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NORTHERN IRELAND MUSEUMS COUNCIL

**MANAGEMENT STATEMENT AND FINANCIAL
MEMORANDUM**

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Definitions

In this Memorandum:

“NIMC” means The Northern Ireland Museums Council

“Board” means Board of Directors

“Body” means Northern Ireland Museums Council

“C&AG” means the Comptroller and Auditor General for NI

“Director” means the senior executive official of NIMC

“DAO” means “Dear Accounting Officer” letter

“Department” means the Department for Communities

“DoF” means Department of Finance

“FD” means “Finance Director” letter

“Grant” means any form of payment, of which “grant-in-aid” is a subset

“Minister” means the Minister of The Department. During the suspension of the Northern Ireland Assembly, all references to “the Minister” should be taken to mean the relevant Direct Rule Minister with responsibility for the Department for Communities.

“MPMNI” means Managing Public Money NI

“MSFM” means the Management Statement and Financial Memorandum document

“PfG” means Programme for Government

“PSIAS” means Public Sector Internal Audit Standards

“PFO” means Principal Finance Officer

“Voted” means provision voted by the NI Assembly

During the period of suspension, any reference to the NI Assembly in this document should be read as a reference to the United Kingdom Parliament.

1 INTRODUCTION

1.1 This document

- 1.1.1 This Management Statement and Financial Memorandum (MSFM) has been drawn up by the Department for Communities (the Department) in consultation with The Northern Ireland Museums Council. The document is based on a model prepared by the Department of Finance and Personnel (DFP) now Department of Finance (DoF)
- 1.1.2 The terms and conditions set out in the combined Management Statement and Financial Memorandum may be supplemented by guidelines or directions issued by the Department / Minister in respect of the exercise of any individual functions, powers and duties of NIMC.
- 1.1.3 A copy of the MSFM for NIMC should be given to all newly appointed Board Members, senior NIMC executive staff and departmental sponsor staff on appointment.

Additionally the MSFM should be tabled for the information of Board Members at least annually at a full meeting of the Board. Amendments made to the MSFM should also be brought to the attention of the full Board on a timely basis.

- 1.1.4 This Management Statement sets out the broad framework within which NIMC will operate, in particular:

- NIMC's overall aims, objectives and targets in support of the Executive's and the Department's wider strategic aims and the outcomes and targets contained in its current Programme for Government (PfG);
- the rules and guidelines relevant to the exercise of NIMC's functions, duties and powers;
- the conditions under which any public funds are paid to NIMC; and
- how NIMC 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 NIMC must observe. However, the Management Statement and Financial Memorandum do not convey any legal powers or responsibilities.
- 1.1.6 The document shall be periodically reviewed by the Department in accordance with the timetable referred to in section 7 below.
- 1.1.7 NIMC, the Department, or the Minister, may propose amendments to this document at any time. Any such proposals by NIMC shall be considered in the light of evolving Departmental policy aims, operational factors and the track

record of NIMC itself. The guiding principle shall be that the extent of flexibility and freedom given to NIMC shall reflect both the quality of its internal controls to achieve performance and its operational needs. The Department shall determine 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 NIMC as appropriate. (The definition of "significant" will be determined by The Department in consultation with DoF).

- 1.1.8 The *MSFM* is approved by DoF Supply, and signed and dated by the Department and the NIMC's Director.
- 1.1.9 Any question regarding the interpretation of the document shall be resolved by the Department after consultation with NIMC 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 NIMC's website.)

1.2 Founding legislation: Status

- 1.2.1 NIMC was established in 1993 under a Ministerial Statement and under the Companies (Northern Ireland) Order 1986 ("the Order"), is registered as a company limited by guarantee and has charitable status. The constitution of NIMC is set out in the Articles of Association (Appendix A). The Board does not carry out its functions on behalf of the Crown.

1.3 The Functions, Duties and Powers of the Board of Directors of NIMC

- 1.3.1 The main objective of NIMC is to promote and advance education by supporting and assisting museums and galleries and to encourage the use and enjoyment by the public of museums and galleries in Northern Ireland.

1.4 Classification

- 1.4.1 For policy and administrative purposes NIMC is classified as an executive non-departmental public body.
- 1.4.2 For national accounts purposes NIMC is classified to the central government sector.
- 1.4.3 References to NIMC 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 NIMC (paragraphs 71-72 of the Financial Memorandum refer).

2. AIMS AND OBJECTIVES

2.1 Overall aims

The principal objects for which NIMC is established are:-

- to provide support services in local museums, disperse grants to Accredited Museums and to co-ordinate and develop a strategy for local museum development;
- to promote and advance education by supporting and assisting museums and galleries and to encourage the use and enjoyment by the public of museums and galleries in Northern Ireland, and thus advance the arts, culture, heritage and science for the benefit of the public; and
- to support local museums in Northern Ireland in maintaining and improving their standards of collections, care and service to the public and to promote a coherent framework of museum provision.

2.2 Objectives and key targets

2.2.1 The objectives, key targets and performance measures within NIMC are agreed by the Minister within NIMC's corporate and business planning process. (Section 4 below)

3. RESPONSIBILITIES AND ACCOUNTABILITY

3.1 The Minister

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

- approving NIMC's strategic objectives and the policy and performance framework within which NIMC will operate (as set out in this Management Statement and Financial Memorandum and associated documents);
- keeping the Assembly informed about NIMC's performance;
- approving the amount of grant-in-aid to be paid to NIMC and securing Assembly approval;
- approval of the Department appointed Board members.

3.2 The Accounting Officer of the Sponsor Department

3.2.1 The Permanent Secretary, as the Department's principal Accounting Officer (the "Departmental Accounting Officer"), is responsible for the overall organisation, management and staffing of the Department 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 NIMC. The Departmental Accounting Officer designates the Director of NIMC as NIMC'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 shall ensure that:

- NIMC's strategic aim(s) and objectives support the Department's wider strategic aims, policies and current PfG objectives and targets;
- the financial and other management controls applied by the Department to NIMC are appropriate and sufficient to safeguard public funds and for ensuring that NIMC's compliance with those controls is effectively monitored ("public funds" include not only any funds granted to NIMC by the Assembly but also any other funds falling within the stewardship of NIMC);
- the internal controls applied by NIMC conform to the requirements of regularity, propriety and good financial management; and
- any grant-in-aid to NIMC 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).

3.2.4 The Departmental Accounting Officer or his/her designated officials or representatives may attend as an observer at NIMC's Board meetings, Audit and Risk Committee meetings and from time to time any other committee meetings as considered appropriate by the Department.

3.3 The Sponsor Branch in the Department

3.3.1 Within the Department, Museums and Libraries Branch is the sponsoring branch for NIMC. The Branch 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 NIMC and the primary point of contact for NIMC in dealing with the Department. The sponsor branch shall carry out its duties under the management of a senior officer, who shall have primary responsibility within the branch for overseeing the activities of NIMC.

3.3.2 The sponsor branch shall advise the Minister on:

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

3.3.3 In support of the Departmental Accounting Officer, the sponsor branch shall:

a) on performance and risk management -

- monitor NIMC's activities on a continuing basis through an adequate and timely flow of information from NIMC on performance, budgeting, control, and risk management, including early sight of NIMC's Governance Statement;
- address in a timely manner any significant problems arising in NIMC whether financial or otherwise, making such interventions in the affairs of NIMC as the Department judges necessary to address such problems;
- The sponsor branch shall periodically carry out a risk assessment of NIMC's activities to inform the Department's oversight of NIMC; strengthen these arrangements if necessary; and amend the

Management Statement and Financial Memorandum accordingly. The risk assessment shall take into account the nature of NIMC'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 Department; and any other relevant matters;

b) on communication with the NDPB -

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

3.4 The Board

3.4.1 The Board Members are appointed for a period of three years as follows:

- The number of Directors shall not be less than seven nor more than fifteen, unless and until the members shall by Special Resolution otherwise determine.
- The following organisations have the right to nominate Directors to the Board;
 - (a) The Department will have the right to nominate three Directors;
 - (b) Councils in Northern Ireland which have established and administer an accredited Museum shall together have the right to nominate three Directors;
 - (c) The Northern Ireland Regional Museums Curators Group shall have the right to nominate three persons in the employment of Museums Members of NIMC to be Directors;
 - (d) The National Museums Northern Ireland shall have the right to nominate one Director;
 - (e) Queens University of Belfast and the Ulster University (the Universities) shall together have the right to nominate one Director;
 - (f) The independent and/or services museums in Northern Ireland recognised by the Company shall together have the right to nominate two persons in the employment of an independent or services museum which is a Museums Member of NIMC to be a Director; and
 - (g) The Directors may with the approval of the Sponsor Department, co-opt up to two persons as Directors of the Company to address a skills or competence shortage.
- The Nominators named above may from time to time with the approval of the Department be varied by Special Resolution of NIMC.

3.4.2 The Board has corporate responsibility for ensuring that NIMC fulfils the aims and objectives agreed with the Department and approved by the Minister, and for promoting the efficient, economic and effective use of staff and other resources by NIMC. To this end, and in pursuit of its wider corporate responsibilities, the Board shall:

- establish the overall strategic direction of NIMC within the policy and resources framework determined by the Department;
- constructively challenge NIMC's executive team in their planning, target setting and delivery of performance;
- ensure that the Department is kept informed of any changes which are likely to impact on the strategic direction of NIMC 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 Board operates within the limits of its statutory authority and any delegated authority agreed with the Department, and in accordance with any other conditions relating to the use of public funds; and that, in reaching decisions, the Board takes into account all relevant guidance issued by DoF and the Department;
- ensure that the Board receives and reviews regular financial information concerning the management of NIMC; is informed in a timely manner about any concerns about the activities of NIMC; and provides positive assurance to the Department that appropriate action has been taken on such concerns;
- demonstrate high standards of corporate governance at all times, including using the independent audit committee (see paragraph 4.7) to help the Board to address the key financial and other risks facing NIMC; and
- appoint with the Department's approval a Director to NIMC and, in consultation with the Department, set performance objectives and remuneration terms linked to these objectives for the Director, which give due weight to the proper management and use of public monies. This condition is also applicable to the appointment of an interim/temporary Director by the Board of Directors.

3.4.3 Individual 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 NIMC and with the rules 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 of Directors any private interests that may be perceived to conflict with their public duties;
- comply with the Board's rules on the acceptance of gifts and hospitality, and of business appointments; and
- act in good faith and in the best interests of NIMC.

3.4.4 The Department shall have access to a draft copy of all Board meeting minutes and the minutes of all Committees including Audit Committee within 1 month after the meetings have been held.

3.4.5 While Senior Departmental staff may attend the Board meeting it is usually in an observer capacity.

3.5 The Chair of NIMC

3.5.1 The Chair is appointed for a period of three years. From the date this MSFM is signed, the Chair of the NIMC's Board of Directors shall be appointed by open competition in line with the Code of Practice issued by the Commissioner for Public Appointments for Northern Ireland.

3.5.2 The Chair is responsible to the Minister for the Department. The Chair shall aim to ensure that the Council's policies and actions support the wider strategic policies of the Northern Ireland Assembly and Executive; and that NIMC'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 NIMC fulfils the aims and objectives and policies set by the Department and approved by the Minister. The performance of the Chair shall be assessed annually by a senior official in the Department, either the Permanent Secretary or Deputy Secretary. This assessment shall be carried out in line with the Department's policies for assessing the performance of Chairs of its arm's length bodies.

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 Department;
- 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;
- ensuring that the Board meets at regular intervals throughout the year and that the minutes of meetings accurately record the decisions taken and, where appropriate, the views of individual Board Members; and
- report formally to the Minister and Permanent Secretary at pre-arranged accountability review meetings.

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 NIMC when Board vacancies arise, with a view to ensuring a proper balance of professional and financial expertise;
- assess the performance of the Members appointed to the Board by the Minister, with a formal assessment being completed by the Chair of the Board at the end of each year and prior to any re-appointment of individual Members taking place. Members will be made aware that they are being appraised, the standards against which they will be appraised, and will have an opportunity to contribute to and view their report.
- provide the Department with a copy of the Board's Ministerial Appointees performance assessments within 3 months of the end of the financial year.

3.5.5 The Chair shall also ensure that a Code of Practice for Board members is in place, based on the Corporate Governance in Central Government Departments: Code of Good Practice (NI) 2013, "the 2013 Code", (DAO (DFP) 06/13 refers). The Code shall commit the Chairperson 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, the Minister and the Department 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 Director's role as Accounting Officer

3.6.1 The Director of NIMC is designated as NIMC's Accounting Officer by the Departmental Accounting Officer.

3.6.2 The Accounting Officer of NIMC 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 NIMC.

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

a) on planning and monitoring -

- establish, in agreement with the Department, NIMC's corporate and business plans in support of NIMC's aims, the Department's wider strategic aims and current PfG objectives and targets;
- inform the Department of NIMC's progress in helping to achieve the agreed policy objectives and in demonstrating how resources are being used to achieve those objectives; and
- ensure that timely forecasts and monitoring information on performance and finance are provided to the Department; that the Department 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 Department in a timely fashion;

b) on advising the Board -

- advise the Board on the discharge of its responsibilities as set out in this document, those documents described in paragraph 1.2.1 of this document and in any other relevant instructions and guidance that may be issued from time to time by DoF, or the Department;
- advise the Board on NIMC'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; and
- take action in line with Section 3.8 of MPMNI if the Board, or its Chairperson, is contemplating a course of action involving a transaction which the Director considers would infringe the

requirements of propriety or regularity, or does not represent prudent or economical administration, efficiency or effectiveness;

c) 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 NI Public Procurement Policy;
- ensure that all public funds made available to NIMC including any income or other receipts are used for the purpose intended by the Assembly, and that such monies, together with NIMC's assets, equipment and staff, are used economically, efficiently and effectively;
- ensure that adequate internal management and financial controls are maintained by NIMC 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; and
- ensure that effective personnel management policies are maintained;

d) on accounting for NIMC's activities -

- 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 Department, or DoF;
- sign a Statement of Accounting Officer's responsibilities, for inclusion in the annual report and accounts;
- complete and return assurance statements to the Department within specified timeframes;
- sign a Governance Statement for inclusion in the annual report and accounts;

- ensure that effective procedures for handling complaints about NIMC are established and made widely known;
- 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 Department and DoF - in particular, Chapter 3 of *MPMNI* and the Treasury document, *Regularity and Propriety and Value for Money* a copy of which the Director shall receive on appointment. Section IX of the *Financial Memorandum* refers to other key guidance;
- give evidence, normally with the Accounting Officer of the Department, if summoned before the Public Accounts Committee on the use and stewardship of public funds by NIMC;
- ensure that an Equality Scheme is in place, reviewed and equality impact assessed as required by the Equality Commission and the Executive Office; and
- ensure compliance with all legislative requirements including the following:
 - Companies Act 2006
 - Data Protection Act 1998
 - Freedom of Information Act 2000
 - The Protection of Children and Vulnerable Adults (Northern Ireland) Order 2003
 - Disability Discrimination Act 1995.

3.6.4. The Director shall be appraised on an annual basis by the Chair who should provide confirmation to the Department that the Director's appraisal has been completed.

3.7 The Director's role as Consolidation Officer

3.7.1 For the purposes of Whole of Government Accounts, the Director of NIMC is normally appointed by DoF as NIMC's Consolidation Officer.

3.7.2 As NIMC's Consolidation Officer, the Director shall be personally responsible for preparing the consolidation information, which sets out the financial results and position of NIMC; 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 Director shall comply with the requirements of NIMC's Consolidation Officer Letter of Appointment as issued by DoF and shall, in particular:

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

3.8 Delegation of duties

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

3.9 The Director's role as Principal Officer for Ombudsman cases

3.9.1 The Director of NIMC 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 Department of any complaints about NIMC accepted by the Ombudsman for investigation, and about NIMC's proposed response to any subsequent recommendations from the Ombudsman.

3.10 Consulting Stakeholders

3.10.1 NIMC will work in partnership with its stakeholders to deliver the services/programmes, for which it has responsibility, to agreed standards. It will consult regularly to develop a clear understanding of people's needs and expectations of its services, and to seek feedback from stakeholders, to inform the planning and delivery of services.

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, NIMC shall submit to the Department a draft of NIMC's Corporate Plan normally covering three years ahead. The draft plan should be submitted to the Department, for discussion with the Minister and/or officials, in line with dates to be determined with the Department.

4.1.2 DoF reserves the right to ask to see and agree the NIMC Corporate Plan.

4.1.3 The plan shall reflect NIMC's statutory duties and, within those duties, the priorities set from time to time by the Minister. In particular, the plan shall demonstrate how NIMC contributes to the achievement of the Department's strategic aims, the Northern Ireland Museums Policy and PfG objectives and targets.

4.1.4 The Corporate Plan shall set out:

- NIMC's key objectives and associated key performance targets for the three forward years, and its strategy for achieving those objectives;
- a review of NIMC's performance in the preceding financial year together with comparable outturns for the previous 2 years, and an estimate of performance in the current year;
- alternative scenarios to take account of factors which may significantly affect the execution of the plan, but which cannot be accurately forecast;
- a forecast of expenditure and income, taking account of guidance on resource assumptions and policies provided by the Department at the beginning of the planning round. These forecasts should represent NIMC's best estimate of all its available income not just any grant or grant-in-aid; and
- other matters as agreed between the Department and NIMC.

4.1.5 The main elements of the plan, including the key performance targets, shall be agreed between the Department and NIMC in the light of the Department'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, amplified as necessary, shall form the basis of the Business Plan for the relevant forthcoming year. The Business Plan shall include key performance indicators, milestones and targets linked to the Programme for Government agreements 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 Department.
- 4.2.2 The Business Plan should be submitted to the Department in accordance with the Department's annual business planning timetable.
- 4.2.3 DoF reserves the right to ask to see and agree the NIMC's Annual Business Plan.
- 4.2.4 Corporate and Business Plans will be formally approved by the Minister.

4.3 Publication of Plans

- 4.3.1 NIMC's Corporate and Business Plans shall be published and made available on the NIMC's website. It shall also be made available to staff.

4.4 Reporting performance to the sponsor Department

- 4.4.1 NIMC 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 NIMC shall take the initiative in informing the Department 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 NIMC's performance in helping to deliver Departmental policies, including the achievement of key objectives, shall be reported to the Department on a three-monthly basis. Performance will be formally reviewed regularly by officials of the Department. The Minister shall meet the Board regularly on a formal basis to discuss NIMC's performance, its current and future activities, and any policy developments relevant to those activities.
- 4.4.4 NIMC's performance against key targets shall be reported in the Annual Report and Accounts (see Section 5.1 below). Arrangements for the validation of reported performance will be agreed between NIMC and the Department.

4.5 Budgeting Procedures

4.5.1 NIMC's budgeting procedures are set out in the *Financial Memorandum*.

4.6 Internal audit

4.6.1 NIMC shall establish and maintain arrangements for internal audit in accordance with the Public Sector Internal Audit Standards (PSIAS)

4.6.2 The Department shall outline the arrangements that they have determined as appropriate for NIMC taking account of DAO (DFP) 01/10 Internal Audit Arrangements between Departments and Arm's Length Bodies. This will include specifying the Department's requirements in terms of:

- having input to NIMC's planned internal audit coverage;
- arrangements for the receipt of audit reports, assignment reports, the Head of Internal Audit's annual report and opinion etc;
- arrangements for the completion of internal and external assessments of the NIMC's internal audit function against PSIAS including advising that the Department reserves the right of access to carry out its own independent reviews of internal audit in NIMC;
- the right of access to all documents prepared by NIMC's internal auditor, including where the service is contracted out. Where NIMC's audit service is contracted out NIMC should stipulate this requirement when tendering for the services.

4.6.3 NIMC shall consult the Department to ensure that the latter is satisfied with the competence and qualifications of the Head of Internal Audit and that the requirements for approving the appointment are in accordance with PSIAS and relevant DoF guidance.

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

4.7 Audit and Risk Assurance Committee

4.7.1 NIMC shall set up an independent audit committee as a committee of its Board in line with the Audit and Risk Assurance Committee Handbook (DAO (DFP) 05/14).

4.7.2 A representative from the Department may attend NIMC Audit Committee meetings as an observer. The frequency of such attendance is to be determined by the Department.

4.7.3 The draft minutes of each NIMC Audit Committee meeting shall be provided to the Department by NIMC within 1 month of the meeting taking place.

These minutes should be sufficiently detailed and an accurate recording of the discussions held and the decisions taken.

- 4.7.4 In advance of all meetings of NIMC's Audit Committee papers will be forwarded to the Department.
- 4.7.5 NIMC shall arrange for periodic quality reviews of its internal audit function in accordance with PSIAS. The Department shall consider whether it can rely on these reviews to provide assurance on the quality of internal audit. However, the Department reserves a right of access to carry out independent reviews of internal audit in NIMC.
- 4.7.6 The Department's Internal Audit Service shall also have a right of access to all documents prepared by NIMC's internal auditor, including where the service is contracted out. The audit strategy, periodic audit plans and annual audit report, including the NIMC's Head of Internal Audit's opinion on risk management, control and governance shall be forwarded as soon as possible to the sponsoring team who shall consult the head of Internal Audit as appropriate.
- 4.7.7 NIMC shall provide the Department with a copy of all internal reports. The Department may make ad-hoc requests relating to Internal Audit work and the implementation of recommendations.
- 4.7.8 The Department will review NIMC's Audit Committee terms of reference. NIMC shall notify the Department of any subsequent changes to the Audit Committee's terms of reference.

4.8 Fraud

- 4.8.1 NIMC shall report immediately to the Department all frauds (proven or suspected), including attempted fraud. The Department shall then report the frauds immediately to DoF and the C&AG. In addition, NIMC shall forward to the Department the annual fraud return, commissioned by DoF, on fraud and theft suffered by NIMC.
- 4.8.2 The Department will review NIMC's Anti Fraud Policy and Fraud Response Plan. NIMC shall notify the Department of any subsequent changes to the policy or response plan.

4.9 Additional departmental access to NIMC

In addition to the right of access referred to in paragraph 4.6.2 above, the Department shall have a right of access to all NIMC's records and personnel for purposes such as sponsorship audits, operational investigations and other purposes. (See also paragraphs 3.4.4 and 4.7.3 access to Board and Audit Committee minutes).

5. EXTERNAL ACCOUNTABILITY

5.1 The Annual Report and Accounts

- 5.1.1 After the end of each financial year NIMC shall publish as a single document an Annual Report of its activities together with its audited Annual Accounts. The report shall also cover the activities of any corporate bodies under the control of NIMC. A draft of the report shall be submitted to the Department at least two weeks before the proposed publication date although it is expected that the Department and NIMC will have had extensive pre-publication discussion on the content of the report prior to formal submission to the Department.
- 5.1.2 The Annual Report and Accounts shall comply with any relevant statutes and the specific Accounts Direction issued by the Department and the provisions of the Accounting and Reporting by Charities: Statement of Recommended Practice revised 2005 ("SORP 2005"), and any subsequent revision.
- 5.1.3 The Annual Report and Accounts shall outline NIMC's main activities and performance during the previous financial year and set out in summary form NIMC'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 Annual Report and Accounts shall be deposited in accordance with the guidance 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 Department.

5.2 External audit

- 5.2.1 The Comptroller and Auditor General (C&AG) audits NIMC's Annual Accounts and passes the accounts to the Department who shall deposit them before the Assembly, together with NIMC's Annual Report. For the purpose of audit the C&AG has a statutory right of access to relevant documents as provided for in Articles 3 and 4 of the Audit and Accountability (Northern Ireland) Order, 2003.
- 5.2.2 The C&AG will liaise with NIMC on arrangements for completing the audit of NIMC'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 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 NIMC. 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 NIMC 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, NIMC 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, NIMC shall have responsibility for the recruitment, retention and motivation of its staff. To this end NIMC 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 NIMC's performance measurement systems reviewed from time to time;
- its staff are encouraged to acquire the appropriate professional, management and other expertise necessary to achieve NIMC'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 and DAO (DFP) Whistleblowing Guidance are in place;
- a code of conduct for staff is in place based on Annex 5A of Public Bodies: A Guide for NI Departments (available at www.afmdni.gov.uk)

6.2 Re-Grading/Creating Posts

6.2.1. NIMC requires Departmental approval to re-grade/create posts.

7. REVIEWING THE ROLE OF NIMC

- 7.1** NIMC shall be reviewed periodically, in accordance with the business needs of the Department and NIMC. The review should be carried out in line with Chapter 9 of the Public Bodies: a Guide for NI Departments.

FINANCIAL MEMORANDUM

I. INTRODUCTION

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

II. NIMC'S INCOME AND EXPENDITURE - GENERAL

The Departmental Expenditure Limit (DEL)

4. NIMC's current and capital expenditure form part of the Department's Resource Departmental Expenditure Limits (DEL) and Capital DEL respectively.

Expenditure not proposed in the budget

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

Procurement

6. NIMC's procurement policies shall reflect the public procurement policy adopted by the Northern Ireland Executive in May 2002 (refreshed August 2014); Procurement Guidance Notes; and any other guidelines or guidance issued by Central Procurement Directorate (CPD) and the Procurement Board. NIMC's procurement activity should be carried out by means of a Service Level Agreement with CPD or another recognised Centre of Procurement Expertise (CoPE) – this should ensure compliance with relevant UK, EU and other international procurement rules.
7. Periodic reviews of NIMC's procurement activity should be undertaken. The results of any such review will be shared with the sponsor Department.

Competition

8. Contracts shall be awarded on a competitive basis and tenders accepted from suppliers who provide best value for money overall.
9. Single Tender Actions must comply with the relevant Procurement Guidance Notes and Departmental Guidance.

Best Value for money

10. Procurement by NIMC 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 NIMC's requirements. Where appropriate, a full option appraisal shall be carried out before procurement decisions are taken.

Timeliness in paying bills

11. NIMC shall collect receipts and pay all matured and properly authorised invoices in accordance with Annex 4.5 and 4.6 of *Managing Public Money NI* and any guidance issued by DoF or the Department.

Novel, contentious or repercussive proposals

12. NIMC shall obtain the approval of the Department 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 Department;
 - 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. (The Department will advise on what constitutes "significant" in this context).

Risk management / Fraud

13. NIMC shall ensure that the risks it faces are dealt with in an appropriate manner, in accordance with relevant aspects of best practice in corporate governance, and shall develop a risk management strategy, in accordance with the Treasury guidance *Management of Risk: A Strategic Overview* ("The Orange Book").
14. NIMC 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.

15. NIMC 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* and NIAO's *Managing Fraud Risk in a Changing Environment Good Practice Guide*.
16. All cases of attempted, suspected or proven fraud shall be reported immediately to the Department 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.

Wider markets

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

Fees and charges

18. Fees or charges for any services supplied by NIMC shall be determined in accordance with Chapter 6 of MPMNI.

III. NIMC'S INCOME

Grant-in-aid

19. Grant-in-aid will be paid to NIMC on the basis of a written application from NIMC 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 NIMC's functions.
20. NIMC should have regard to the general principle enshrined in Annex 5.1 of *Managing Public Money Northern Ireland* that it should seek grant-in-aid according to need.
21. Verification checks may be carried out by the Department. NIMC must retain all original invoices for inspection and provide the Department with information and access to documentation as required.
22. Cash balances accumulated during the course of the year shall be kept at the minimum level consistent with the efficient operation of NIMC. 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 Department 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

23. Most fines and taxes (including some levies and licences) do not provide additional DEL spending power and should be surrendered to the sponsor Department.

Receipts from sale of goods or services

24. Receipts from the sale of goods and services (including certain licences), rent of land and dividends normally provide additional DEL spending power. If a body wishes to retain a receipt or utilise an increase in the level of receipts, it must gain the prior approval of its sponsor Department.
25. If there is any doubt about the correct classification of a receipt, NIMC shall consult the Department, which may consult DoF as necessary.

Interest earned

26. Interest earned on cash balances cannot necessarily be retained by NIMC. Depending on the budgeting treatment of this receipt, and its impact on NIMC'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 NIMC, the Department will need to ensure it has the necessary budget cover.

Unforecast changes in in-year income

27. If the negative DEL income realised or expected to be realised in-year is less than estimated, NIMC shall, unless otherwise agreed with the Department, ensure a corresponding reduction in its gross expenditure so that the authorised provision is not exceeded. *[NOTE: For example, if NIMC is allocated £100 resource DEL provision by its sponsor Department 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 NIMC will need to reduce its expenditure to £105 to avoid breaching its budget.]*
28. If the negative DEL income realised or expected to be realised in the year is more than estimated, NIMC may apply to the Department to retain the excess income for specified additional expenditure within the current financial year without an offsetting reduction to grant-in-aid. The Department 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

29. NIMC 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).

30. NIMC shall ensure that it has the necessary DEL provision for any expenditure financed by draw-down of deposits.

Proceeds from disposal of assets

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

Gifts and bequests received

32. NIMC is free to retain any gifts, bequests or similar donations subject to paragraph 33. These shall be capitalised at fair value on receipt and must be notified to the Department. [NOTE: A release from the donated assets reserve should offset depreciation in the operating cost statement. The latest SORP requirements should be applied.]
33. Before accepting a gift, bequest, or similar donation, NIMC shall consider if there are any associated costs in doing so or any conflicts of interests arising. NIMC 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

34. Normally, NIMC will not be allowed to borrow, but when doing so NIMC shall observe the principles set out in Chapter 5 and the associated annexes of MPMNI when undertaking borrowing of any kind. NIMC shall seek the approval of the Department 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. Medium or long-term private sector or foreign borrowing is subject to the value for money test in Section 5.7 of MPMNI.
35. Where exceptionally NDPBs are allowed to borrow the spending financed by borrowing scores gross in budgets. This applies whatever the source of borrowing (Department, market, European Investment Bank). The cash raised by borrowing does not score as negative DEL. This means that any expenditure by the NDPB financed by borrowing will need DEL budget cover (provided that this is the normal budgeting treatment for such expenditure).

Reserves

36. No grant-in-aid shall be paid into any reserve held by NIMC. Funds held in any reserve may be a factor for consideration when grant-in-aid is determined.

IV. EXPENDITURE ON STAFF

Staff costs

37. Subject to its delegated levels of authority, NIMC 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

38. The staff of NIMC, whether on permanent or temporary contract, shall be subject to levels of remuneration and terms and conditions of service (including superannuation) as approved by the Department and DoF. NIMC has no delegated power to amend these terms and conditions.
39. Civil Service terms and conditions of service apply to the rates of pay and non-pay allowances paid to NIMC staff and to any other party entitled to payment in respect of travelling expenses or other allowances. Payment shall be made in accordance with the Civil Service Management Code except where prior approval has been given by the Department and DoF to vary such rates.
40. Annual pay increases of NIMC 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 Department and the Minister for Finance before implementation. Separate Pay Remits are requested for Senior Civil Service staff.
41. The travel expenses of staff and Board Members shall be tied to Civil Service rates. Reasonable actual costs shall be reimbursed.
42. NIMC shall operate a performance-related pay scheme which shall form part of the annual aggregate pay budget approved by the Department and DoF.
43. NIMC shall comply with the EU directive on contract workers Fixed Term Employees Regulations (Prevention of Less Favourable Treatment).

Pensions; redundancy/compensation

44. NIMC's staff shall be eligible for a pension provided by the Principal Civil Service Pension Scheme (NI) (PCSPS(NI)).
45. Staff may opt out of the occupational pension scheme provided by NIMC. However, the employer's contribution to any personal pension arrangement, including a stakeholder pension, shall normally be limited to the national insurance rebate level.
46. Any proposal by NIMC to move from the existing pension arrangements, or to pay any redundancy or compensation for loss of office, requires the approval of the sponsor Department and DoF. Where the PCSPS(NI) is the relevant pension scheme, NIMC must conform with the procedures for early retirement / severance which apply to the main Department and ensure that the level of

benefits are the standard applicable under the Civil Service Compensation Scheme (NI) (CSCS(NI)) rules. The Department is responsible for ensuring that NIMC does this.

47. The sponsor Department is responsible for ensuring that NIMC continues to meet the criteria for membership of the PCSPS(NI), where this is the pension scheme applicable.

V. NON-STAFF EXPENDITURE

Economic appraisal

48. NIMC 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 current spending, or both;
 - are large or small; and
 - are above or below delegated limits (see Appendix A).
49. 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.
50. Spending commitments should not be entered into until a proportionate business case/economic appraisal has been completed and the appropriate approvals are in place.
51. Evaluation plays an important role which is complementary to appraisal, and should be embedded within the NIMC decision making process. NIMC should have systems in place to ensure project outturns are measured, recorded and compared with original estimates and lessons learned are appropriately disseminated. An evaluation report should be completed for all expenditure which is supported by a business case, irrespective of the level of expenditure.
52. General guidance on economic appraisal that apply to NDPBs can be found in:
 - The DoF Guide, *The Northern Ireland Guide to Expenditure appraisal and Evaluation* ("NIGEAE", 2009). See <http://www.dfpni.gov.uk/eag>, and

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

53. Business cases/economic appraisals sent to the Department for approval should be submitted by the NIMC Accounting Officer. In submitting cases/appraisals to the Department for approval, the Accounting Officer should confirm that they are fully satisfied with all information presented within the business case, that it conforms to NIGEAE standards and, represents value for money and is in line with Departmental objectives. Business cases submitted to the Department should include a sufficient timeline to allow any queries to be raised and responded to prior to approval.
54. Business Cases which are below delegated limits and therefore do not require Departmental approval will be regularly subject to 'test drill' by the Department to ensure that appropriate economic appraisal and evaluation standards are being applied.

Capital expenditure

55. 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 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.
56. Proposals for large-scale individual capital projects or acquisitions will normally be considered within NIMC's corporate and business planning process. Subject to paragraph 57, applications for approval within the Corporate / Business Plan by the Department and, DoF if necessary, shall be supported by formal notification that the proposed project or purchase has been examined and duly authorised by the Board. Regular reports on the progress of projects shall be submitted to the Department.
57. Approval of the Corporate/Business Plan does not obviate NIMC's responsibility to abide by the economic appraisal process.
58. Within its approved overall resources limit NIMC shall, as indicated in the attached Appendix on delegations, have no delegated authority in respect of any individual capital project or acquisition. The sponsor Department 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

59. Unless financial provision is subject to specific Departmental 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 departmental 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

60. NIMC shall not, without the Department'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

61. 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 Department, and where necessary, DoF. If grants or loans are to be made under a continuing scheme, statutory authority is likely to be required.
62. 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 NIMC, the Department and the C&AG.
63. See also below under the heading *Recovery of grant-financed assets* (paragraphs 85-87).

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

64. Proposals for making gifts or other special payments (including issuing write-offs) outside the delegated limits set out in Appendix B of this document must have the prior approval of the Department and, where necessary, DoF.
65. Losses shall not be written off until all reasonable attempts to make a recovery have been made and proved unsuccessful.
66. Gifts by management to staff are subject to the requirements of DAO (DFP) 05/03.

Leasing

67. Prior Departmental approval must be secured for all property and finance leases. NIMC must have capital DEL provision for finance leases and other transactions which are, in substance, borrowing (paragraphs 34-35 above).
68. The NIMC Asset Management Plan and NICS Asset Management Strategy should be referred to prior to considering any lease.

Public/Private Partnerships

69. NIMC 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, NIMC shall consult the Department. NIMC should also ensure that it has the necessary budget cover.
70. Any partnership controlled by NIMC shall be treated as part of NIMC in accordance with guidance in the SORP and consolidated with it [subject to any particular treatment required by the SORP]. Where the judgement over the level of control is difficult, the Department will consult DoF (who may need to consult with the Office of National Statistics over national accounts treatment).

Subsidiary companies and joint ventures

71. NIMC shall not establish subsidiary companies or joint ventures without the express approval of the Department and DoF. In judging such proposals the Department will have regard to the Department's wider strategic aims, objectives and current Public Service Agreement.
72. For public expenditure accounts purposes any subsidiary company or joint venture controlled or owned by NIMC shall be consolidated with it in accordance with guidance in the SORP subject to any particular treatment required by the SORP. Where the judgement over the level of control is difficult, the Department will consult DoF (who may need to consult with the Office of National Statistics over national accounts treatment). Unless specifically agreed with the Department and DoF, such subsidiary companies or joint ventures shall be subject to the controls and requirements set out in this *Management Statement* and *Financial Memorandum*, and to the further provisions set out in supporting documentation.

Financial investments

73. NIMC shall not make any investments in traded financial instruments without the prior written approval of the Department, and where appropriate DoF, nor shall it aim to build up cash balances or net assets in excess of what is required for operational purposes. Funds held in bank accounts or as financial investments may be a factor for consideration when grant-in aid is determined. Equity shares in ventures which further the objectives of NIMC shall equally be subject to Departmental and DoF approval unless covered by a specific delegation.

Unconventional financing

74. NIMC shall not enter into any unconventional financing arrangement without the approval of the Department and DoF.

Commercial insurance

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

Payment/Credit Cards

77. NIMC in consultation with the Department 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 (DoF) 24/02.

Hospitality

78. NIMC in consultation with the Department 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

79. NIMC shall adhere to the guidance issued by DoF, as well as any produced by the Department, in relation to the Use of Consultants. Please see the delegated limits set out in Appendix B.
80. NIMC will provide the Department with an annual statement on the status of all consultancies completed and/or started in each financial year.
81. 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

82. NIMC shall maintain an accurate and up-to-date register of its fixed assets and a five year rolling Asset Management Plan.

Disposal of assets

83. NIMC 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 Department), and in accordance with the principles in MPMNI.

84. All receipts derived from the sale of assets (including grant-financed assets, see below) must be declared to the Department, which will consult with DoF on the appropriate treatment. For property disposals the NICS Asset Management Strategy should be applied.

Recovery of grant-financed assets

85. Where NIMC has financed expenditure on capital assets by a third party, NIMC shall set conditions and make appropriate arrangements to ensure that any such assets individually above a value of £1,000 are not disposed of by the third party without NIMC's prior consent.
86. NIMC 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 Department.
87. NIMC shall ensure that if the assets created by grants made by NIMC 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 NIMC for surrender to the Department. The amounts recoverable under the procedures in paragraphs 85-86 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

88. Each year, in the light of decisions by the Department on NIMC's corporate plan (See section 4.1 of the *Management Statement*), the Department will send to NIMC:
- a formal statement of the annual budgetary provision allocated by the Department in the light of competing priorities across the Department and of any forecast income approved by the Department; and
 - a statement of any planned change in policies affecting NIMC.
89. NIMC'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 Departmental funding and/or other income over the year. These elements will form part of the approved Business Plan for the year in question (See section 4.1 of the *Management Statement*.)
90. Any grant-in-aid provided by the Department for the year in question will be voted in the Department's Estimate and will be subject to Assembly control.

General conditions for authority to spend

91. Once NIMC's budget has been approved by the Department and subject to any restrictions imposed by Statute/the Minister/this MSFM, NIMC shall have authority to incur expenditure approved in the budget without further reference to the Department, on the following conditions:

- NIMC shall comply with the delegations set out in Appendix B of this document. These delegations shall not be altered without the prior agreement of the Department and DoF;
- NIMC shall comply with the conditions set out in paragraph 12 above regarding novel, contentious or repercussive proposals;
- inclusion of any planned and approved expenditure in NIMC's budget shall not remove the need to seek formal Departmental (and, where necessary, DoF) approval where such proposed expenditure is above the delegated limits as set out in Appendix B, or is for new schemes not previously agreed;
- NIMC shall provide the Department with such information about its operations, performance, individual projects or other expenditure as the Department may reasonably require (see paragraph 92 below); and
- NIMC shall comply with NI Procurement Policy and carry out procurement via CPD or another recognized CoPE.

Providing monitoring information to the Department

92. NIMC shall provide the Department with, as a minimum, information on a monthly basis which will enable the satisfactory monitoring by the Department of:


- NIMC'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.

- *Regularity, Propriety and Value for Money*, issued by the Treasury;
- *The Consolidation Officer Letter of Appointment*, issued by DoF;
- Other relevant instructions and guidance issued by the central Departments including Procurement Board and CPD Guidance;
- Specific instructions and guidance issued by the Department; and
- Recommendations made by the Public Accounts Committee, or by other Assembly authority, which have been accepted by the Government and which are relevant to NIMC.

X. REVIEW OF MANAGEMENT STATEMENT AND FINANCIAL MEMORANDUM

96. *The Management Statement and Financial Memorandum* will normally be reviewed at least every three years or following a review of NIMC's functions as provided for in Section 7 of the *Management Statement*.
97. DoF Supply will be consulted on any significant variation proposed to the *Management Statement and Financial Memorandum*.

XI. SIGNATURES

Signed:  Date: 13 Dec 2016
 On behalf of NIMC

Signed:  Date: 24/1/17
 On behalf of the Department

DELEGATED EXPENDITURE LIMITS

General

The Department has delegated the following expenditure limit to NIMC. NIMC's delegated authority for expenditure is subject to the conditions in this Appendix and the Management Statement and Financial Memorandum. These delegated expenditure limits have been agreed by the Department and the Department of Finance(DoF).

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. Spending commitments should not be entered into until a proportionate business case/economic appraisal has been completed and the appropriate approvals are in place.

1. PURCHASING ALL GOODS AND SERVICES

NIMC should ensure compliance with the relevant Procurement Guidance Notes when purchasing all Goods and Services.

2. CAPITAL PROJECTS

NIMC shall have no delegated authority for capital expenditure. Capital projects require the approval of the Department, and may be subject to quality assurance by DoF if requested.

Any novel and/or potentially contentious projects, regardless of the amount of expenditure, require the approvals of the Department and DoF.

3. RESOURCE EXPENDITURE

NIMC shall have delegated authority of up to £11,000 in relation to resource expenditure. The Department's approval is required for expenditure above this limit and proportionate business cases/economic appraisals should be submitted to the Department in support of the proposed expenditure.

4. DISPOSAL OF SURPLUS EQUIPMENT

In all cases disposal must be at current market value by public auction or another public process, unless otherwise agreed with the Department. Prior approval of the Department is required for disposal of an asset / surplus equipment.

Any proceeds from the disposal of assets / surplus equipment, or an appropriate proportion of them if the grant provided by the Department was for less than the whole cost of acquisition or improvement, must be declared to the Department as early as possible.

5. LEASE AND RENTAL AGREEMENTS

NIMC shall not enter into any lease without the prior approval of the Department. The NIMC Asset Management Plan and NICS Asset Management Strategy should be referred to prior to considering any lease.

6. APPROVAL OF INFORMATION TECHNOLOGY PROJECTS

The appraisal of Information Technology (IT) projects should include the staffing and other resource implications.

The principles of appraisal, evaluation and management apply equally to proposals supported by information communication technology (ICT) as to all other areas of public expenditure. ICT-enabled projects should be appraised and evaluated according to the general guidance in the Northern Ireland Guide to Expenditure Appraisal and Evaluation (*NIGEAE*) and managed using the new *Successful Delivery (NI)* guidance which was issued in June 2009.

The purchase of IT equipment and systems should be in line with the guidance on Procedures and Principles for Application of Best Practice in Programme/Project Management (PPM), (available at www.dfpni.gov.uk/successful-delivery) and be subject to competitive tendering unless there are convincing reasons to the contrary. The form of competition should be appropriate to the value and complexity of the project, and in line with the relevant Procurement Guidance Notes.

7. ENGAGEMENT OF CONSULTANTS

General

NIMC shall adhere to the Department's Guidance on The Use of Consultants and the delegation limits therein. NIMC has delegated authority on external consultancy spend up to £10,000 (excluding VAT). External consultancy spend above £10,000 requires Departmental approval. NIMC shall provide the Department with an annual statement on the status of all consultancies completed and/or started in each financial year. Care should be taken to avoid actual, potential, or perceived conflicts of interest when employing consultants.

Economic appraisal

A full business case should be prepared and submitted to the Department for approval for all external consultancy assignments expected to exceed £10,000. A proportionate business case should be prepared for all assignments below this threshold. Section 5 of the guidance note attached to FD (DFP) 07/12 explains the nature of the required business case. Plans should also be put in place to complete an evaluation of the consultancy expenditure.

8. LOSSES AND SPECIAL PAYMENTS

The Director, with prior approval from the Department, will have the authority to write off losses and make special payments up to:

- (a) Cash losses – up to £1,000 per case/incident;
- (b) Stores/Equipment losses –
 - (i) £10,000
 - (ii) £5,000
 - i because of fraud, whether or not it has been possible to charge anyone with an offence, or proven or suspected theft, arson or sabotage, or any other deliberate act (including repairable damage caused maliciously to buildings, stores, etc, which is not the subject of an identifiable legal claim against some person); wherever possible recovery must be effected and prosecution mounted;
 - ii losses arising from other causes. In each case the amount of the loss would be the repair or replacement cost less recoveries from insurance etc;
- (c) Constructive losses and fruitless payments – up to £2,500 per case;
- (d) Compensation payments:
 - i. Made under legal obligation, e.g. by Court Order – up to £2,500 per case plus reasonable legal expenses;
 - ii. For damage to personal property of staff – no delegated authority; and
 - iii. Where written legal advice is that NIMC should not fight a court action because it is unlikely that it would win – no delegated authority;
- (e) Claims abandoned or waiver of claim – up to £2,500 per case;

- (f) Extra contractual payments – no delegated authority;
- (g) Ex gratia payments – up to £2,500 per case (Pensions payments are not covered by this threshold); and
- (h) Extra statutory and extra regulatory payments – no delegation, all proposals must be submitted to the Department for approval.

The prior approval of the Department must be obtained for amounts above these values.

Where total losses exceed £5,000 in any financial year, an explanatory note should be included in the NIMC's accounts.

Details of all losses and special payments should be recorded in a Losses and Special Payments Register, which will be available to auditors. The Register should be kept up-to-date and should show evidence of the approval by the Director, and the Department, where appropriate.