*

*“The scope of the Audit and Risk Assurance Committee’s work should be defined in its terms of reference and should encompass all the assurance needs of the Accounting Officer and Board. Within this, the Audit and Risk Assurance Committee should have particular engagement with the work of Internal Audit, risk management, the External Auditor, and financial management and reporting issues”.*

### Supporting the Accounting Officer and the Board

**5.1** Accounting Officers and Boards have many issues competing for their attention. One of the challenges they and their members face is knowing whether they are giving their attention to the right issues. Key to addressing this is assurance, defined as: “an evaluated opinion, based on evidence gained from review, on the organisation’s governance, risk management and internal control framework”<sup>1</sup>.

**5.2** Assurance draws attention to the aspects of risk management, governance and control that are functioning effectively and, just as importantly, the aspects which need to be given attention to improve them. An effective risk management framework and a risk-based approach to assurance helps an Accounting Officer and Board to judge whether or not its agenda is focussing on the issues that are most significant in relation to achieving the organisation’s objectives and whether best use is being made of resources. The Audit and Risk Assurance Committee can help the Accounting Officer and Board to formulate their assurance needs, and then consider how well assurance received actually meets these needs by gauging the extent to which assurance on the management of risk is comprehensive and reliable. Assurance cannot be absolute so the Committee will need to know that the organisation is making effective use of the finite assurance mechanisms at its disposal, targeting these at areas of greatest risk.

**5.3** Formulation of the specific assurance need is key to determining the resource that needs to be dedicated to delivery of assurance in the organisation. Key elements include:

- the strategic outcomes and objectives which the organisation is charged to deliver, and the associated risks and control mechanisms;
- the sources of assurance available; and
- the level of confidence required in assurances, including the extent to which the range of assurance providers can be relied on by Internal Audit in delivering its overall

<sup>1</sup> The Orange Book: Management of Risk, Principles and Concepts



opinion on risk, control and governance in accordance with the **Public Sector Internal Audit Standards**.

**5.4** A well designed assurance framework will help. At its simplest, this will identify all the key sources of assurance in the organisation and seeks to orchestrate them to best effect. This can help to ensure that gaps are reduced or eliminated and unnecessary duplication avoided. A conceptual model that is often used to help to categorise the various sources of assurance is the ‘three lines of defence’. By defining the sources of assurance in three broad categories, it helps to understand how the type and nature of the mechanisms can contribute to the bigger assurance picture:

- First line: management assurance from “front line” or business operational areas;
- Second line: oversight of management activity, separate from those responsible for delivery, but not independent of the organisation’s management chain; and
- Third line: independent and more objective assurance, including the role of Internal Audit and from external bodies (e.g. accreditation and Gateway reviews). Further detail of the work of Internal Audit is provided later in this chapter.

**5.5** An understanding of the three lines of defence can help the Audit and Risk Assurance Committee to play a key role in helping the Accounting Officer and Board establish an optimum mix of assurance. For example, management and oversight assurance activities can be harnessed to provide coverage of routine operations, with Internal Audit activity more effectively targeted at riskier or more complex areas. As well as strengthening assurance arrangements, this helps the Audit and Risk Assurance Committee to demonstrate added value to the organisation. Advice on developing assurance frameworks is available in the HM Treasury **Assurance Framework Guidance** document.

**5.6** The overall provision of assurances to the Accounting Officer and Board should be reviewed by the Audit and Risk Assurance Committee, which should constructively challenge:

- whether the nature and scope of the assurance providers’ activity meets the Accounting Officer’s and Board’s assurance needs;
- the credibility and independence of each provider; and
- where appropriate, the actual assurances to test that they are founded on sufficient reliable evidence and that conclusions are reasonable in the context of the evidence.

The Audit and Risk Assurance Committee should also be proactive in commissioning assurance work from appropriate sources if it identifies any significant risk, governance and control issues which are not being subjected to sufficient review, and in seeking assurance that weaknesses identified by reviews that have been conducted are actually remedied by management.

A “prompt” list of questions for Audit and Risk Assurance Committees to ask is provided at **Annex F**.

**5.7** The overall Audit and Risk Assurance Committee view may draw attention to areas where:

- risk is being appropriately managed (no action needed);
- risk is inadequately controlled (action needed to improve control);
- risk is over controlled (resource being wasted which could be diverted to other use); and/or
- there is lack of evidence to support a conclusion. If this concerns areas material to the organisation’s operations more assurance work may be needed, subject to an assessment of costs and benefits.

**5.8** Assurance should be obtained on risks across the departmental family/group. The governance structure of the departmental family/group will therefore need to ensure that there is effective communication on risks and control to ensure appropriate visibility of and timely action on such matters as well as to feed into the annual Governance Statement.

**5.9** Similarly assurance on the risk and control environment should also encompass services outsourced to external providers, including shared service arrangements, so that all key elements of the organisation are considered as parts of an “Extended Enterprise”.

**5.10** It is also good practice to have reasonable oversight of risks that cross organisational boundaries, for example, in major projects. This could include a Chairs of Audit and Risk Assurance Committee Forum. Any such Forum should focus on assurances on cross - organisational governance, risk and control arrangements.

## **Internal and external audit**

**5.11** For any government organisation there will always be two significant sources of independent and objective assurance: Internal Audit and External Audit.

**5.12** In central government, the Northern Ireland Audit Office (NIAO) under the Comptroller and Auditor General (NI) is responsible for the external audit of most public bodies in Northern Ireland. Although the work of External Audit is normally primarily conducted for the benefit of the Assembly it is still of significant benefit and an assurance form to the organisation.

**5.13** The work of Internal Audit is carried out primarily for the benefit of the Accounting Officer and Board of the organisation and is likely to be the single most significant resource used by the Audit and Risk Assurance Committee in discharging its responsibilities. This is because the Head of Internal Audit, in accordance with the Public Sector Internal Audit Standards, has a responsibility to provide an annual opinion on the overall adequacy and effectiveness of the organisation’s governance, risk management and control processes. There is consequently a major synergy between the purpose of the Head of Internal Audit and the role of the Audit and Risk Assurance Committee.

**5.14** The role of the Audit and Risk Assurance Committee in relation to Internal Audit should include advising the Accounting Officer and Board on:

- the Internal Audit strategy and periodic Internal Audit plans, forming a view on how well they reflect the organisation’s risk exposure and support the Head of Internal Audit’s responsibility to provide an annual opinion;
- the adequacy of the resources available to Internal Audit;
- the Internal Audit charter/terms of reference for Internal Audit;
- the results of Internal Audit work, including reports on the effectiveness of systems for governance, risk management and control, and management responses to issues raised;
- the annual Internal Audit opinion and annual report; and
- the performance of Internal Audit, including conformance with the applicable standards, expected performance measures, and the results of both internal and external quality assessments.

**5.15** Whilst the work of the External Auditor is not primarily conducted for the benefit of the organisation, the Audit and Risk Assurance Committee should nevertheless engage with this activity. As well as considering the results of external audit work and resolution of identified weaknesses, they should enquire about and consider the External Auditor’s planned audit

approach. They should also consider the way in which the External Auditor is co-operating with Internal Audit to maximise overall audit efficiency, capture opportunities to derive a greater level of assurance and minimise unnecessary duplication of work. In addition they should review and consider the potential implications for the organisation of the wider work carried out by the external auditor, for example, Value for Money reports and good practice findings.

## **Governance**

**5.16** It is essential that the Audit and Risk Assurance Committee understands how governance arrangements support achievement of the department's strategies and objectives, especially:

- the Board Operating Framework, including the department's vision and purpose;
- mechanisms to ensure effective organisational accountability, performance and risk management;
- role definitions, committee and other structures to support effective discharge of responsibilities, decision making and reporting;
- promotion of appropriate ethics and values within the organisation;
- communication of management information, including on risk and control among the board and to appropriate areas of the organisation; and
- relations with ALBs.

## **Risk management and the control environment**

**5.17** It is also essential that the Audit and Risk Assurance Committee:

- understands the organisation's business strategy, operating environment and the associated risks, taking into account all key elements of the organisation as parts of an "Extended Enterprise";
- understands the role and activities of the Board (or equivalent senior governance body) in relation to managing risk;
- discusses with the Board its policies, attitude to and appetite for risk to ensure these are appropriately defined and communicated so management operates within these parameters;
- understands the framework for risk assessment, management and assurance and the assignment of responsibilities;
- critically challenges and reviews the risk management and assurance framework, without second guessing management, to provide assurance that the arrangements are actively working in the organisations; and
- critically challenges and reviews the adequacy and effectiveness of control processes in responding to risks within the organisation's governance, operations, compliance and information systems.

## **Financial management and reporting**

**5.18** The Audit and Risk Assurance Committee should consider significant accounting policies, any changes to them and any significant estimates and judgements, if possible before the start of the financial year. It should also review the clarity and completeness of disclosures in the year-end financial statements and consider whether the disclosures made are set properly in context.

**5.19** The Audit and Risk Assurance Committee will not itself be able to review the accounts in detail in order to advise the Accounting Officer whether they are true and fair. Ideally, the Committee should expect a comprehensive overview of the financial statements by the Finance Director, including comparisons with the prior year and current year budget, and an explanation for any issues arising. In reaching a view on the accounts, the Committee should consider:

- key accounting policies and disclosures;
- assurances about the financial systems which provide the figures for the accounts;
- the quality of the control arrangements over the preparation of the accounts;
- key judgements made in preparing the accounts;
- any disputes arising between those preparing the accounts and the auditors; and
- reports, advice and findings from external audit.

## Terms of reference

**5.20** The Audit and Risk Assurance Committee's terms of reference should be agreed by the Accounting Officer/Board and made publicly available (including on the organisation's website). It is important that a balance is struck during meetings between corporate governance, risk management, control and financial reporting items. The terms of reference should be reviewed regularly alongside the performance of the Audit and Risk Assurance Committee. Model Terms of Reference for an Audit and Risk Assurance Committee are suggested at [Annex D](#).

**5.21** The responsibilities assigned to the Audit and Risk Assurance Committee should not provide any conflict with the guidance in this Handbook, in particular by compromising independence. An Audit and Risk Assurance Committee should not have any executive responsibilities or be charged with making or endorsing any decisions, although it may draw attention to strengths and weaknesses in control and make suggestions for how such weaknesses might be dealt with. The overarching purpose of the Audit and Risk Assurance Committee is to advise the Accounting Officer and Board; it is then the Accounting Officer and Board that makes the relevant decisions.

**5.22** The Audit and Risk Assurance Committee should have appropriate authority to require any member of the organisation to report on the management of risk or on the control environment within their areas of responsibility, in general terms or in respect of specific issues, either by:

- attending an Audit and Risk Assurance Committee meeting; or
- providing written report(s) to the Audit and Risk Assurance Committee for the purpose of providing information to assist the Committee in fulfilling its role.

**5.23** The Accounting Officer and Board need adequate and timely feedback on the work of the Audit and Risk Assurance Committee in order to consider its contributions formally. A schedule of the Committee's agreed delegations from the Board, and the mechanisms for feedback and assurance, should be documented in the Board Operating Framework.

**5.24** To fulfil its role, a departmental and most other organisations' Audit and Risk Assurance Committee will need to meet at least four times a year. A model "core programme" of work for an Audit and Risk Assurance Committee meeting four times a year is provided at [Annex E](#).

**5.25** The Audit and Risk Assurance Committee will require access to funding to cover the costs incurred in fulfilling its role. The funding should be sufficient to:

- meet any remuneration and working expenses of its members (where applicable);

- meet the relevant training needs of its members;
- provide specialist (external) advice or opinions when required; and
- (as agreed with the organisation) provide external review of the effectiveness of the Audit and Risk Assurance Committee.

# 6

## Communication and reporting

*“The Audit and Risk Assurance Committee should ensure that it has effective communication with all key stakeholders, for example, the Board, the Head of Internal Audit, the External Auditor and other relevant assurance providers e.g. Risk Manager”.*

### Communication between the Committee and the Board

6.1 The work of the Audit and Risk Assurance Committee needs to be effectively communicated. After each meeting of the Committee a report should be prepared for the Accounting Officer and Board to:

- summarise the business taken by the Committee, explaining if necessary why that business was regarded as important; and
- offer the views of, and advice from, the Committee on issues which they consider the Accounting Officer and Board should be taking action on.

6.2 If the minutes of the Committee meeting are used as the report, care should be taken in their presentation to highlight the advice being provided. These reports should be copied to the Head of Internal Audit and the External Auditor (especially if the report contains advice about or to the auditors).

### Improving relationships

6.3 It is important for the Audit and Risk Assurance Committee to have good relationships and communication with those it seeks briefings from, and those it provides assurance to. This ensures that the Committee is effectively engaged with the organisation and able to fulfil its function. This should include where risks cross organisational boundaries, for example, in major projects (see 5.10).

### Annual reports

6.4 The Audit and Risk Assurance Committee should provide an Annual Report, timed to support the preparation of the Governance Statement. This internal report needs to be open and honest in presenting the Committee’s views if it is to be of real benefit to the Accounting Officer and Board. This report is likely to be used by the Accounting Officer and Board in preparing their own report for publication in fulfilment of the reporting requirements of the Corporate Governance Code (NI).

6.5 The Annual Report should summarise the Audit and Risk Assurance Committee’s work for the year past, and present the Committee’s opinion about:

- the effectiveness of governance, risk management and control;
- the comprehensiveness of assurances in meeting the Accounting Officer’s and Board’s needs;

- the reliability and integrity of these assurances;
- whether the assurance available is sufficient to support the Accounting Officer and Board in their decision taking and their accountability obligations;
- the implications of these assurances for the overall management of risk;
- any issues the Audit and Risk Assurance Committee considers pertinent to the Governance Statement and any long term issues the Committee thinks the Accounting Officer and/or Board should give attention to;
- financial reporting for the year;
- the quality of both Internal and External Audit and their approach to their responsibilities; and
- the Committee's view of its own effectiveness, including advice on ways in which it considers it needs to be strengthened or developed.

**6.6** The Audit and Risk Assurance Committee's report should take into account any other relevant assurance reports. This may include obtaining assurances from other parts of the departmental group in respect of key risks.

### **Bilateral communications**

**6.7** There should be mutual rights of access between each of the Chair of the Audit and Risk Assurance Committee, the Accounting Officer, Head of Internal Audit and the External Auditor. Periodic discussions outside of the formal meeting help to ensure that expectations are managed and that there is mutual understanding of current risks and issues.

# A

## The role of the Chair: good practice

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**A.1** The role of the Chair of the Audit and Risk Assurance Committee goes beyond chairing meetings. Indeed, it is key to achieving Committee effectiveness. Key activities in addition to Committee meetings should include the following.

- Before each meeting the Chair and the Committee Secretary should meet to discuss and agree the business for the meeting. The Chair should take ownership of, and have final say in, the decisions about what business will be pursued at any particular meeting.
- Meeting time should be optimised by making sure that all agenda papers are issued in good time and then having each paper summarised outlining the key points, cross referred to the organisational business and risk agenda and stating what action the Committee is required to take.
- The Chair should ensure that after each meeting appropriate reports are prepared from the Audit and Risk Assurance Committee to the Accounting Officer and Board. An annual report to the Accounting Officer and Board should also be provided.
- The Chair should have bilateral meetings at least annually with the Accounting Officer, the Head of Internal Audit and the External Auditor. In addition, the Chair should meet any people newly appointed to these positions as soon as practicable after their appointment.
- The Chair should also ensure that all Committee members have an appropriate programme of engagement with the organisation and its activities to help them understand the organisation, its objectives, business needs and priorities.
- The Chair of the Audit and Risk Assurance Committee should establish a mechanism enabling key stakeholders to consider the overall risk and assurance needs (see 5.3).
- Encouraging good, open relationships between the Audit and Risk Assurance Committee, Accounting Officer, Finance Director and Internal and External Auditors. There are a number of ways that a Chair can encourage this.
- The profile of the Audit and Risk Assurance Committee can be raised to support and add weight to audit work by:
  - promoting audit issues internally with relevant Board members and other directors to make sure they appreciate the value of audit;
  - holding managers within the organisation to account for the implementation of audit recommendations; and
  - calling appropriate business heads to meetings, for example, to explain how they are delivering their agreed actions on risks for which they are responsible;



- arranging separate meetings for the Chair, Non-Executives and independent members and Internal and External Auditors to help establish open working relationships;
- arranging meetings with the Chair, Internal Auditors and the Finance Director etc in the weeks leading up to the Committee meeting to discuss areas for the agenda and papers that should be provided;
- arranging meetings with the Internal Auditors (and possibly External Audit) immediately before the Audit and Risk Assurance Committee meeting to help give focus to discussions; and
- the Chair should ensure that there is an appropriate process between meetings for action points arising from Committee business to be appropriately pursued. The Chair should also ensure that members who have missed a meeting are appropriately briefed on the business conducted in their absence. Chairs may choose to rely on the Secretariat to take these actions.

### A.2 Appraisal:

The Chair should take the lead in ensuring that Committee members are provided with appropriate appraisal of their performance as a Committee member and that training needs are identified and addressed. The Chair should seek appraisal of his/her performance from the Accounting Officer (or Chair of the Board, as appropriate).

The Chair should ensure that there is a periodic review of the overall effectiveness of the Audit and Risk Assurance Committee and of its terms of reference.

### A.3 Appointments:

The Chair should be involved in the appointment of new Committee members, including providing advice on the skills and experience being sought by the Committee when a new member is appointed.

The Chair should also be actively involved in the appointment of the Head of Internal Audit.

# B

## Committee support: good practice

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**B.1** The secretariat should be able to support the Chair of the Committee in identifying business to be taken, and the relevant priorities of the business. For this reason, and as the Audit and Risk Assurance Committee is a committee of the Board, the Committee's Secretariat function should be supervised by the Board Secretariat. The Chair of the Committee and the Secretariat should agree procedures for commissioning briefing to accompany business items on the Committee's agenda and timetables for the issue of meeting notices, agendas, and minutes. The Chair of the Committee should always review and approve minutes of meetings before they are circulated.

**B.2** The specific responsibilities of the Audit and Risk Assurance Committee Secretariat should include:

- meeting with the Chair of the Committee to prepare agendas for meetings;
- commissioning papers as necessary to support agenda items;
- circulating meeting documents in good time before each meeting;
- arranging for executives to be available as necessary to discuss specific agenda items with the Committee during meetings;
- keeping a record of meetings and providing draft minutes for the Chair's approval;
- ensuring action points are being taken forward between meetings;
- supporting the Chair in the preparation of Audit and Risk Assurance Committee reports to the Accounting Officer and Board;
- arranging the Chair's bilateral meetings with the Accounting Officer, the Head of Internal Audit, the External Auditor, and, in ALBs, with the Chair of the Board etc;
- keeping the Chair and members in touch with developments and relevant background information about developments in the organisation;
- maintaining a record of when members' terms of appointment are due for renewal or termination;
- ensuring that appropriate appointment processes are initiated when required;
- ensuring that new members receive appropriate induction training, and that all members are supported in identifying and participating in ongoing training; and
- managing budgets allocated to the Audit Risk and Assurance Committee.

**B.3** When the Audit and Risk Assurance Committee decides to meet privately, the Chair should decide whether the Secretariat members should also withdraw. If so, the Chair should ensure that an adequate note of proceedings is kept to support the Committee's conclusions and advice.





# Model Letter of Appointment

It is recommended that the following issues be included in the Letter of Appointment of an Audit and Risk Assurance Committee member.

## Appointment and purpose

You are hereby appointed by the [Accounting Officer/Board (delete as appropriate)] as a member of the Audit and Risk Assurance Committee of [organisation]. As a member of the Audit and Risk Assurance Committee you are accountable to the [Accounting Officer/Board] through the Chair of the Committee. Your appointment is for [number] years from (date)]. This appointment may be renewed [number] times (by mutual agreement) after the duration of this appointment.

The Audit and Risk Assurance Committee is a Committee of the Board of [organisation] and the purpose of the Audit and Risk Assurance Committee is to:

- review the comprehensiveness of assurances on governance, risk management and the control environment in meeting the Accounting Officer and Board's assurance needs;
- review the reliability and integrity of these assurances;
- review the integrity of the financial statements; and
- advise the Accounting Officer and Board about how well assurances support them in decision-taking and in discharging their accountability obligations.

A copy of the Audit and Risk Assurance Committee's Terms of Reference is enclosed. The Committee is chaired by [name] and the other members are [names]. [It is recommended that the new member be provided with a list of their contact details].

## Support and training

The Secretary of the Audit and Risk Assurance Committee is [name/contact details] and they will shortly be in touch with you to discuss and arrange appropriate induction training.

To help you understand the governance arrangements and the role of the Audit and Risk Assurance Committee in government, copies of "[Corporate governance in central government departments: Code of Good Practice \(NI\)](#)" and the "[Audit and Risk Assurance Committee Handbook](#)" are also enclosed with this letter of appointment.

## Commitment and remuneration

Your duties as an Audit and Risk Assurance Committee member are expected to typically take [number] days per annum, including time to read papers in preparation for meetings and a programme of activity to keep you in touch with the organisation's activities and priorities. The Committee normally meets [number] times each year, but additional meetings may be required

from time to time. Your remuneration will be [include if applicable details of amount and means by which it will be paid].

## **Conflicts of interest**

You are required to register any interests you may have. If during your period of appointment to the Audit and Risk Assurance Committee your personal circumstances change in any way that may provide a conflict of interest for you in your Audit and Risk Assurance Committee role, you are to declare the circumstances to the Chair of the Audit and Risk Assurance Committee.

## **Appraisal**

As a member of the Audit and Risk Assurance Committee you will be subject to appraisal by the Audit and Risk Assurance Committee Chair [include brief details of the appraisal process].

## **Conduct**

Although your appointment does not make you a Civil Servant, you are expected to conduct yourself in your role in government in accordance with the [Seven Principles of Public Life](#). A copy is enclosed.

## **Termination**

If you choose to resign from this appointment you will be expected to give [number] months notice, unless your circumstances have changed in a way that make it appropriate for you to resign immediately. If your performance as an Audit and Risk Assurance Committee member is decided to be unacceptable or if your conduct (including conflicts of interests) is unacceptable your appointment may be terminated by the [Accounting Officer/Board].

# D

## Example terms of reference

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The Accounting Officer/Board has established an Audit and Risk Assurance Committee as a Committee of the Board to support them in their responsibilities for issues of risk, control and governance by reviewing the comprehensiveness of assurances in meeting the Accounting Officer's and Board's assurance needs and reviewing the reliability and integrity of these assurances.

### Membership

The members of the Audit and Risk Assurance Committee are:

- Non-Executive Board Members: [list those who are appointed to the Audit and Risk Assurance Committee];
- independent external members: [list those who are appointed to the Audit and Risk Assurance Committee; (in all cases indicate the date of appointment and when the appointment is due to end/become eligible for renewal)];
- the Audit and Risk Assurance Committee will be chaired by [name]; and
- the Audit and Risk Assurance Committee will be provided with a Secretariat function by [position/name].

### Reporting

- the Audit and Risk Assurance Committee will formally report in writing to the Accounting Officer and Board after each meeting; and
- the Audit and Risk Assurance Committee will provide the Accounting Officer and Board with an Annual Report, timed to support finalisation of the accounts and the Governance Statement, summarising its conclusions from the work it has done during the year.

### Responsibilities

The Audit and Risk Assurance Committee will advise the Accounting Officer and Board on:

- the strategic processes for risk, control and governance and the Governance Statement;
- the accounting policies, the accounts, and the annual report of the organisation, including the process for review of the accounts prior to submission for audit, levels of error identified, and management's letter of representation to the External Auditors;
- the planned activity and results of both Internal and External Audit;

- adequacy of management response to issues identified by audit activity, including External Audit's management letter;
- assurances relating to the management of risk and corporate governance requirements for the organisation;
- (where appropriate) proposals for tendering for either Internal or External Audit services;
- anti-fraud policies, whistle-blowing processes, and arrangements for special investigations; and
- the Audit and Risk Assurance Committee will also periodically review its own effectiveness and report the results of that review to the Board.

## **Rights**

The Audit and Risk Assurance Committee may:

- co-opt additional members for a period not exceeding a year to provide specialist skills, knowledge and experience; and
- procure specialist ad-hoc advice at the expense of the organisation, subject to budgets agreed by the Accounting Officer/Board.

## **Access**

The Head of Internal Audit and the representative of External Audit will have free and confidential access to the Chair of the Audit and Risk Assurance Committee.

## **Meetings**

- the Audit and Risk Assurance Committee will meet at least four times a year. The Chair of the Audit and Risk Assurance Committee may convene additional meetings, as they deem necessary;
- a minimum of [number] members of the Audit and Risk Assurance Committee will be present for the meeting to be deemed quorate;
- Audit and Risk Assurance Committee meetings will normally be attended by the Accounting Officer, the Finance Director, Head of Internal Audit, and a representative of External Audit [add any others who may routinely attend such as representatives of sponsoring/sponsored bodies, Risk Manager etc];
- the Audit and Risk Assurance Committee may ask any other officials of the organisation to attend to assist it with its discussions on any particular matter;
- the Audit and Risk Assurance Committee may ask any or all of those who normally attend but who are not members to withdraw to facilitate open and frank discussion of particular matters; and
- the Accounting Officer or Board may ask the Audit and Risk Assurance Committee to convene further meetings to discuss particular issues on which they want the Committee's advice.

## Information requirements

For each meeting the Audit and Risk Assurance Committee will be provided (well ahead of the meeting) with:

- a report summarising any significant changes to the organisation's strategic risks and a copy of the strategic/corporate Risk Register;
- a progress report from the Head of Internal Audit summarising:
  - work performed (and a comparison with work planned);
  - key issues emerging from the work of internal audit;
  - management response to audit recommendations;
  - changes to the agreed Internal Audit plan; and
  - any resourcing issues affecting the delivery of the objectives of Internal Audit;
- a progress report (written/verbal) from the External Audit representative summarising work done and emerging findings (this may include, where relevant to the organisation, aspects of the wider work carried out by the NIAO, for example, Value for Money reports and good practice findings);
- any management assurance reports; and
- reports on the management of major incidents, "near misses" and lessons learned.

As and when appropriate the Committee will also be provided with:

- proposals for the terms of reference of Internal Audit/the Internal Audit charter;
- the Internal Audit strategy;
- the Head of Internal Audit's Annual Opinion and Report;
- quality assessment reports on the Internal Audit function;
- the draft accounts of the organisation;
- the draft Governance Statement;
- a report on any changes to accounting policies;
- External Audit's management letter;
- a report on any proposals to tender for audit functions;
- a report on co-operation between Internal and External Audit; and
- the organisation's Risk Management strategy.

*The above list suggests minimum requirements for the inputs which should be provided to the Audit and Risk Assurance Committee. In some cases more may be provided. For instance, it might be agreed that Audit and Risk Assurance Committee members should be provided with a copy of the report of every Internal Audit assignment, or with copies of management Stewardship Reports (or equivalents) if these are used in the organisation.*





# E

## Example core work programme

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### Spring meeting

- Comment on the annual report and accounts for the year just finished prior to their finalisation and submission for audit;
- Consider the interim External Audit findings or update report;
- Advise on the content of the Governance Statement for the year just finished, to be presented alongside the finalised accounts;
- Review the Internal Audit plan for the forthcoming financial year; and
- Agree the Audit and Risk Assurance Committee's annual report to the Accounting Officer and Board.

### Summer/Pre-Recess meeting

- Review and consider the accounts;
- Consider the (emerging) External Audit opinion for the financial year just finished and advise the Accounting Officer on signing the accounts and Governance Statement;
- Consider Internal Audit's opinion for the financial year just finished; and
- Discuss the implications of the result of the Accounting Officer's review of effectiveness of the system of control in relation to the Governance Statement.

Some Audit and Risk Assurance Committees choose to have an additional meeting timed to deal with business other than the pre-recess finalisation of the annual report and accounts.

### Autumn meeting

- Consider mid-year report on emerging findings from Internal Audit;
- Consider the External Audit management letter for the previous year, any emerging findings from the current interim/in-year work of External Audit, and External Audit's approach to their work;
- Consider the External Audit strategy proposed in respect of the current year's accounts; and
- Consider any residual actions arising from the previous year's work of both Internal and External Audit.

### Winter meeting

- Review and challenge the internal audit strategy and the periodic work plan for the beginning of the new financial year;

- Consider the Audit Planning Report from External Audit;
- Review the overall Assurance Framework;
- Consider areas in which the Committee will particularly promote co-operation between auditors and other review bodies in the coming year;
- Re-visit emerging findings from auditors and review actions in response to the External Audit management letter; and
- Consider the Committee's own effectiveness in its work.

*These are all in addition to regular standing items.*

# F

## Key questions for an Audit and Risk Assurance Committee to ask

This list of questions is not intended to be exhaustive or restrictive nor should it be treated as a tick list substituting for detailed consideration of the issues it raises. Rather it is intended to act as a “prompt” to help an Audit and Risk Assurance Committee ensure that their work is comprehensive.

### On the strategic processes for risk and control, how do we know that:

- the risk management culture is appropriate?
- the Board has clearly articulated and communicated its risk appetite?
- there is a comprehensive process for identifying and evaluating risk, and for deciding what levels of risk are tolerable?
- the Risk Register is an appropriate reflection of the risks facing the organisation?
- there is appropriate ownership of risk in place?
- management has an appropriate view of how effective the control environment is?
- risk management is carried out in a way that really benefits the organisation or is it treated as a box ticking exercise?
- the organisation as a whole is aware of the importance of risk management and of the organisation’s risk priorities?
- the system of control will provide timely indicators of things going wrong?

### On risk management processes, how do we know:

- how senior management and the Accounting Officer support and promote risk management?
- how well people are equipped and supported to manage risk well?
- that there is a clear risk strategy and policies?
- that there are effective arrangements for managing risks with partners?
- that the organisation’s processes incorporate effective risk management?
- if risks are handled well, considering:
  - key strategic risks can change very quickly?
  - scenario planning and stress testing?
  - ‘bubbling under’ risks?

- the risk focus is wide enough?
  - external and emerging risks are considered?
  - ‘financial’ risks and ‘non-financial’ risks are reviewed?
- if risk management contributes to achieving outcomes?
- that management are regularly reviewing top risks?

On the planned activity and results of both Internal and External Audit work, how do we know that:

- the Internal Audit strategy is appropriate for delivery of reasonable assurance on the whole of governance, risk management and control?
- the Internal Audit plan will achieve the objectives of the Internal Audit strategy, and in particular whether it is adequate to facilitate reasonable assurance on the key risks facing the organisation?
- Internal Audit has appropriate resources, including skills, to deliver its objectives?
- Internal Audit takes appropriate account of other assurance activity, especially in the first and second line (and that this assurance is understood and owned by management)?
- Internal Audit recommendations that have been agreed by management are actually implemented?
- any issues arising from line management not accepting Internal Audit recommendations are appropriately escalated for consideration?
- the quality of Internal Audit work is adequate? What does application of the Internal Audit Quality Assessment process tell us about the quality of the Internal Audit service?
- there is appropriate co-operation between the Internal and External Auditors?
- the Accounting Officer and Board have taken all necessary steps to make themselves aware of any relevant information and that auditors are aware of that information?

A more detailed tool for evaluation of the quality of the Internal Audit service is the “Internal Audit Quality Assessment Framework” produced by HM Treasury.

On the risk of cyber security, how do we know that:

- there is sufficient assurance that the organisation is properly managing its cyber risk, including having appropriate risk mitigation strategies?
- the organisation has properly identified and evaluated the cyber security risk?
- there are proper governance arrangements and controls to protect from, detect and respond to cyber security attacks/incidents?
- the organisation has suitably skilled and experienced staff, or access to such staff to deal with incidents?
- there is suitable awareness and ongoing training within the organisation on the risk from cyber attack?

- The organisation's Senior Information Risk Owner (SIRO) is a key source of information on these issues?

On the organisation's whistleblowing arrangements, how do we know that:

- there are appropriate and effective whistleblowing practices in place?
- these provide suitable channels for staff and others to raise their concerns?
- the policies appropriately cover the issues on confidentiality and anonymity?
- that whistleblowers are offered appropriate support and provided with suitable and timely feedback?
- that concerns raised are dealt with properly and reported to senior management?

On financial management, the accounting policies, the accounts, and the annual report of the organisation, do we know:

- how effective and accurate budgeting and in-year forecasting is?
- if the finance section is fit for purpose?
- what the "hidden" financial risks are, relating to (*inter alia*):
  - HR?
  - VAT?
  - Overruns?
  - Sudden loss of funding/revenue?
- that the accounting policies in place comply with relevant requirements, particularly the Government Financial Reporting Manual?
- there has been due process in preparing the Annual Report and Accounts and that the process is robust?
- that the Annual Report and Accounts have been subjected to sufficient review by management and by the Accounting Officer and/or Board?
- that when new or novel accounting issues arise, appropriate advice on accounting treatment has been gained?
- that there is an appropriate anti-fraud policy in place and that losses are suitably recorded and responded to?
- that suitable processes are in place to ensure accurate financial records are kept?
- that suitable processes are in place to ensure fraud is guarded against and regularity and propriety is achieved?
- that financial control, including the structure of delegations, enables the organisation to achieve its objectives with good value for money?
- if there are any issues likely to lead to qualification of the accounts?
- if the accounts have been qualified, that appropriate action is being taken to deal with the reason for qualification?
- that issues raised by the External Auditors are given appropriate attention?

On the adequacy of management response to issues identified by audit activity, how do we know that:

- the implementation of recommendations is monitored and followed up?
- there are suitable resolution procedures in place for cases when management reject audit recommendations which the auditors stand by as being important?

On assurances relating to the corporate governance requirements for the organisation and the annual Governance Statement<sup>2</sup>, how do we know that:

- corporate governance arrangements operate effectively and are clear to the whole organisation?
- the Accounting Officer's Governance Statement is meaningful, and that robust evidence underpins it?
- the Governance Statement appropriately discloses action to deal with material problems?
- the Board is appropriately considering the results of the effectiveness review underpinning the annual Governance Statement?
- the range of assurances available is sufficient to facilitate the drafting of a meaningful annual Governance Statement?
- those producing the assurances understand fully the scope of the assurance they are being asked to provide, and the purpose to which it will be put?
- effective mechanisms are in place to ensure that assurances are reliable and adequately evidenced?
- assurances are 'positively' stated (i.e. – premised on sufficient relevant evidence to support them)?
- the assurances draw appropriate attention to material weaknesses or losses which should be addressed?
- the annual Governance Statement realistically reflects the assurances on which it is premised?

On the work of the Audit and Risk Assurance Committee itself, how do we know:

- that we are being effective in achieving our terms of reference and adding value to the corporate governance and control systems of the organisation?
- that we have the appropriate skills mix?
- that we have an appropriate level of understanding of the purpose and work of the organisation?
- that we have sufficient time to give proper consideration to our business?
- that our individual members are avoiding any conflict of interest?
- what impact we are having on an organisation?

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<sup>2</sup> Further guidance on Governance Statements is available in "Managing Public Money NI : Annex 3.1

# G

## Competency framework

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All members of the Audit and Risk Assurance Committee should have, or acquire as soon as possible after appointment:

- understanding of the objectives of the organisation and its current significant issues and risks;
- understanding of the organisation's structure, including governance arrangements and key relationships such as that with a sponsoring department or a major partner;
- understanding of the organisation's culture;
- understanding of any relevant legislation or other rules governing the organisation; and
- broad understanding of the government environment, particularly accountability structures and current major initiatives.

The Audit and Risk Assurance Committee should corporately possess:

- knowledge/skills/experience (as appropriate and required) in:
  - accounting;
  - risk management;
  - Internal/External Audit; and
  - technical or specialist issues pertinent to the organisation's business.
- experience of managing similar sized organisations;
- understanding of the wider relevant environments in which the organisation operates; and
- detailed understanding of the government environment and accountability structures.





Annex H Seven Principles of Public Life

## **Seven Principles of Public Life**

These standards, known as the Nolan principles, should apply to all in the public service

### **Selflessness**

Holders of public office should act solely in terms of the public interest. They should not do so in order to gain financial or other benefits for themselves, their families, or their friends.

### **Integrity**

Holders of public office should not place themselves under any financial or other obligation to outside individuals or organisations that might seek to influence them in the performance of their official duties

### **Objectivity**

In carrying out public business, including making public appointments, awarding contracts, or recommending individuals for rewards and benefits, holders of public office should make choices on merit.

### **Accountability**

Holders of public office are accountable for their decisions and actions to the public and must submit themselves to whatever scrutiny is appropriate to their office.

### **Openness**

Holders of public office should be as open as possible about all the decisions and actions that they take. They should give reasons for their decisions and restrict information only when the wider public interest clearly demands.

### **Honesty**

Holders of public office have a duty to declare any private interests relating to their public duties and to take steps to resolve any conflicts arising in a way that protects the public interest.

### **Leadership**

Holders of public office should promote and support these principles by leadership and example.

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## DOCUMENT TITLE

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**Northern Ireland Policing Board  
Corporate Governance Framework  
April 2021**

## ONLINE FORMAT

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