

**THE
NORTHERN IRELAND
POLICE FUND**

MANAGEMENT STATEMENT

AND

FINANCIAL MEMORANDUM

APRIL 2012

CHANGE CONTROL

Version:	Date:	Summary of Changes:	Approved by:
1.0	05/04/2012	Final version	DFP – 05/04/2012
As above	28/11/2012	Para 6, Line 3 Date Change from May 09 to Oct 12 Para 9 – PGN Change from 2/10 to 3/11 Appendix A - PCL Limits amended per PGN 04/12	
As above	29/11/2012	Reformatting	

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 Police Fund ('the Fund'), Maryfield Complex, 100 Belfast Road, Holywood, BT18 9QY. The document is based on a model prepared by the Department of Finance and Personnel (DFP).

1.1.2 The terms and conditions set out in the combined 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 Fund.

1.1.3 A copy of the MSFM for the Fund should be given to all newly appointed Board members, senior Fund 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 Subject to the legislation noted below, this Management Statement sets out the broad framework within which the Fund will operate, in particular:

- the Fund's overall aims, objectives and targets in support of the DoJ's wider strategic aims and the outcomes and targets contained in its current Public Service Agreement (PSA);
- the rules and guidelines relevant to the exercise of the Fund's functions, duties and powers;
- the conditions under which any public funds are paid to the Fund; and
- how the Fund 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 Fund shall observe. However, the MSFM does not convey any legal powers or responsibilities.

1.1.6 The document shall be periodically reviewed by the DoJ in accordance with the timetable referred to in Section 7 below.

- 1.1.7 The Directors of the Fund (hereafter referred to as the Fund), the DoJ, or the Minister, may propose amendments to this document at any time. Any such proposals by the Fund shall be considered in the light of evolving departmental policy aims, operational factors and the track record of the Fund itself. The guiding principle shall be that the extent of flexibility and freedom given to the Fund shall reflect both the quality of its internal controls to achieve its targets and performance and its operational needs. The DoJ 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 DFP Supply after consultation with the Fund, as appropriate. (The definition of “significant” will be determined by the DoJ in consultation with DFP).
- 1.1.8 The MSFM is approved by DFP Supply, and signed and dated by the DoJ and the Fund’s Chairman and Chief Executive.
- 1.1.9 Any question regarding the interpretation of the document shall be resolved by the DoJ after consultation with the Fund and, as necessary, with DFP Supply.
- 1.1.10 Copies of this document and any subsequent substantive amendments shall be placed in the Library of the Assembly. (Copies shall also be made available to members of the public on the Fund website).

1.2 Founding legislation; status

- 1.2.1 The Independent Commission on Policing for Northern Ireland (the Patten Report) recommended in 1999 that ‘A substantial Fund should be set up to help injured police officers, injured retired police officers and their families, as well as police widows’ (recommendation 87). The recommendation was made on the basis of paragraph 10.20 of the report, which stated, “We also recommend that a substantial fund be set up to help injured police officers, injured retired officers and their families, as well as police widows. The fund could supplement the income of those on very low pensions, help finance the procurement of better prostheses or household equipment for the disabled, and make grants to universities for research or for bursaries for disabled officers who wish to study. In a document entitled “The Patten Report Updated Implementation Plan 2001, Recommendation 87 was accepted by Government and the following statement was made: “Accepted. The Government recognises the trauma and suffering endured by injured officers and their families as well as police widows. Ministers accept the case for a substantial fund to help injured officers, injured retired officers and their families, and police widows.

- 1.2.2 Subsequently John Steele, a retired Senior Civil Servant with experience of policing and security matters, was appointed to conduct a review and report with recommendations on the purpose, scope and administration of a new Police Fund. John Steele, in October 2000, produced a report which included a series of recommendations. These were accepted by Government and form the basis of the Fund's policies and schemes.
- 1.2.3 A review of the fund was completed by Chris Thompson in December 2009. Mr Thompson recommended the continued existence of the Fund as presently constituted to the continued provision of core service. He recommended a further review to be undertaken in 2014/15. In March 2002, the then Minister, Jane Kennedy, officially opened the Northern Ireland Police Fund. It has been set up as a Company Limited by Guarantee in line with the Companies (Northern Ireland) Order 1986 and the Companies Act 2006. On 1 April 2005 it was classed as an executive non departmental public body. The constitution of the Fund is set out in its Articles of Association. The Fund does not carry out its functions on behalf of the Crown.

1.3 The functions, duties and powers of the Fund

- 1.3.1 The function of the Fund is to provide care and financial assistance to police officers and ex-officers who have been injured or disabled as a direct result of terrorism, and to the widows and families of police officers injured or killed through terrorism including PSNI officers who may be killed or injured in the future in this way.

The duties and powers of the Fund are contained in Clause 3 (a) and (b) of the Company's Memorandum of Association and detailed in Annex A of this document.

1.4 Classification

- 1.4.1 For policy/administrative purposes the Fund is classed as an executive non-departmental public body.
- 1.4.2 For national accounts purposes the Fund is linked to the central government sector.
- 1.4.3 References to the Fund include, where they exist, all its subsidiaries and joint ventures that are linked 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 Fund (paragraphs 65 – 66 of the Financial Memorandum refer).

2. AIMS, OBJECTIVES AND TARGETS

2.1 Overall aim[s]

2.1.1 The Minister has approved the overall aim[s] for the Fund as follows:

To improve the quality of life of its clients by providing financial and other support. It will achieve this by providing a comprehensive, quality service to its clients. It will be proactive in seeking to meet their needs, and will provide a range of generous schemes designed to meet those needs now and in the future. The Fund, being mindful of the problems and traumas faced by its clients, will deliver a caring and considerate service, and seek at all times to minimise any unwarranted intrusion into the lives of the clients consistent with meeting the requirements of its schemes.

2.2 Objectives and key targets

2.2.1 The DoJ determines the Fund's performance framework in the light of the Department's wider strategic aims and current PSA objectives and targets (paragraph 1.1.4). The Fund's objectives and key targets shall be agreed within its corporate and business planning process in consultation with DoJ.

3. RESPONSIBILITIES AND ACCOUNTABILITY

3.1 The Minister

1.1 The Minister is accountable to the Assembly for the activities and performance of the Fund. Those duties and responsibilities include:

- approving the Fund's strategic objectives and the policy and performance framework within which the Fund will operate (as set out in this MSFM and associated documents);
- keeping the Assembly informed about the Fund's performance;
- approving the amount of grant-in-aid paid to the Fund, and securing Assembly approval; and
- carrying out any relevant responsibilities e.g. laying of the annual report and accounts before the Assembly.

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 Fund. The departmental Accounting Officer designates the Chief Executive of the Fund as the Fund'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 Fund's strategic aim(s) and objectives support the DoJ wider strategic aim[s] and current PSA objectives and targets;
- the financial and other management controls applied by the DoJ to the Fund are appropriate and sufficient to safeguard public funds and for ensuring that the Fund's compliance with those controls is effectively monitored ("public funds" include not only any funds granted to the Fund by the Assembly but also any other funds falling within the stewardship of the Fund);
- the internal controls applied by the Fund conform to the requirements of regularity, propriety and good financial management; and
- any grant-in-aid to the Fund 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 is the sponsoring team for the Fund. The Team, in consultation as necessary with the relevant departmental Accounting Officer, is the primary source of advice to the Minister on the discharge of his/her responsibilities in respect of the Fund, and the primary point of contact for the Fund in dealing with the DoJ. The sponsoring team shall carry out its duties under the management of a senior officer, who shall have primary responsibility within the team for overseeing the activities of the Fund.

3.3.2 The sponsoring team shall advise the Minister on:

- an appropriate framework of objectives and targets for the Fund in the light of the Department's wider strategic aims and current PSA objectives and targets;
- an appropriate budget for the Fund in the light of the Department's overall public expenditure priorities; and
- how well the Fund 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 Fund's activities on a continuing basis through an adequate and timely flow of information from the Fund on performance, budgeting, control, and risk management, including early sight of the Fund's Statement on Internal Control;
- address in a timely manner any significant problems arising in the Fund, whether financial or otherwise, making such interventions in the affairs of the Fund as the DoJ judges necessary to address such problems; and
- periodically carry out a risk assessment of the Fund's activities to inform the DoJ's oversight of the Fund; strengthen these arrangements if necessary; and amend the MSFM accordingly. The risk assessment shall take into account the nature of the Fund'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 Fund -

- inform the Fund of relevant Executive / government policy in a timely manner; if necessary, advise on the interpretation of that policy; and issue specific guidance to the Fund as necessary;
- bring concerns about the activities of the Fund to the attention of the full Board, and require explanations and assurances from the Board that appropriate action has been taken; and
- meet on at least a quarterly basis with the Chief Executive to formally review business and financial objectives.

3.4 The Fund's Board

3.4.1 The Fund's Board of Directors is responsible for its own appointments which are 3 year rotating with re-election allowed (this is in line with the paragraphs 7.2 and 9 of the Fund's Articles of Association). The Board is committed to ensuring its appointments are consistent with the public appointments guidance.

3.4.2 The Board has corporate responsibility for ensuring that the Fund fulfils the responsibilities specified within the Articles of Association and fulfils aims and objectives set by the DoJ and approved by the Minister, and for promoting the efficient, economic and effective use of staff and other resources by the Fund. To this end, and in pursuit of its wider corporate responsibilities, the Board shall:

- establish the overall strategic direction of the Fund within the policy and resources framework determined by the sponsor Minister and Department;
- constructively challenge the Fund'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 Fund 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 DoJ, 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 DFP and the DoJ;
- ensure the review of regular financial information concerning the management of the Fund; is informed in a timely manner of any concerns about the activities of the Fund; and provides positive assurance to the DoJ that appropriate action has been taken on such concerns;
- demonstrate high standards of corporate governance at all times, including using the independent audit committee (see paragraph 4.7) to help the Board to address the key financial and other risks facing the Fund; and
- appoint a Chief Executive to the Fund and, in consultation with the DoJ 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. The Chief Executive will also be designated as the Fund's Accounting Officer.

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

3.4.4 The DoJ shall have access to all Board meeting minutes.

3.5 The Chairman of the Fund

3.5.1 The NIPF's Directors appoint the Chairman (this is in line with paragraph 12.4 of the Fund's Articles of Association).

3.5.2 The Chairman is responsible to the Minister of the DoJ. The Chairman shall ensure that the Fund's policies and actions support the wider strategic policies of the Minister, and that the Fund's affairs are conducted with probity. The Chairman shares with other Board members the corporate responsibilities set out in paragraph 3.4.2, and in particular for ensuring that the Fund fulfils the aim[s] and objectives set by the DoJ and approved by the Minister.

3.5.3 The Chairman 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 decisions taken and, where appropriate, the views of individual Board members.

3.5.4 The Chairman 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, where appropriate, on any differences which may exist between private and public sector practice;
- ensure the Fund has a proper balance of professional and financial expertise; and
- assess the performance of individual Board members. The Board will establish appropriate arrangements for the performance appraisal of the Directors and the Chairman and share these with the DoJ.

3.5.5 The Chairman shall also ensure that a Code of Practice for Board Members is in place, based on the Cabinet Office's Code of Practice for Board Members of Public Bodies, (FD (DFP) 03/06 refers). The Code shall commit the Chairman 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 Chairman. The Chairman 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 Fund is designated as the Fund's Accounting Officer by the departmental Accounting Officer of the DoJ.

3.6.2 The Accounting Officer of the Fund 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 Fund.

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 Board, the Fund's corporate and business plans in support of the Department's wider strategic aim[s] and current PSA objectives and targets;
- inform the DoJ of the Fund's progress in helping to achieve the Department's 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 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, and in any other relevant instructions and guidance that may be issued from time to time by DFP or the DoJ;
- advise the Board on the Fund's performance compared with its aim[s] 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 Chairman, is contemplating a course of action involving a transaction which the Chief Executive considers would infringe the requirements of propriety or regularity, or does not represent prudent or economical administration, efficiency or effectiveness;

on managing risk and resources

- ensure that a system of risk management is maintained to inform decisions on financial and operational planning and to assist in achieving objectives and targets;
- ensure that an effective system of programme and project management and contract management is maintained;
- ensure compliance with the Northern Ireland Public Procurement Policy;

- ensure that all public funds made available to the Fund [including any income or other receipts] are used for the purpose intended by the Assembly, and that such monies, together with the Fund's assets, equipment and staff, are used economically, efficiently and effectively;
- ensure that adequate internal management and financial controls are maintained by the Fund, 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;

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

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 Fund is normally appointed by DFP as the Fund's Consolidation Officer.

3.7.2 As the Fund'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 Fund; for arranging for its audit; and for sending the information and the audit report to the Principal Consolidation Officer nominated by DFP.

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

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

3.8 Delegation of duties

3.8.1 Due to the size of the organisation it is not appropriate for the Chief Executive to delegate the day-to-day administration of his/her Accounting Officer responsibilities to other employees in the Fund.

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

3.9.1 The Chief Executive of the Fund 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 Fund accepted by the Ombudsman for investigation, and about the Fund's proposed response to any subsequent recommendations from the Ombudsman.

3.10 Consulting Customers

- 3.10.1 The Fund will work in partnership with its stakeholders and customers to deliver the services/programmes, for which it has responsibility, to agreed standards. It will consult regularly to develop a clear understanding of clients' 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

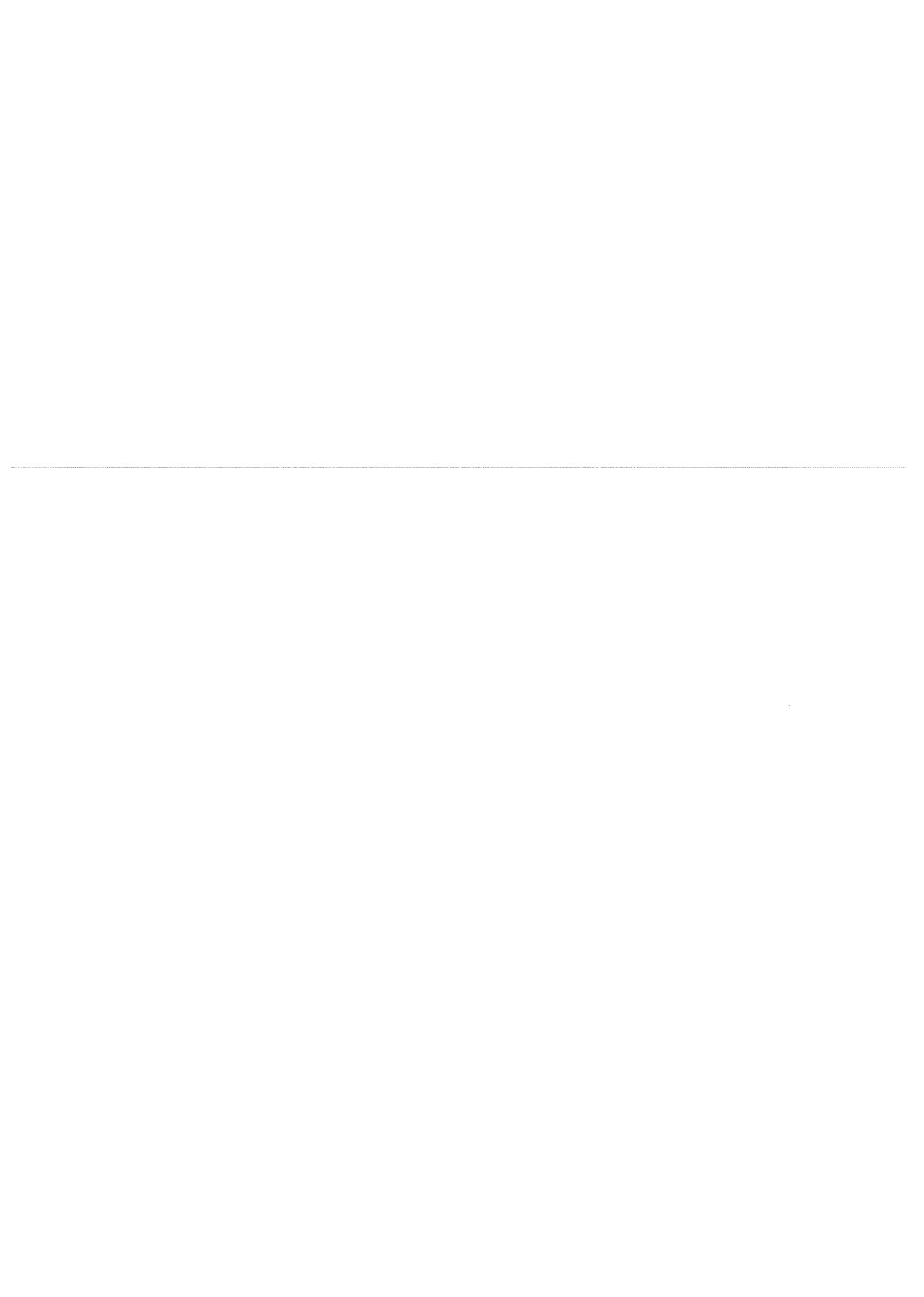
- 4.1.1 Consistent with the timetable for the NI Executive's Budget process reviews, the Fund shall submit to the DoJ a draft of the Fund's corporate plan [normally] covering three years ahead. The Fund shall have agreed with the DoJ the issues to be addressed in the plan and the timetable for its preparation.

4.1.2 DFP reserves the right to ask to see and agree the Fund's corporate plan.

- 4.1.3 The plan shall reflect the Fund'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 Fund contributes to its responsibilities under the Articles of Association and to the achievement of the Department's strategic aims and PSA objectives and targets.

- 4.1.4 The corporate plan shall set out:

- the Fund's key objectives and associated key performance targets for the [three] forward years, and its strategy for achieving those objectives;
- a review of the Fund's performance in the preceding financial year [together with comparable outturns for the previous [2-5] 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 DoJ at the beginning of the planning round. These forecasts should represent the Fund's best estimate of all its available income not just any grant or grant-in-aid; and
- other matters as agreed between the DoJ and the Fund.



4.1.5 The main elements of the plan, including the key performance targets, shall be agreed between the DoJ and the Fund 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, amplified as necessary, shall form the basis of the business plan for the relevant forthcoming year. The business plan shall include key targets and milestones for the year immediately ahead and shall be linked to budgeting information so that resources allocated to achieve specific objectives can readily be identified by the DoJ.

4.2.2 DFP reserves the right to ask to see and agree the Fund's annual business plan.

~~4.2.3 Corporate and business plans will be formally endorsed by the Deputy Director of Policing Policy and Strategy Division in his capacity as head of the sponsor team responsible for the Fund.~~

4.3 Publication of plans

4.3.1 The corporate and business plans shall be published and made available on a website.

4.4 Reporting performance to the DoJ

4.4.1 The Fund 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 Fund 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 Fund's performance in helping to deliver departmental policies, including the achievement of key objectives, shall be reported to the Department on a regular basis. Performance will be formally reviewed quarterly by officials of the DoJ.

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

4.5 Budgeting procedures

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

4.6 Internal audit

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

4.6.2 Taking account of DAO (DFP) 01/10 Internal Audit Arrangements between Departments and Arms Length Bodies:

- the Department shall have input to the Fund's planned internal audit coverage;
- the Fund shall submit to the DoJ all audit reports, assignment reports, the Head of Internal Audit's annual report and opinion etc;
- the Fund shall arrange for periodic Internal and External Assessments of its internal audit function against GIAS. The Department shall consider whether it can rely on these reviews to provide assurance on the quality of internal audit. However the DoJ reserves a right of access to carry out its own independent reviews of internal audit in the Fund; and
- the DoJ's Internal Audit Service shall have the right of access to all documents prepared by the Fund's internal auditor, including where the service is contracted out. Where the Fund's audit service is contracted out the Fund should stipulate this requirement when tendering for the services.

4.6.3 The Fund shall participate in the centralised contract operated by CPD relating to the provision of Internal Audit Services. It is the responsibility of CPD to ensure the successful provider can satisfy GIAS and any relevant DFP requirements.

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

4.7 Audit Committee

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

- 4.7.2 The Fund shall provide Audit Committee papers and minutes to the DoJ in advance of Audit Committee meetings.
- 4.7.3 The Fund shall invite a DoJ representative to attend all of its Audit Committee meetings.
- 4.7.4 The DoJ will review the Fund's audit committee terms of reference. The Fund shall notify the DoJ of any subsequent changes to the audit committee's terms of reference.

4.8 Fraud

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

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

4.9 Additional departmental access to the Fund

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

5. EXTERNAL ACCOUNTABILITY

5.1 The annual report and accounts

- 5.1.1 After the end of each financial year the Fund shall publish as a single document an annual report of its activities together with its audited annual accounts. A draft of the report shall be submitted to the DoJ [two weeks] before the proposed publication date although it is expected that the Department and the Fund will have had extensive pre publication discussion on the content of the report prior to formal submission to the Department.
- 5.1.2 The report and accounts shall comply with the most recent version of the Government Financial Reporting Manual (FReM) issued by DFP. (NOTE: This guidance is updated every year). The accounts shall be prepared in accordance with any relevant statutes and the specific Accounts Direction issued by the DoJ.

- 5.1.3 The report and accounts shall outline the Fund's main activities and performance during the previous financial year and set out in summary form the Fund's forward plans. Information on performance against key financial targets shall be included in the notes to the accounts, and shall therefore be within the scope of the audit.
- 5.1.4 The report and accounts shall be laid before the Assembly and made available, in accordance with the guidance on the procedures for presenting and laying the combined annual report and accounts as prescribed in the relevant FD letter issued by DFP.
- 5.1.5 Due to the potential accounting and budgetary implications, any changes to accounting policies or significant estimation techniques underpinning the preparation of annual accounts, requires the prior written approval of the DoJ.

5.2 External Audit

- 5.2.1 The Comptroller and Auditor General (C&AG) audits the Fund's annual accounts and passes the accounts to the DoJ who lays them before the Assembly, together with the Fund's annual report. For the purpose of audit the C&AG has a statutory right of access to relevant documents as provided for in Articles 3 and 4 of the Audit and Accountability (Northern Ireland) Order 2003.
- 5.2.2 The C&AG will liaise with the Fund on the arrangements for completing the audit of the Fund'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 DoJ 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 Fund. 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 Fund 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 Fund 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. The Fund shall have responsibility for the recruitment and management of its staff. To this end the Fund 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 Fund'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 Fund's objectives;
- proper consultation with staff takes place on key issues affecting them;
- adequate grievance and disciplinary procedures are in place;
- whistle blowing procedures consistent with the Public Interest (Northern Ireland) Order 2003 are in place; and
- a code of conduct for staff is in place based on Annex 5A of Public Bodies: A Guide for NI Departments (available at www.afmdni.gov.uk).

7. REVIEWING THE ROLE OF THE FUND

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

7.2 The next review of the Fund will take place in the financial year 2014/15.

7.3 In the event of the Fund being wound up the DoJ shall, in good time:

- ensure that procedures are in place in the Fund 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;
- specify the basis for the valuation and accounting treatment of the Fund'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 Fund's financial legacy; and
- the Fund and the DoJ will make appropriate arrangements to ensure that the wind-up is conducted in a proper and satisfactory manner.

7.4 The Fund shall provide the DoJ with full details of all agreements where the Fund 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 Fund.

The duties and powers of the Fund for which grant funding is provided are contained within Clause 3 (a) and (b) of the Company's Memorandum of Association:

"3. (a) The Company is established for the benefit of members and former members of the Royal Ulster Constabulary, the Royal Ulster Constabulary Reserve, the Police Service of Northern Ireland and the Police Service of Northern Ireland Reserve who have been killed or injured by terrorism (as defined in section 1 of the Terrorism Act 2000), and their families and dependants, by the provision of financial assistance, advice, support and care to such persons.

(b) In furtherance of the above object but not further or otherwise the Company shall have the following powers (and in this clause (b) "eligible persons" shall mean members and former members of the Royal Ulster Constabulary, the Royal Ulster Constabulary Reserve, the Police Service of Northern Ireland and the Police Service of Northern Ireland Reserve, and their families and dependants):

- (i) to provide relief and support to eligible persons;
- (ii) to assist and support those involved in the provision of support for eligible persons;
- (iii) to encourage, support and assist in the provision of facilities and services for the relief of eligible persons;
- (iv) to provide assistance and support for the advancement of education and training for eligible persons;
- (v) to acquire real and personal property of any nature to be held and applied for all or any of the purposes of the Company;

- (vi) to develop and turn to account any land acquired by the Company or in which it is interested and in particular in laying out and preparing the same for building purposes, constructing, altering, pulling down, decorating, maintaining, fitting up and improving buildings and conveniences, and by planting, paving, draining, cultivating, letting on building lease or building agreement and by advancing money to and entering into contracts and arrangements of all kinds with builders, contractors, tenants and others;
- (vii) to improve, manage, service, develop, exchange, lease, license, mortgage, enfranchise, dispose of sell, turn to account or otherwise deal with all or any of the property or rights of the Company as may be deemed expedient and to do all or any of the above things either as principal, agent, contractor, trustee or otherwise, and by or through trustees, agents, subsidiaries or otherwise if the same may be seen directly or indirectly to benefit the main purpose for which the Company is established;
- (viii) to invest in and take or otherwise acquire, and to hold, shares and securities of any company and to sell, hold, reissue, with or without guarantee, or otherwise deal with same;
- (ix) to apply the whole or any part of the property vested in the Company whether as capital or income,
 - (i) in or towards payment of the expenses of the Company; or
 - (ii) for or towards all or any of the purposes aforesaid;

- (x) to borrow or raise money in such manner as the Company shall think fit and in particular by the issue of debentures or debenture stocks, perpetual or otherwise and to secure the repayment of any money borrowed raised or owing by mortgage charge or lien upon the whole or any part of the Company's property or assets whether present or future and also by a similar mortgage charge or lien to secure and guarantee the performance by the Company of any obligation or liability it may undertake. Provided that no mortgagee or other person advancing money to the Company shall be concerned to enquire into the necessity or propriety of raising money or as to the amount required or the application thereof;
- (xi) to invest any monies requiring investment in any manner which may be thought fit and whether trustee investments or otherwise and without prejudice to the generality of the foregoing, to invest such monies in the purchase of freehold or leasehold properties and/or in the purchase of or subscription for shares, stocks or debentures or any other company or corporate body or stocks or securities issued by any government or international or local authority or agency or instrumentality thereof, with power from time to time to vary such investments;
- (xii) to undertake and execute any trusts in furtherance of its main objects;
- (xiii) to enter into any partnership association or other arrangement for union of interest, co-operation, reciprocal concession or otherwise with any person or company or other organisation having a main object or objects similar to the objects of the Company;
- (xiv) to adopt such means of making known the Company and its objects and activities as may seem expedient, and in particular by advertising in the media;
- (xv) to do such other things as may be deemed incidental or conducive to the attainment of the above main objects".

Financial Memorandum

I. INTRODUCTION

- 1 This Financial Memorandum sets out certain aspects of the financial framework within which the Fund 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 Fund.
- 3 The Fund shall satisfy the conditions and requirements set out in the combined document, after consultation with the Fund, as appropriate, together with such other conditions as the DoJ/Minister may from time to time impose.

II. THE FUND'S INCOME AND EXPENDITURE

The Departmental Expenditure Limit (DEL)

- 4 The Fund'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 Fund shall not, without obtaining the appropriate approval, enter into any undertaking to incur any expenditure which falls outside the Fund's delegations or which is not provided for in the Fund's annual budget as approved by the DoJ. The undertaking must not affect the delivery of its core services.

Procurement

- 6 The Fund's procurement policies shall reflect the public procurement policy adopted by the Northern Ireland Executive in May 2002 (refreshed October 2012); Procurement Guidance Notes; and any other guidelines or guidance issued by Central Procurement Directorate (CPD) and the Procurement Board or DFP e.g. FD (DFP) 03/12. The Fund'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.

Governance information is to be provided on a regular basis to the DoJ.

Competition

- 8 Contracts shall be awarded on a competitive basis and tenders accepted from suppliers who provide best value for money overall.
- 9 Single tender action is the process where a contract is awarded to an economic operator (i.e. supplier, contractor) without competition. In light of their exceptional nature, all single tender actions should be subject to Departmental Accounting Officer approval. It is advisable that the Fund seek an assurance from CPD, or their legal adviser, to provide assurance for the Accounting Officer that the use of single tender action is legitimate in a particular case. Further information is published in Procurement Guidance Note 03/11 on the 'Award of Contracts without a Competition'. www.cpdni.gov.uk/index/guidance-for-purchasers/guidance-notes.htm
- 10 The Fund shall send to DOJ 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 Fund 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 Fund's requirements. Where appropriate, a full option appraisal shall be carried out before procurement decisions are taken.

Timeliness in paying bills

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

Novel, contentious or repercussive proposals

- 13 The Fund shall obtain the approval of the DoJ 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 expenditure 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; and

- 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.

1.

Risk management/Fraud

14. The Fund shall ensure that the risks it faces are dealt with in an appropriate manner, in accordance with relevant aspects of best practice in corporate governance, and shall develop a risk management strategy, in accordance with the Treasury guidance Management of Risk: A Strategic Overview (the "Orange Book").
15. The Fund 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 Fund shall adopt and implement policies and practices to safeguard itself against fraud and theft, in line with DFP's guide Managing the Risk of Fraud.
17. All cases of attempted, suspected or proven fraud shall be reported to the NIAO and to DoJ who shall report it to DFP (see section 4.8 in the Management Statement) as soon as they are discovered, irrespective of the amount involved.

Stewardship Reporting

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

Wider markets

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

Fees and charges

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

III. THE FUND'S INCOME

Grant-in-aid

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

Fines and taxes as receipts

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

Receipts from sale of goods or services

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

Interest earned

- 27 Interest earned on cash balances cannot necessarily be retained by the Fund. Depending on the budgeting treatment of this receipt, and its impact on the Fund'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 DoJ. If the receipts are used to finance additional expenditure by the Fund, 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 Fund 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 Fund is allocated £100 resource DEL provision by 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 Fund will need to reduce its expenditure to £105 to avoid breaching its budget. If the Fund still spends £110 the DoJ will need to find £5 of savings from elsewhere within its total DEL to offset this overspend.]
-
- 29 If the negative DEL income realised or expected to be realised in the year is more than estimated, the Fund may apply to the DoJ to retain the excess income for specified additional expenditure within the current financial year without an offsetting reduction to grant-in-aid. The DoJ shall consider such applications, taking account of competing demands for resources, and will consult with DFP in relation to any significant amounts. If an application is refused, any grant-in-aid shall be commensurately reduced or the excess receipts shall be required to be surrendered to the NI Consolidated Fund via the DoJ.

Buildup and drawdown of deposits

- 30 The Fund shall comply with the rules that any DEL expenditure financed by the drawdown of deposits counts within DEL and that the build-up of deposits may represent a saving to DEL (if the related receipts are negative DEL in the relevant budgets).
- 31 The Board shall ensure that it has the necessary DEL provision for any expenditure financed by drawdown 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 Fund will comply with the relevant Departmental Gifts & Hospitality Policy. Gifts, bequests or similar donations may be capitalised at fair value on receipt and must be notified to the DoJ. [NOTE: A release from the donated assets reserve should offset depreciation in the operating cost statement. The latest FReM requirements should be applied.]
- 34 Before accepting a gift, bequest, or similar donation, the Fund shall consider if there are any associated costs in doing so or any conflicts of interests arising. The Fund 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 Fund shall observe the principles set out in Chapter 5 and the associated annexes of MPMNI when undertaking borrowing of any kind. The Fund shall seek the approval of the DoJ and, where appropriate, DFP, to ensure that it has any necessary authority and budgetary cover for any borrowing or the expenditure financed by such borrowing. Medium or long term private sector or foreign borrowing is subject to the value for money test in *Section 5.7 of MPMNI*.

IV. EXPENDITURE ON STAFF

Staff costs

- 36 Subject to its delegated levels of authority the Fund 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 Fund, whether on permanent or temporary contract, shall be subject to levels of remuneration and terms and conditions of service as decided by the Board of Directors.
- 38 The Fund shall provide the DOJ and DFP with a copy of its various policies and any subsequent amendments.

- 39 Annual pay increases of Fund staff must be in accordance with the annual FD letter on Pay Remit Approval Process and Guidance issued by DFP. Therefore, all proposed pay awards must have prior approval of the DoJ and the Minister for Finance before implementation.
- 40 The travel expenses of Board members shall be in accordance with paragraphs 4 of the Memorandum of Association and paragraph 11 of the Articles of Association.
- 41 The Fund may operate a bonus related pay scheme which shall form part of [the annual aggregate pay budget approved by the DoJ.
- 42 The Fund shall comply with the EU directive on contract workers [Fixed Term Employees Regulations (Prevention of Less Favourable Treatment)].

Pensions; redundancy/compensation

- 43 The Fund's staff shall be eligible for a pension provided by membership of the NIPF pension scheme.
- 44 Staff may opt out of the occupational pension scheme provided by the Fund. However, the employer's contribution to any personal pension arrangement, including a stakeholder pension, shall [normally] be limited to the national insurance rebate level.
- 45 Any proposal by the Fund to move from the existing pension arrangements requires the approval of DOJ and DFP.

V. NON-STAFF EXPENDITURE

Economic appraisal

- 46 The Fund is required to apply the principles of economic appraisal, with appropriate and proportionate effort, to all decisions and proposals concerning spending or saving public money, including European Union (EU) funds, and any other decisions or proposals that involve changes in the use of public resources. For example, appraisal must be applied irrespective of whether the relevant public expenditure or resources:
- a. involve capital or current spending, or both;
 - b. are large or small; and
 - c. are above or below delegated limits (see Appendix A).

- 47 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.
- 48 General guidance on economic appraisal that apply to funds can be found in:
- DFP's on-line guide The Northern Ireland Guide to Expenditure Appraisal and Evaluation ("NIGEAE", 2009). See <http://www.dfpni.gov.uk/eag>
 - The HM Treasury Guide, the Green Book: Appraisal and Evaluation in Central Government (2003).

Capital expenditure

- 49 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.
- 50 Proposals for large-scale individual capital projects or acquisitions will normally be considered within the Fund's corporate and business planning process. Subject to paragraph 52, applications for approval within the corporate/business plan by the DOJ and, DFP if necessary, shall be supported by formal notification that the proposed project or purchase has been examined and duly authorised by the Fund. Regular reports on the progress of projects shall be submitted to the DoJ.
- 51 Approval of the corporate/business plan does not obviate the Fund's responsibility to abide by the economic appraisal process.
- 52 Within its approved overall resources limit the Fund shall, as indicated in the attached Appendix on delegations, have delegated authority. Beyond those delegated limits the DoJ's and where necessary, DFP's prior authority must be obtained before expenditure on an individual project or acquisition is incurred.

Transfer of funds within budgets

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

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

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

Grant or loan schemes

- 55 The Fund has delegated authority to make grant payments to third parties. All proposals to make a loan to a third party, whether one-off or under a scheme, together with the terms and conditions under which such loan is made shall be subject to prior approval by the DoJ, and where necessary DFP.
- 56 The terms and conditions of a grant 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 Fund [the DoJ and the C&AG].
- 57 See also below under the heading Recovery of grant-financed assets (paragraphs 78 - 80).

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

- 58 Proposals for making gifts or other special payments (including issuing write-offs) outside the delegated limits set out in the Appendix A of this document must have the prior approval of the DoJ and where necessary DFP.
- 59 Losses shall not be written off until all reasonable attempts to make a recovery have been made and proved unsuccessful.

1.

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

Leasing

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

Public/Private Partnerships

- 63 The Fund 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 Fund shall consult the DoJ. The Fund should also ensure that it has the necessary budget cover.
- 64 Any partnership controlled by the Fund shall be treated as part of the Fund in accordance with guidance in the FReM and consolidated with it [subject to any particular treatment required by the FReM]. Where the judgment over the level of control is difficult the DoJ will consult DFP (who may need to consult with the Office of National Statistics over national accounts treatment).

Subsidiary companies and joint ventures

- 65 The Fund shall not establish subsidiary companies or joint ventures without the express approval of DOJ and DFP.
- 66 For public expenditure accounts purposes any subsidiary company or joint venture controlled or owned by the Fund 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 difficult, the DoJ will consult DFP (who may need to consult with the Office of National Statistics over national accounts treatment). Unless specifically agreed with the DoJ and DFP, such subsidiary companies or joint ventures shall be subject to the controls and requirements set out in this MSFM, and to the further provisions set out in supporting documentation.

2.

Financial investments

67 The Fund shall not make any investments in traded financial instruments without the prior written approval of the DoJ, and where appropriate DFP, nor shall it build up cash balances or net assets in excess of what is required for operational purposes [unless specifically provided for]. 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 the Fund shall equally be subject to departmental and DFP approval [unless covered by a specific delegation].

Unconventional financing

68 The Fund shall not enter into any unconventional financing arrangement without the approval of the DoJ and DFP.

Commercial insurance

69 As the Fund is a company limited by guarantee it will make its own insurance arrangements, subject to the delegated limits in Appendix A.

Payment/Credit Cards

70 The Fund, 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

71 The Fund, 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

72 The Fund shall adhere to the guidance issued by DFP, as well as any produced by the DoJ in relation to the Use of Consultants, with adherence to the delegated limits set out in Appendix A.

73 The Fund will provide the DoJ with an annual statement on the status of all consultancies completed and/or started in each financial year.

74 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

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

Disposal of assets

76 The Fund 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.

77 All receipts derived from the sale of assets (including grant financed assets, see below) must be declared to the DoJ, which will consult with DFP on the appropriate treatment.

Recovery of grant-financed assets

78 Where the Fund has financed expenditure on capital assets by a third party, the Fund shall set conditions and make appropriate arrangements to ensure that any such assets are not disposed of by the third party without the Fund's prior consent.

79 The Fund 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.

80 The Fund shall ensure that if the assets created by grants made by the Fund 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 Fund for surrender to the DoJ. The amounts recoverable under the procedures in paragraphs 78-79 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

- 81 Each year, in the light of decisions by the DoJ on the Fund's corporate plan (Section 4.1 of the Management Statement), the DoJ will send to the Fund:
- 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 Fund.
- 82 The Fund'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 drawdown of any DoJ funding and/or other income over the year. These elements will form part of the approved business plan for the year in question (Section 4.1 of the Management Statement.)
-
- 83 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

- 84 Once the Fund's budget has been approved by the DoJ [and subject to any restrictions imposed by Statute/the Minister/this MSFM], the Fund shall have authority to incur expenditure approved in the budget without further reference to the DoJ, on the following conditions:
- the Fund shall comply with the delegations set out in Appendix A of this document. These delegations shall not be altered without the prior agreement of the DoJ and DFP;
 - the Fund 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 Fund's budget shall not remove the need to seek formal departmental [and where necessary, DFP] approval where such proposed expenditure is above the delegated limits set out in Appendix A or is for new schemes not previously agreed;
 - the Fund shall provide the DoJ with such information about its operations, performance individual projects or other expenditure as the DoJ may reasonably require (see paragraph 85 below); and
 - the Fund 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

85 The Fund shall provide the DoJ with, as a minimum, information on a monthly basis which will enable the satisfactory monitoring by the DoJ of:

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

VIII. BANKING

Banking arrangements

86 The Fund's Accounting Officer is responsible for ensuring that the Fund'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.

87 He/she shall therefore ensure that:

- these arrangements are suitably structured and represent value-for-money, and are reviewed at least every two years, with a comprehensive review, usually leading to competitive tendering, at least every three to five years;
- sufficient information about banking arrangements is supplied to the DoJ's Accounting Officer to enable the latter to satisfy his/her own responsibilities (Section 3.2 of the Management Statement);
- the Fund'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

- 88 The Fund shall comply with the following general guidance documents:
- Both the Financial Memorandum and the Management Statement;
 - Managing Public Money Northern Ireland (MPMNI);
 - Public Bodies - a Guide for NI Departments issued by DFP;
 - Government Internal Audit Standards, issued by DFP;
 - The document Managing the Risk of Fraud issued by DFP;
 - The Treasury document The Government Financial Reporting Manual (FReM) issued by DFP;
 - ~~Relevant DFP Dear Accounting Officer and Finance Director letters;~~
 - Relevant Dear Consolidation Officer and Dear Consolidation Manager letters issued by DFP;
 - Regularity, Propriety and Value for Money, issued by Treasury;
 - The Consolidation Officer Letter of Appointment, issued by DFP;
 - Other relevant instructions and guidance issued by the central Departments (DFP/OFMDFM) including Procurement Board and CPD Guidance;
 - Specific instructions and guidance issued by the DOJ; 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 the Fund.

X. REVIEW OF FINANCIAL MEMORANDUM

89 The MSFM will normally be reviewed at least every [five] years or following a review of the Fund's functions as provided for in Section 7 of the Management Statement.

90 DFP Supply will be consulted on any significant variation proposed to the MSFM.

Signed:
on behalf of the Fund

Donna Lusk (CEO) Date: 29 Nov 2012

Signed:
on behalf of the Department

Robert May

Date: 10/12/12

APPENDIX A

DELEGATED EXPENDITURE LIMITS

General

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

1. Purchasing all goods, and Non Construction Services

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

(All costs exclude VAT)

THRESHOLDS	NUMBER/TYPE OF TENDER REQUIRED	AUTHORISATION
Up to £5,000	Departments must demonstrate that value for money has been secured	The Chief Executive
£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 a tender process under taken by a CoPE.	The Chief Executive
£30,000 to EU Thresholds	Advertise on eSourcingNI. Tender process must be conducted in line with PGN 05/12 – Procurement of Goods, Works and Services Over £30,000 and Below EU Thresholds.	The Chief Executive
Above EU Thresholds	Advertise on eSourcingNI. EU Directives apply – advertise in OJEU.	The Chief Executive

Note: Thresholds are as per CPD Guidance Note 04/12.

Economic Appraisal

The principles of economic appraisal should be applied in all cases where expenditure is proposed, whether the proposal involves capital or current expenditure, or both. The effort put into economic appraisal should be commensurate with the size or importance of the needs or resources under consideration. However, the Fund should undertake a comprehensive business case of all projects involving expenditure of £250,000 and over.

2. DELEGATED LIMITS FOR CASE/INCIDENT REQUIRING DFP APPROVAL

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

Details	Footnote
All PFI/PPP projects	
Appointment of an Accounting Officer for a trading fund (TF)	
Appointment of an Accounting Officer for a departmental estimate, additional Accounting Officers for RfRs and any Accounting Officer for "joined-up government" operations	
The letter of appointment to posts which will carry the responsibilities of an agency Accounting Officer	
Accounts Directions on form & content of statement of accounts and annual reports for NDPBs	
All Management Statements and Financial Memorandums (MSFM)	
The termination of an NDPB	
Agency framework documents and the methods of financing an agency	
Remuneration and allowances of an assessor	2
The establishment and operation of a Trading Fund	

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

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

3. DELEGATED LIMITS FOR CASE/INCIDENT REQUIRING DOJ APPROVAL

Details	Delegated Limit (£)
All gifts	100
Non-statutory guarantees and liabilities	0
Foreign Exchange transactions, where these are to be channelled through any institution other than the Northern Bank	10,000
Use of consultants by departments	10,000
IT projects	25,000
Extra Statutory and extra-regulatory payments	0
Recoupment of overpayments of pay, pensions and allowances	10,000
Waived or Abandoned claims	10,000
Individual extra-contractual and ex-gratia payments	0
Individual compensation claims settled out of court unless legal advice is that the Department will not win the case if contested in court.	10,000
Individual compensation claims settled out of court where the legal advice is that the Department will not win the case if contested in court.	10,000
Individual compensation payments made as a result of court decision.	Unlimited approval - but NIPF will inform DOJ prior to all payments
Consolatory Payments	500
All expenditure under the EU Programmes for which the Special EU Programmes Body is responsible – currently Peace II and Interreg IIIa	0
Consultancy assignments co-sponsored by the Strategic Investment Board	0
All other losses, write-offs and special payments not covered elsewhere in this letter	10,000
All other capital projects (non IT) including purchase of land & property	0
Legal fees	10,000
Financial support to bodies not covered by a specific delegation	£50,000 per grantee, except for the following 3 grantees: 1. RUC GC/PSNI Benevolent Fund £100k; 2. NI Disabled Police Officers Association £75k; and 3. RUC GC Parents' Association £60k.
Contract variations	The lower of £25,000 or 5% of contract value