

**COMMISSIONER FOR CHILDREN AND YOUNG
PEOPLE FOR
NORTHERN IRELAND**

MANAGEMENT STATEMENT AND FINANCIAL MEMORANDUM

TABLE OF CONTENTS

PART I - Management Statement	3
DEFINITIONS	4
1. INTRODUCTION	5
1.1 This Document	5
1.2 Founding legislation; status.....	6
1.3 The functions, duties and powers of the Commissioner.	6
1.4 Classification	6
2. AIM, OBJECTIVES AND TARGETS	6
2.1 Overall aim	6
2.2 Objectives, key targets and performance measures.....	7
3. RESPONSIBILITIES AND ACCOUNTABILITY	7
3.1 The First Minister and Deputy First Minister	7
3.2 The Accounting Officer of OFMDFM.....	7
3.3 The sponsoring team in OFMDFM	8
3.4 The Commissioner	9
3.5 The Commissioner's role as Accounting Officer.....	11
3.6 The Commissioner's role as Consolidation Officer	12
3.7 Delegation of duties.....	13
3.8 The Commissioner's role as Principal Officer for Ombudsman cases	13
3.9 Consulting Customers	13
3.10 Relationships	13
4. PLANNING, BUDGETING AND CONTROL	14
4.1 The Corporate Plan.....	14
4.2 The Business Plan	15
4.3 Publication of plans	15
4.4 Reporting Performance to the Department.....	15
4.5 Budgeting procedures.....	15
4.6 Internal Audit	15
4.7 Additional Departmental access to the NDPB	16
5. EXTERNAL ACCOUNTABILITY	16
5.1 The annual report and accounts.....	16
5.2 External audit	17
5.3 VFM examinations	17
6. STAFF MANAGEMENT	18
6.1 General	18
7. REVIEWING THE ROLE OF THE COMMISSIONER	19
PART II – Financial Memorandum	20
Appendix A - DELEGATED EXPENDITURE LIMITS	38
1. General	38
2. Purchasing Goods and Services (excluding IT)	38
3. Economic Appraisal	38
4. Capital Projects.....	38
5. Disposal of Surplus Equipment.....	39

6. Lease and Rental Agreements	39
7. Approval of Information Technology Projects	39
8. Engagement of Consultants.....	40
9. Losses and Special Payments	40
Table 1 - <i>Delegated Authority for the Purchase of Goods and Services (excluding IT)</i>	42
Table 2 - <i>Delegated Authority for Information Technology Projects, Systems And Equipment</i>	43

PART I - Management Statement

DEFINITIONS

In this Statement and Memorandum:

“*Body*” means Commissioner for Children and Young People for Northern Ireland

“*C&AG*” means Comptroller and Auditor General

“*the Commissioner*” means the Commissioner for Children and Young People

“*CYPU*” means the Children and Young People’s Unit, in the Office of the First Minister and Deputy First Minister

“*DAO*” means “Dear Accounting Officer” letter

“*the Department*” or “*OFMDFM*” means “Office of the First Minister and Deputy First Minister”

“*DFP*” means the Department of Finance and Personnel.

“*DPFO*” means “Dear Principal Finance Officer” letter

“*Executive*” and “*Assembly*” shall also be taken to mean “the government” and “*Parliament*” respectively during direct rule

“*GANI*” means Government Accounting Northern Ireland

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

“*Ministers*” means the Ministers of the sponsor Department. During the suspension of the Northern Ireland Assembly, all references to “*the Ministers*” should be taken to mean the relevant Direct Rule Minister with responsibility for OFMDFM and the Commissioner

“*MSFM*” means the *Management Statement and Financial Memorandum* document

“*PFO*” means Principal Finance Officer

“*PSRU*” means Public Service Reform Unit (PSRU), in OFMDFM

“*UK GAAP*” means generally accepted accounting practice

“*Voted*” means provision voted by the Northern Ireland Assembly

1. INTRODUCTION

1.1 This Document

- 1.1.1 This Management Statement and Financial Memorandum (MSFM) has been drawn up by the Office of the First Minister and Deputy First Minister (OFMDFM) in consultation with the Commissioner for Children and Young People for Northern Ireland¹ (the Commissioner) and with the approval of DFP. During the suspension of the Assembly all references to the Assembly should be taken to mean the UK Parliament at Westminster and all references to “Ministers” should be taken to mean the relevant Direct Rule Minister with responsibility for OFMDFM and the Commissioner.
- 1.1.2 Subject to the legislation noted below the *Management Statement* sets out the broad framework within which the Commissioner will operate, in particular:
- the Commissioner’s overall aim, objectives and targets
 - the rules and guidelines relevant to the exercise of the Commissioner’s functions, duties and powers;
 - the conditions under which any public funds are paid to the Commissioner; and
 - how the Commissioner is to be held to account for his/her performance;
- 1.1.3 The associated *Financial Memorandum* sets out in greater detail certain aspects of the financial provisions, which the Commissioner is required to observe. However, the *Management Statement* and *Financial Memorandum* do not convey any legal powers or responsibilities.
- 1.1.4 The combined document will be periodically reviewed by OFMDFM in accordance with Section 7. The first review of the combined document will be carried out within one year of the date of signing. Revisions will be subject to approval by DFP.
- 1.1.5 The Commissioner, OFMDFM, or the Ministers, may propose amendments to this document at any time. Any such proposals by the Commissioner shall be considered in the light of evolving Departmental policy aims, operational factors and the track record of the Commissioner. The guiding principle shall be that the extent of flexibility and freedom given to the Commissioner shall reflect both the quality of its internal controls to achieve performance and its operational needs. OFMDFM shall determine what changes, if any, are to be incorporated in the document. Legislative provision shall take precedence over any part of the document. Significant variations to the document shall be cleared with DFP after consultation with the Commissioner, as appropriate.

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The definition of significant will be determined by OFMDFM in consultation with DFP and PSRU if appropriate.

1.1.6 The MSFM is approved by DFP, and signed and dated by OFMDFM and the Commissioner. It should be copied to PSRU for information.

1.1.7 Any question regarding the interpretation of the document shall be resolved by OFMDFM after consultation with the Commissioner and, as necessary, with DFP and PSRU.

1.1.8 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 Commissioner's website.

1.2 Founding legislation; status

1.2.1 The Commissioner for Children and Young People is established under the Commissioner for Children and Young People (Northern Ireland) Order 2003 (the Order). The Commissioner's full designated powers took effect from 1 October 2003.

1.3 The functions, duties and powers of the Commissioner.

1.3.1 The functions, duties and powers of the Commissioner are set out in the Order.

1.4 Classification

1.4.1 For policy/administrative purposes, the Commissioner is classified as an executive non-departmental public body.

1.4.2 For national accounts purposes, the Commissioner is classified to the central government sector.

1.4.3 References to the Commissioner include, where they exist, all its subsidiaries and joint ventures that are classified to the public sector for national accounts purposes. If such a subsidiary or joint venture is created, there shall be a document setting out the arrangements between it and the Commissioner (paragraphs 72-73 of the financial memorandum).

2. AIM, OBJECTIVES AND TARGETS

2.1 Overall aim

The Order provides that the Ministers have approved the overall aim of the Commissioner in exercising his/her function as follows:

'to safeguard and promote the rights and best interests of children and young persons'.

2.2 Objectives, key targets and performance measures

2.2.1 The objectives, key targets and performance measures for the Commissioner will be set out in his/her Corporate Plan and annual Business Plan which shall be agreed by OFMDFM and DFP and approved by the Ministers.

3. RESPONSIBILITIES AND ACCOUNTABILITY

3.1 The First Minister and Deputy First Minister

3.1.1 The First Minister and Deputy First Minister are accountable to the Assembly for the activities and performance of the Commissioner. Their responsibilities include:

- approving the Commissioner's strategic objectives and the policy and performance framework within which the Commissioner will operate (as set out in this Management Statement and Financial Memorandum and associated documents);
- keeping the Assembly informed about the Commissioner's performance;
- approving the amount of grant-in-aid/grant/other funds to be paid to the Commissioner and securing Assembly approval; and
- carrying out responsibilities specified in the founding legislation including the appointment of the Commissioner, approval of terms and conditions of staff, and laying the annual report and accounts before the Assembly.

3.2 The Accounting Officer of OFMDFM

3.2.1 The Head of OFMDFM, as the Departmental Accounting Officer is responsible for the overall organisation, management and staffing of the sponsor 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 the Commissioner. The Departmental Accounting Officer designates the holder of the office of Commissioner as 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 OFMDFM shall ensure that:

- the financial and other management controls applied by OFMDFM to the Commissioner are appropriate and sufficient to safeguard public funds and for ensuring that the Commissioner's compliance with those controls is effectively monitored ("public funds" include not only any funds granted to the Commissioner by the Assembly but also but also any other funds falling within stewardship of the Commissioner);

- the internal controls applied by the Commissioner conform to the requirements of regularity, propriety and good financial management;
- staff terms and conditions of the Commissioner are approved; and
- any grant-in-aid to the Commissioner 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 Annex 4.1 to GANI.

3.3 The sponsoring team in OFMDFM

3.3.1 Within OFMDFM, the Children and Young People's Unit (CYPU) is the sponsoring team for the Commissioner. The Team, in consultation as necessary with the relevant Departmental Accounting Officer, is the primary source of advice to the Ministers on the discharge of their responsibilities in respect of the Commissioner, and the primary point of contact for the Commissioner in dealing with OFMDFM. CYPU shall carry out its duties under the management of a senior officer, who shall have primary responsibility within CYPU for overseeing the activities of the Commissioner.

3.3.2 CYPU shall advise Ministers on:

- an appropriate budget for the Commissioner in the light of OFMDFM's overall public expenditure priorities;
- how well the Commissioner is achieving his/her strategic objectives and whether he/she 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 Commissioner's activities on a continuing basis through an adequate and timely flow of information from the Commissioner on performance, budgeting, and control and risk management, including early sight of the Commissioner's Statement on Internal Control;
- address in a timely manner any significant problems arising for the Commissioner, whether financial or otherwise, making such interventions in the affairs of the Commissioner as OFMDFM judges necessary to address such problems; and
- twice yearly carry out a risk assessment of the Commissioner's activities to inform OFMDFM's oversight of the Commissioner; strengthen these arrangements if necessary; and amend the Management Statement and Financial Memorandum accordingly. The risk assessment shall take into account the nature of the Commissioner's activities; the public monies at stake; its corporate

governance arrangements; its financial performance; internal and external auditors' reports, the openness of communications between the Commissioner and OFMDFM; and any other relevant matters.

on communication with the Commissioner -

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

3.4 The Commissioner

3.4.1 The Commissioner is appointed in accordance with the Order. Under its terms, the First Minister and Deputy First Minister will make the appointment for a four-year period, renewable once. The appointment is made in accordance with the code of practice issued by the Office of the Commissioner for Public Appointments.

3.4.2 The Commissioner is responsible to the Ministers and shall ensure that his/her policies and actions are consistent with the founding legislation and that all actions taken in the exercise of his/her functions are conducted with probity. The Commissioner is responsible for the corporate responsibilities set out in paragraph 3.4.6, and in particular for ensuring that the Commissioner fulfils the aims and objectives agreed with OFMDFM and approved by the Ministers.

3.4.3 The Commissioner has a particular leadership responsibility on the following matters:

- formulating strategy;
- promoting the efficient, economic and effective use of staff and other resources;
- ensuring that, in reaching decisions, he/she takes proper account of the guidance provided by the Ministers or OFMDFM;
- encouraging high standards of propriety; and
- representing the views of the Commissioner to the general public.

3.4.4 The Commissioner shall commit to abide by the Nolan 'seven principles of public life', which includes a requirement for a comprehensive and publicly available register of the Commissioner's interests.

3.4.5 Communications between the Commissioner and the Ministers on operational and strategic matters shall normally be through CYPUP.

3.4.6 The Commissioner has corporate responsibility for ensuring that he/she fulfils the aim and objectives set by OFMDFM and approved by the Ministers, and for promoting efficient, economic and effective use of staff and other resources and that he/she complies with any statutory or administrative requirements for the use of public funds. To this end, and in pursuit of its wider corporate responsibilities, the Commissioner shall:

- establish his/her overall strategic direction within the policy and resources framework determined by OFMDFM;
- ensure that CYPUC is kept informed of any changes which are likely to impact on the strategic direction of the Commissioner 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 he/she operates within the limits of the statutory authority and any delegated authority agreed with OFMDFM, and in accordance with any other conditions relating to the use of public funds; and that, in reaching decisions, he/she takes into account all relevant guidance issued by DFP and OFMDFM to include PSRU.
- ensure that the Commissioner receives and reviews regular financial information concerning the management of his/her staff and resources; is informed in a timely manner about any concerns about the activities of the Commissioner's office; and provides details of these concerns and positive assurance to OFMDFM that appropriate action has been taken.
- ensure that high standards of corporate governance are observed at all times;

3.4.7 The Commissioner shall act in accordance with his/her wider responsibility to:

- comply at all times with the Code of Practice adopted by the Commissioner and with the rules relating to the use of public funds and to conflicts of interest;
- not misuse information gained in the course of his/her public service for personal gain or for political profit, nor seek to use the opportunity of public service to promote his/her private interests or those of connected persons or organisations; and to declare publicly any private interests that may be perceived to conflict with their public duties;
- comply with the Northern Ireland Civil Service rules on the acceptance of gifts and hospitality (DAO10-06) and of business appointments; and
- act in good faith and in the best interests of his/her office;

3.5 The Commissioner's role as Accounting Officer

3.5.1 The Commissioner is designated as Accounting Officer by the Departmental Accounting Officer of OFMDFM.

3.5.2 As the Accounting Officer, the Commissioner 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 his/her staff and resources.

3.5.3 As Accounting Officer the Commissioner shall exercise the following responsibilities in particular:

on planning and monitoring -

- establish, in agreement with OFMDFM, the Commissioner's corporate and business plans;
- ensure that quarterly forecasts and monitoring information on performance and finance are provided to OFMDFM, that OFMDFM 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 OFMDFM in a timely fashion;
- inform OFMDFM of the progress in achieving the policy objectives and in demonstrating how resources are being used to achieve those objectives.

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 that all public funds made available to the Commissioner (including any approved income or other receipts) are used for the purpose intended by the Assembly, and that such monies, together with the Commissioner's assets, equipment and staff, are used economically, efficiently and effectively;
- ensure that adequate internal management and financial controls are maintained by the Commissioner, including effective measures against fraud and theft;
- maintain a comprehensive system of internal delegated authorities, which are notified to all staff, together with a system for regularly reviewing compliance with these delegations;

- ensure that effective personnel management policies are maintained;

on accounting for the activities of the Commissioner -

- 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 Ministers, OFMDFM, 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 Commissioner's system of internal control, for inclusion in the annual report and accounts;
- ensure that effective procedures for handling complaints are established and made widely known to his/her staff;
- act in accordance with the terms of this document and with the instructions and relevant guidance in *Government Accounting Northern Ireland* and other instructions and guidance issued from time to time by OFMDFM, PSRU and DFP - in particular the DFP document, '*The Responsibilities of an NDPB Accounting Officer*', and the Treasury document, '*Regularity and Propriety*', both of which the Commissioner shall receive on appointment. Section IX of the attached financial memorandum refers to other key guidance;
- give evidence, normally with the Accounting Officer of OFMDFM, when summoned before the Public Accounts Committee (PAC) on the use and stewardship of public funds by the Commissioner;
- ensure that an Equality Scheme is in place, reviewed and equality impact assessed as required by the Equality Commission and OFMDFM;
- ensure that New TSN is taken into account and a policy statement and aims are drawn up;
- ensure that the requirements of the Data Protection Act 1998 are complied with; and
- ensure that the requirements of the Freedom of Information Act 2000 are complied with.

3.6 The Commissioner's role as Consolidation Officer

- 3.6.1 For the purposes of Whole of Government Accounts the Commissioner is designated as the Office's Consolidation Officer by DFP.

3.6.2 As Consolidation Officer, the Commissioner shall be personally responsible for preparing the consolidation information that sets out the financial results and position of the Commissioner, for arranging for its audit and for sending the information and the audit report to the Principal Consolidation Officer nominated by DFP.

3.6.3 As Consolidation Officer, the Commissioner shall comply with the requirements of the NDPB Consolidation Officer Memorandum as issued by DFP and shall, in particular:

- ensure that the Commissioner has in place and maintains sets of accounting records that will provide the necessary information for the consolidation process;
- 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.

3.7 Delegation of duties

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

3.8 The Commissioner's role as Principal Officer for Ombudsman cases

3.8.1 The Commissioner is the Principal Officer for handling cases involving the Northern Ireland Commissioner for Complaints (Ombudsman). As Principal Officer, he/she shall inform the Head of OFMDFM of any complaints about the Commissioner accepted by the Ombudsman for investigation, and about the Commissioner's proposed response to any subsequent recommendations from the Ombudsman.

3.9 Consulting Customers

3.9.1 The Commissioner will work in partnership with his/her stakeholders and customers to deliver the services/programmes, for which he/she has responsibility, to agreed standards. He/she will consult regularly to develop a clear understanding of citizens' needs and expectations of his/her services, and to seek feedback from both stakeholders and customers, and will work to deliver a modern, accessible service.

3.10 Relationships

3.10.1 Relationships between the Commissioner, Ministers and OFMDFM are governed by the 'arm's length' principle, wherein the primary role of Ministers

is to set the Commissioner's legal and financial framework and the structure of his/her funding and management. Within this framework it is the role of the Commissioner to determine his/her policy and activities in keeping with his/her statutory responsibilities and the requirements of Assembly policy. OFMDFM has the right of access to carry out any examination of the internal financial control systems as may be required to enable its Accounting Officer to discharge his/her responsibilities in a proper manner.

4. PLANNING, BUDGETING AND CONTROL

4.1 The Corporate Plan

4.1.1 Consistent with the timetable for public spending reviews the Commissioner shall submit to OFMDFM by 31 January 2008 and by that date every 3 years thereafter, a Corporate Plan. The Commissioner shall have agreed with OFMDFM the issues to be addressed in the plan and the timetable for its Implementation.

4.1.2 OFMDFM and DFP will agree the Commissioner's corporate plan.

4.1.3 The plan shall reflect the Commissioner's statutory duties and powers and, within those duties and powers, the priorities set from time to time by the Commissioner.

4.1.4 The corporate plan shall set out:

- the Commissioner's key objectives and associated key performance targets for the three forward years, and its strategy for achieving those objectives;
- a review of the Commissioner'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 income and expenditure, taking account of guidance on resource assumptions and policies provided by OFMDFM at the beginning of the planning round. These forecasts should represent the Commissioner's best estimate of all his/her available income not just any grant or grant-in-aid;
- any efficiency savings, which OFMDFM may require of the Commissioner; and
- other matters as agreed between OFMDFM and the Commissioner.

4.1.5 The main elements of the plan - including the key performance targets – shall be agreed between OFMDFM and the Commissioner in the light of OFMDFM's decisions on policy and resources taken in the context of the Government's wider policy and spending priorities and decisions.

4.2 The Business Plan

- 4.2.1 The first year of the corporate plan, amplified as necessary, shall form the business plan. **A draft business plan shall be submitted to OFMDFM by 31 January each year and the final business plan shall be submitted to OFMDFM by end February each 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 OFMDFM.
- 4.2.2 OFMDFM and DFP will agree the Commissioner's business plan.

4.3 Publication of plans

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

4.4 Reporting Performance to the Department

- 4.4.1 The Commissioner 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 Commissioner shall take the initiative in informing OFMDFM of changes in external conditions which make the achievement of objectives more or less difficult, or which may require a change to the budgets or objectives set out in the corporate or business plans.
- 4.4.3 The Commissioner's performance shall be reported to OFMDFM on a three-monthly basis. Performance will be formally reviewed annually by OFMDFM meeting with the Commissioner. Update meetings between officials of OFMDFM and the Commissioner will also take place on a three-monthly basis.
- 4.4.4 The Commissioner's performance against key targets shall be reported in his/her annual report and accounts (see section 5.1 below).

4.5 Budgeting procedures

- 4.5.1 The Commissioner's budgeting procedures are set out in the accompanying Financial Memorandum.

4.6 Internal Audit

- 4.6.1. The Commissioner shall establish and maintain effective arrangements for internal audit in accordance with DAO (DFP) 3/02 the Treasury's Government Internal Audit Standards (GIAS) and DAO (DFP) 25/02, entitled *Internal Audit Arrangements between a Sponsoring Department and its Non-Departmental Public Bodies (NDPBs)*.

- 4.6.2 The Commissioner shall consult with OFMDFM to ensure that the latter is satisfied with the competence and qualifications of the Commissioner's Head of Internal Audit and the requirements for approving the appointment of an auditor are in accordance with GIAS 5.2.
- 4.6.3 The Commissioner shall set up an independent audit committee in accordance with the Cabinet Office's Guidance on Codes of Practice for Public Bodies (DPFO (DFP), dated 11 March 1997 refers).
- 4.6.4 OFMDFM shall have access to the Audit Committee's minutes.
- 4.6.5 The Commissioner shall arrange for periodic quality reviews of its internal audit in accordance with GIAS. OFMDFM shall consider whether it can rely on these reviews to provide assurance on the quality of internal audit. However, OFMDFM reserves a right of access to carry out independent reviews of internal audit.
- 4.6.6 OFMDFM's Internal Audit Service shall have a right of access to all documents prepared by the Commissioner's internal auditor, including where the service is contracted out. The audit strategy, periodic audit plans and annual audit report, including the Commissioner'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.
- 4.6.7 The Commissioner shall report immediately to OFMDFM all frauds (proven or suspected), including attempted fraud. OFMDFM shall then report the frauds immediately to DFP and the C&AG. In addition, the Commissioner shall forward to OFMDFM the annual fraud return, commissioned by DFP, on fraud and theft suffered by the Commissioner; notify any changes to internal audit's terms of reference, the audit committee's terms of reference and the Commissioner's Fraud Policy and Fraud Response Plan.

4.7 Additional Departmental access to the NDPB

- 4.7.1 In addition to the right of access referred to in paragraph 4.6.5 above, OFMDFM shall have a right of access to all the Commissioner's records and personnel for purposes such as sponsorship audits, operational investigation, and the comprehensive review set out in 7.2 below. See also paragraph 4.6.4.

5. EXTERNAL ACCOUNTABILITY

5.1 The annual report and accounts

- 5.1.1 After the end of each financial year the Commissioner shall publish as a single document an annual report of his/her activities, together with audited annual accounts. The report will also cover the activities of corporate bodies, if any, under his/her control. A draft of the report shall be submitted to OFMDFM four weeks before the proposed publication date.

- 5.1.2 The report and accounts shall comply with the most recent version of the document *Executive Non-Departmental Public Bodies: Annual Reports and Accounts Guidance*, 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 OFMDFM.
- 5.1.3 The report and accounts shall outline the Commissioner's main activities and performance during the previous financial year and set out in summary form his/her 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 audit.
- 5.1.4 The report and accounts shall be laid before the NI 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 Chapter 13 of the *Executive Non-Departmental Public Bodies: Annual Reports and Guidance* and any subsequent guidance issued by DFP. A copy of the annual report shall be sent to the Secretary of State, in accordance with the legislation.
- 5.1.5 Due to the potential accounting and budgetary implications, any changes to accounting policies or significant techniques underpinning the preparation of annual accounts, requires the prior written approval of OFMDFM.

5.2 External audit

- 5.2.1 The Comptroller and Auditor General (C&AG) audits the Commissioner's annual accounts and passes the accounts to OFMDFM who shall lay them before the Assembly. 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 has agreed to liaise with the Commissioner. The actual audit will be undertaken by the NIAO or a commercial auditor on behalf of C&AG. The final decision rests with the C&AG.
- 5.2.3 The C&AG has agreed to share with OFMDFM information identified during the audit process and the audit report (together with any other outputs) at the end of the audit. This shall apply, in particular, to issues which impact on OFMDFM's responsibilities in relation to the Commissioner's financial systems. Where asked, the C&AG will also consider, providing Departments and other relevant bodies with Regulatory Compliance Reports and other similar 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 resources have been used in the discharge of the Commissioner's 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 (NI) Order 2003. Where making payment of a

grant, or drawing up a contract, the Commissioner 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 Ministers and DFP, the Commissioner shall have responsibility for the recruitment, retention and motivation of staff. To this end the Commissioner shall ensure that:

- all members of staff, when taking up post, are fully briefed on the terms of their employment and on their duties, rights and responsibilities, and receive appropriate induction training, including financial management and reporting requirements of public sector bodies and any differences which may exist between private and public sector practice.
- 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, sexual orientation, race, colour, ethnic or national origin, religion, persons with dependants and persons without, political opinion, disability, community background or age;
- the level and structure of its staffing, including gradings and numbers of staff, is 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 Commissioner'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 Commissioner'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 (NI) Order 2003 are in place; and
- a code of conduct for staff is in place based on the Cabinet Office's Non-Departmental Public Bodies; A Guide for Departments, Annex K, *Model Code for Staff of Executive Non-Departmental Public Bodies* (found at <http://www.cabinetoffice.gov.uk/agencies-publicbodies/>).

7. REVIEWING THE ROLE OF THE COMMISSIONER

- 7.1 OFMDFM will commission a comprehensive review of the Commissioner at least once every three years.
- 7.2.1 The Commissioner shall undertake reviews of the working of the Order in accordance with Article 24 at least once every three years. The first review of the legislation will take place as soon as practicable after 27 February 2006.

PART II – Financial Memorandum

I. INTRODUCTION	23
General	23
II. THE BODY'S INCOME AND EXPENDITURE - GENERAL	23
Expenditure not proposed in the budget.....	23
Procurement.....	23
Competition	23
Best value for money	24
Timeliness in paying bills.....	24
Novel, contentious or repercussive proposals	24
Risk management/Fraud.....	24
Wider markets	25
Fees and charges.....	25
III. THE COMMISSIONER'S INCOME	25
Grant in aid.....	25
Fines and taxes as receipts.....	26
Receipts from sale of goods or services	26
Interest earned	26
Unforecast changes in in-year income	27
Build-up and draw-down of deposits	27
Proceeds from disposal of assets	27
Gifts and bequests received.....	27
Receipts from the EU	28
Borrowing.....	28
Reserves.....	28
IV. EXPENDITURE ON STAFF	28
Staff costs	28
Pay and conditions of service.....	28
Pensions; redundancy/compensation.....	29
V. NON-STAFF EXPENDITURE	29
Economic appraisal	29
Capital expenditure.....	30
Transfer of funds within budgets.....	30
Virement.....	31
Lending, guarantees, indemnities; contingent liabilities; letters of comfort	31
Grant or loan schemes	31
Gifts made, write-offs, losses and other special payments.....	31
Losses shall not be written off until all reasonable attempts to make a recovery have been made and proved unsuccessful.	31
Leasing	31
Public/Private Partnerships.....	32
Subsidiary companies and joint ventures	32
Financial investments	32
Unconventional financing	32
Commercial insurance.....	33
Payment/Credit Cards.....	33
Hospitality	33
Use of Consultants.....	33
VI. MANAGEMENT AND DISPOSAL OF FIXED ASSETS	33

Register of assets	33
Disposal of assets	33
Recovery of grant-financed assets.....	34
VII. BUDGETING PROCEDURES	34
Setting the annual budget	34
General conditions for authority to spend	35
Providing monitoring information to OFMDFM	35
VIII. BANKING AND CASH MANAGEMENT	35
Banking arrangements	35
IX. COMPLIANCE WITH INSTRUCTIONS AND GUIDANCE	36
Relevant documents	36
X. REVIEW OF FINANCIAL MEMORANDUM.....	37

I. INTRODUCTION

General

1. This Financial Memorandum forms part of the management statement for the Commissioner. It sets out in greater detail certain aspects of the financial framework within which the Commissioner is required to operate.
2. The terms and conditions set out in the combined document may be supplemented by guidelines or directions issued by OFMDFM in respect of the exercise of any individual functions, powers and duties of the Commissioner.
3. The Commissioner shall satisfy the conditions and requirements set out in the combined document, together with such other conditions as OFMDFM may from time to time impose.

II. THE BODY'S INCOME AND EXPENDITURE - GENERAL

The Departmental Expenditure Limit (DEL)

4. The Commissioner's current and capital expenditure form part of OFMDFM's Resource DEL and Capital DEL respectively.

Expenditure not proposed in the budget

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

Procurement

6. The Commissioner's procurement policies shall reflect the public procurement policy adopted by the Northern Ireland Executive in May 2002 and *Procurement Policy Guidelines* as issued by the Procurement Board. The Commissioner shall also ensure that it complies with any relevant EU or other international procurement rules.
7. Periodically and wherever practicable the Commissioner's procurement shall be benchmarked against best practice elsewhere and procurement activity should be carried out by means of a documented Service Level Agreement with the Central Procurement Directorate (DFP) or a relevant Centre of Expertise in Procurement.

Competition

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

9. Proposals to let single-tender contracts shall be subject to advice being taken from Central Procurement Directorate or a Centre of Expertise in Procurement, and the Commissioner shall send to OFMDFM after each financial year a report for that year explaining any contracts above £5000 in which competitive tendering was not employed.

Best value for money

10. Procurement by the Commissioner 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 his/her requirements. Where appropriate, a full options appraisal shall be carried out before procurement decisions are taken.

Timeliness in paying bills

11. The Commissioner shall collect receipts and pay all matured and properly authorised invoices in accordance with the terms of contracts and as provided for in Section 16.3 of GANI. The Commissioner shall comply with the British Standard for Achieving Good Payment Performance in Commercial Transactions (BS 7890), and with the Late Payment of Commercial Debts (Interest) Act, 1998 as amended and supplemented by the Late Payment of Commercial Debts Regulations 2002. Refer to DAO (DFP) 12/98 and DAO (DFP) 19/02 (and any revisions thereof) for detailed guidance. (NOTE: The 1998 Act allows creditors to claim statutory interest and compensation on late payment of commercial debts.)

Novel, contentious or repercussive proposals

12. The Commissioner shall obtain the approval of OFMDFM and, where appropriate, DFP before:
- incurring any expenditure for any purpose which is or might be considered novel or contentious, or which has or could have significant future cost implications, including staff benefits;
 - making any significant change in the scale of operation or funding of any initiative or particular scheme previously approved by OFMDFM;
 - 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. (OFMDFM will advise on what constitutes “significant” in this context).

Risk management/Fraud

13. The Commissioner shall ensure that the risks which 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") issued under cover of DPFO letter of 30 April 2001.

14. The Commissioner 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. The Commissioner shall adopt and implement policies and practices to safeguard itself against fraud and theft, in line with Treasury's guide *Managing the Risk of Fraud*, issued under cover of DAO (DFP) 35/03.
16. All cases of attempted, suspected or proven fraud shall be reported to OFMDFM and other relevant authorities (see section 4.6.7 in the Management Statement) as soon as they are discovered, irrespective of the amount involved.

Wider markets

17. In accordance with the wider markets policy the Commissioner shall seek to maximise income from non-Consolidated Fund Exchequer sources provided that this is consistent with (a) the Commissioner's main functions and (b) the corporate plan as agreed with OFMDFM.

Fees and charges

18. Fees or charges for any services supplied by the Commissioner shall be determined in accordance with the Treasury's *Fees and Charges Guide*.

III. THE COMMISSIONER'S INCOME

Grant in aid

19. Grant in aid will be paid to the Commissioner in monthly instalments, on the basis of a written application showing evidence of need. The application shall certify that the conditions applying to the use of grant-in-aid have been observed to date and that further grant-in-aid is now required for purposes appropriate to the Commissioner's functions.
20. The Commissioner should have regard to the guidance in DAO (DFP) 4/03 (and any future revisions thereof) and to the general principle enshrined in Chapter 9 of GANI that it should seek grant-in-aid according to need.
21. Cash balances accumulated during the course of the year shall be kept at the minimum level consistent with the efficient operation of the Commissioner. 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, OFMDFM will make available in the next financial year (subject to approval by the Assembly of the relevant Estimates provision) any such grant-in-aid which is required to meet any liabilities at year end.

22. All applications for grant in aid must be in a form prescribed by OFMDFM and must be signed by the Commissioner or by a person authorised to sign on the Commissioner's behalf. The Commissioner shall notify OFMDFM of those authorised to sign on his/her behalf and any changes in authorisation arrangements.
23. The Commissioner and OFMDFM shall agree these systems. In the event of frequent unreliable forecasts OFMDFM will take steps to improve forecasts.
24. OFMDFM shall also take into account any unspent balances of grant in aid when determining installments of grant in aid made during the year. An unspent balance in one financial year may be carried over to the next, but OFMDFM may take amounts exceeding 5% of the grant in aid into account in determining the installment of grant in aid at the start of the next financial year.
25. The Commissioner shall only make payments only in respect of liabilities, which have been properly matured and invoiced. There should be no postponement of payments by the Commissioner in order to avoid incurring an overdraft or (at the end of a financial year) exceeding the grant level.
26. OFMDFM maintains the right to withhold, suspend or reduce grant-in aid.

Fines and taxes as receipts

27. Most fines and taxes (including levies and some licences) are treated as such in National Accounts and are not termed as negative public expenditure receipts. These fines and taxes do not provide additional DEL spending power and should be surrendered to OFMDFM.

Receipts from sale of goods or services

28. Receipts from the sale of goods and services (including certain licences where there is a significant degree of service to the individual applicant), rent of land, and dividends are classified as negative public expenditure in National Accounts and are therefore normally offset against the DEL (ie, they provide additional DEL spending power). If the Commissioner wishes to retain a receipt or utilise an increase in the level of receipts, it must gain the prior approval of OFMDFM.
29. If there is any doubt about the correct classification of a receipt the Commissioner shall consult OFMDFM, which will consult DFP as necessary.

Interest earned

30. Any interest earned by the Commissioner on its assets shall be given the same budgeting treatment as the cost of capital charge on the assets.
31. Under resource budgeting rules, the cost of capital charge and any interest receipts on most DEL-financed assets score as resource DEL.

32. If the receipts are used to finance additional expenditure by the Commissioner, OFMDFM will need to ensure it has the necessary DEL cover. Any interest earned on cash balances arising from grant-in-aid or other NI Consolidated Fund funds shall be treated as a receipt from a NI Consolidated Fund source. Depending on the budgeting treatment of this receipt, and its impact on the Commissioner'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 OFMDFM.

Unforecast changes in in-year income

33. If the negative DEL income realised or expected to be realised in-year is less than estimated, the Commissioner shall, unless otherwise agreed with OFMDFM, ensure a corresponding reduction in its gross expenditure so that the authorised provision is not exceeded. (NOTE: For example, if the Commissioner is allocated £100 resource DEL provision by OFMDFM and expects to receive £10 of negative DEL Income, he/she may plan to spend a total of £110. If income (on an accruals basis) turns out to be only £5, the Commissioner will need to reduce his/her expenditure to £105 to avoid breaching his/her budget. If the Commissioner spends £110, OFMDFM will need to find £5 of savings from elsewhere within its total DEL to cover this overspend).
34. If the negative DEL income realised or expected to be realised in the year is more than estimated, the Commissioner may apply to OFMDFM to retain the excess income for specified additional expenditure within the current financial year without an offsetting reduction to grant-in-aid. OFMDFM 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 OFMDFM.

Build-up and draw-down of deposits

35. The Commissioner 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).
36. The Commissioner shall ensure that it has the necessary DEL provision for any expenditure financed by the draw-down of cash deposits.

Proceeds from disposal of assets

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

Gifts and bequests received

38. The Commissioner is free to retain any gifts, bequests or similar donations subject to paragraph 39. **NOTE:** Donated assets do not attract a cost of

capital charge, and a release from the donated assets reserve should offset depreciation in the operating cost statement.

39. Before accepting a gift, bequest, or similar donation, the Commissioner shall consider if there are any associated costs in doing so or any conflicts of interests arising. The Commissioner shall keep a written record and maintain a register containing details of any such gifts, bequests and donations and of their estimated value and whether they are disposed of or retained.

Receipts from the EU

40. Receipts from the European Union (if retained by OFMDFM or the Commissioner) do not provide additional DEL spending power for the Commissioner.

Borrowing

41. The Commissioner shall observe the rules set out in Chapter 29 of GANI if undertaking borrowing of any kind. The Commissioner shall seek the approval of OFMDFM, 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 *GANI*.

Reserves

42. The Commissioner is not permitted to hold any reserves.

IV. EXPENDITURE ON STAFF

Staff costs

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

Pay and conditions of service

44. The staff of the Commissioner, whether on permanent or temporary contract, shall be subject to the levels of remuneration and terms and conditions of service (including superannuation) approved by OFMDFM and DFP. The Commissioner has no delegated power to amend these terms and conditions.
45. Current terms and conditions for staff of the Commissioner are those set out in its Employee Handbook. The Commissioner shall provide the sponsor Department and DFP with a copy of the Handbook and subsequent amendments.
46. Annual pay increases of the Commissioner staff must have the prior approval of OFMDFM and the Ministers.

47. The travel expenses of staff/seconded to the Commissioner shall be based on OFMDFM rates. Reasonable actual costs shall be re-imbursed.
48. The Commissioner shall operate a performance-related pay scheme for his/her staff, which shall form part of the general pay structure approved by OFMDFM and DFP.
49. The Commissioner shall comply with the EU directive on contract workers Fixed Term Employees Regulations (Prevention of Less Favourable Treatment).

Pensions; redundancy/compensation

50. The Commissioner's staff shall be eligible for a pension provided by the Principal Civil Service Pension Scheme (Northern Ireland) (PCSPS(NI)).
51. Staff may opt out of the occupational pension scheme provided by the Commissioner. However, the employer's contribution to any personal pension arrangement, including a stakeholder pension, shall normally be limited to the national insurance rebate level.
52. Any proposal by the Commissioner to move from the existing pension arrangements, or to pay any redundancy or compensation for loss of office, requires the approval of OFMDFM and DFP. Proposals on severance payments must comply with DAO/DFP 23/02. Where the PCSPS(NI) is the relevant pension scheme, the Commissioner must conform with the procedures for early retirement/severance which apply to OFMDFM and ensure that the level of benefits are the standard applicable under the Civil Service Compensation Scheme (Northern Ireland) (CSCS(NI)) rules. OFMDFM is responsible for ensuring that the Commissioner does this.
53. OFMDFM is responsible for ensuring that the Commissioner continues to meet the criteria for membership of the PCSPS(NI), where this is the pension scheme applicable.

V. NON-STAFF EXPENDITURE

Economic appraisal

54. The Commissioner 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;

- are above or below delegated limits (see Appendix A).
55. 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. General guidance on economic appraisal that apply to NDPBs can be found in:
- The DFP Guide, *The Northern Ireland Practical Guide to the Green Book* (DAO (DFP) 32/03); and
 - The HM Treasury Guide, *The Green Book: Appraisal and Evaluation in Central Government*.

Capital expenditure

56. 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. 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.
57. Proposals for large-scale individual capital projects or acquisitions will normally be considered within the Commissioner's corporate and business planning process. Subject to paragraph 59, applications for approval within the corporate/business plan by OFMDFM and, if necessary, DFP shall be supported by formal notification that the proposed project or purchase has been examined and duly authorised by the Commissioner. Regular reports on the progress of projects shall be submitted to OFMDFM.
58. Approval of the corporate/business plan does not obviate the Commissioner's responsibility to abide by the economic appraisal process.
59. Within its approved overall resources limit the Commissioner shall, as indicated in Appendix A on delegations, have delegated authority to spend up to £50,000 on any individual capital project or acquisition. Beyond that delegated limit, OFMDFM'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

60. Unless financial provision is subject to specific OFMDFM or DFP controls (eg, 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. (**NOTE:** under resource budgeting rules, transfers from capital to resource budgets are not allowed).

Virement

61. The Commissioner will abide by the guidance on virement found in *GANI*, section 11.7.

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

62. The Commissioner shall not, without OFMDFM'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 Chapter 26 of *GANI*), whether or not in a legally binding form.

Grant or loan schemes

63. 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 OFMDFM and where necessary DFP. If grants or loans are to be made under a continuing scheme, statutory authority is likely to be required.
64. The terms and conditions of a grant or loan to a third party shall include a requirement on the receiving organisation to prepare accounts and to ensure that its books and records in relation to the grant or loan are readily available for inspection by the Commissioner, OFMDFM and the C&AG. OFMDFM's Internal Audit shall also have a right of access to all the grant or loan recipient's books and records.
65. See also below under the heading *Recovery of grant-financed assets* (see paragraphs 84-86 below).

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

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

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

67. Gifts by management to staff are subject to the requirements of DAO (DFP) 05/03 (and any future revision thereof).

Leasing

68. Prior OFMDFM approval must be secured for all property and finance leases. The Commissioner must have capital DEL provision for finance leases and other transactions, which are, in substance, borrowing (paragraph 41 above).

69. Before entering into any lease (including an operating lease) the Commissioner shall demonstrate that the lease offers better value for money than purchase.

Public/Private Partnerships

70. The Commissioner shall seek opportunities to enter into Public/Private Partnerships where this would be more affordable and offer better value for money than conventional procurement. Where cash flow projections may result in delegated spending authority being breached, the Commissioner shall consult OFMDFM.
71. Any partnership controlled by the Commissioner shall be treated as part of the Commissioner in accordance with UK GAAP and consolidated with it subject to any particular treatment required by UK GAAP. Where the judgement over the level of control is difficult, OFMDFM will consult DFP (who may need to consult with the Office of National Statistics over national accounts treatment).

Subsidiary companies and joint ventures

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

Financial investments

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

Unconventional financing

75. The Commissioner shall not enter into any unconventional financing arrangement without the approval of OFMDFM and DFP.

Commercial insurance

76. The Commissioner shall not take out any insurance without the prior approval of OFMDFM and DFP, 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 section 30.3 of GANI.
77. OFMDFM shall have a written agreement with the Commissioner about the circumstances in which, in the case of a major loss or third-party claim, an appropriate addition to budget out of OFMDFM's funds and/or adjustment to the Commissioner targets shall be considered.
78. The Commissioner will need to take out commercial insurance taking account of cost effectiveness and subject to the criteria set out in GANI 27.4.3. The Commissioner should review his/her insurance arrangements at least every year to ensure continued value for money. This review should include assessment of the viability of self-insurance for employer's liability risks. The insurance should cover risks associated with employer's liability, as determined by the Employers Liability (Compulsory Insurance) (Amendment) Regulations 1974.

Payment/Credit Cards

79. The Commissioner, in consultation with OFMDFM, 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

80. The Commissioner, in consultation with OFMDFM, shall ensure that a comprehensive set of guidelines on the provision of hospitality is in place. Reference should be made to DAO (DFP) 17/97.

Use of Consultants

81. The Commissioner shall adhere to guidance issued by DFP, as well as any produced by OFMDFM, in relation to the use of consultants. Please see the delegated limits set out in Appendix A.

VI. MANAGEMENT AND DISPOSAL OF FIXED ASSETS

Register of assets

82. The Commissioner shall maintain an accurate and up-to-date fixed asset register.

Disposal of assets

83. The Commissioner 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 OFMDFM), and in accordance with *GANI*, Chapter 24.

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

Recovery of grant-financed assets

85. Where the Commissioner has financed expenditure on capital assets by a third party, the Commissioner shall set conditions and make appropriate arrangements to ensure that any such assets are not disposed of by the third party without the Commissioner's prior consent.
86. The Commissioner shall therefore ensure that such conditions and arrangements are sufficient to secure the repayment of the NI Consolidated Fund's due share of the sale proceeds of assets in order that funds may be surrendered to OFMDFM.
87. The Commissioner shall ensure that if the assets created by grants made by the Commissioner 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 Commissioner for surrender to OFMDFM. 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 light of decisions by OFMDFM on the Commissioner's updated draft corporate plan (See section 4.1 of the Management Statement), OFMDFM will send to the Commissioner:
 - a formal statement of the annual budgetary provision allocated by OFMDFM and forecast income approved by the Department in the light of competing priorities across OFMDFM and of any forecast income approved by OFMDFM; and
 - a statement of any planned changes in policies affecting the Commissioner.
89. The Commissioner'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 (Section 4.1 of the Management Statement.)

90. Any grant-in-aid provided by OFMDFM for the financial year in question will be voted in OFMDFM Estimates and will be subject to Assembly control.

General conditions for authority to spend

91. Once the Commissioner's budget has been approved by OFMDFM and subject to any restrictions imposed by statute, by Ministers, or in this MSFM, the Commissioner shall have authority to incur expenditure approved in the budget without further reference to OFMDFM, on the following conditions:
- the Commissioner shall comply with the delegations set out in Appendix A to this document. These delegations shall not be altered without the prior agreement of OFMDFM and DFP;
 - the Commissioner 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 the Commissioner's budget shall not remove the need to seek formal OFMDFM and where necessary, DFP approval where any proposed expenditure is above the delegated limits as set out in Appendix A, or is for new schemes not previously agreed; and
 - the Commissioner shall provide OFMDFM with such information about its operations, performance, individual projects or other expenditure as OFMDFM may reasonably require (paragraph 91 below).

Providing monitoring information to OFMDFM

92. On a monthly basis, the Commissioner shall, as a minimum, provide OFMDFM with information which will enable the satisfactory monitoring by OFMDFM of:
- the Commissioner'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 Government Expenditure Monitoring Systems.

VIII. BANKING AND CASH MANAGEMENT

Banking arrangements

93. The Commissioner, as Accounting Officer, is responsible for ensuring that banking arrangements are in accordance with the requirements of GANI and the guidance in the Treasury document *Departmental Banking: a Manual for Government Departments*. In particular he/she shall ensure that the

arrangements safeguard public funds and are carried out efficiently, economically and effectively.

94. 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 Accounting Officer of OFMDFM to enable the latter to satisfy his/her own responsibilities (see Section 3.2 of the *Management Statement*);
- the Commissioner'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

95. The Commissioner shall comply with the following general guidance documents:

- This document (both the *Financial Memorandum* and the *Management Statement*);
- GANI, including in particular the Accounting Officer Memorandum for NDPBs (see Annex 4.1 of GANI);
- Non-Departmental Public Bodies - a Guide for Departments (the "NDPB Guide"), issued by the Cabinet Office;
- Government Internal Audit Standards, issued by DFP under cover of DAO (DFP) 3/02;
- The Treasury document, Managing the Risk of Fraud, issued by DFP under cover of DPFO 15 January 1998;
- Executive NDPBs - Annual Reports and Accounts Guidance, issued by DFP (updated annually);
- The Treasury Fees and Charges Guide, issued by DFP under cover of DAO (DFP) 13/92;
- Departmental Banking: A Manual for Government Departments, issued by the Treasury;

- Relevant DFP Dear Accounting Officer letters;
- Relevant Dear Consolidation Officer and Dear Consolidation Manager letters issued by DFP;
- Regularity and Propriety, issued by the Treasury;
- The Consolidation Officer Memorandum, issued by DFP;
- Other relevant guidance and instructions issued by DFP in respect of Whole of Government Accounts;
- Other relevant instructions and guidance issued by the central Departments (DFP/OFMDFM);
- Specific instructions and guidance issued by OFMDFM;
- Recommendations made by the Public Accounts Committee, or by other Assembly/Parliamentary authority, which have been accepted by the Government and which are relevant to the Commissioner.

X. REVIEW OF FINANCIAL MEMORANDUM

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

Signed: _____ **Date:** _____

On behalf of the Commissioner for Children and Young People

Signed: _____ **Date:** _____

On behalf of OFMDFM

Appendix A - DELEGATED EXPENDITURE LIMITS

1. General

The delegated authority for goods and services (other than IT) is set out in Table 1 below. Delegated authority for IT projects is set out in Table 2. All delegated expenditure limits have been agreed by OFMDFM and DFP

2. Purchasing Goods and Services (excluding IT)

In order to obtain the required minimum number of quotations/tenders, purchasing officers should always aim to invite more than the stipulated number. In the case of the level 'up to £1000' every attempt should be made to obtain more than one quotation.

If the estimated value of the purchase is close to the upper limit then it is advisable to invite the number of quotations/tenders required in the next level. The possibility of combining repeat purchases to increase buying power should be explored. Orders must not be split to avoid the need for competitive tendering.

Prior approval from OFMDFM is required before any advance payment or deferred payment arrangements are entered into.

3. 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 Commissioner should undertake a comprehensive business case of all projects involving expenditure of **£50,000** and over.

For any purchase or contract where the minimum number of quotations/tenders was not obtained, the Commissioner may permit the purchase to proceed if satisfied that every attempt has been made to obtain competitive offers and that value for money will be achieved. In these cases a report should be submitted to OFMDFM. Records of all correspondence are to be retained on file including any justification given and/or approvals obtained.

4. Capital Projects

The Commissioner may authorise capital expenditure on discreet capital projects of up to **£50,000**. Capital projects over this amount require the approval of OFMDFM, and may be subject to quality assurance by DFP if requested. Any novel and/or potentially contentious projects, regardless of the amount of expenditure, require the approval of OFMDFM.

5. Disposal of Surplus Equipment

The Commissioner should follow the guidance in accordance with *GANI*, Chapter 24.

6. Lease and Rental Agreements

The Commissioner may enter into lease and/or rental agreements for the provision of goods and services. Lease and rental agreements for the provisions of goods and services should be open to competitive tendering in the same way as purchases unless there are convincing reasons to the contrary. The delegations established at paragraph 1 will also apply to lease and rental agreements with the cash values relating to the annual cost of the arrangement. OFMDFM's approval must be obtained for any leasing and/or rental agreement of a value of £25,000 or more per annum.

7. Approval of Information Technology Projects

The appraisal of Information Technology (IT) projects should include the staffing and other resource implications. The purchase of IT equipment and systems should be in line with guidance contained in DAO (DFP) 33/03 and the subject of 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 Procurement Control Limits in Table 1.

8. Engagement of Consultants

General

All proposals for the engagement of external consultants should go to CYPUP in writing for OFMDFM approval. The Commissioner should refer to DAO (DFP) 3/05 and DFP Guidance on the Engagement of External Consultants and also guidance issued by OFMDFM before engaging consultants. The Commissioner shall provide OFMDFM 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 for all consultancy assignments expected to exceed **£10,000**. A proportionate business case should be prepared for all assignments below this threshold. The Commissioner should refer to the Northern Ireland Practical Guide to the Green Book (DFP, 2003) and the Office of Government Commerce (OGC) Successful Delivery Toolkit (2004) for guidance on the general principles regarding appraisal and completion of business cases. Expected total costs should not be under-estimated or split into part-payments so as to avoid appraisal requirements.

9. Losses and Special Payments

The Commissioner, with prior approval from OFMDFM, will have the authority to write off losses and make special payments:

- a. Cash losses – up to £2000 per case/incident. Physical losses of cash and equivalents (e.g. Bank notes, postal orders, stamps) by any cause;
- b. Stores/Equipment losses – up to £2000 per case/incident: - 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; losses arising from other causes;
- c. Losses of pay, allowances and superannuation benefits – paid to civil servants, members of the armed forces and members of staff of non-departmental public bodies;
- d. Overpayments due to miscalculation, misinterpretation of Acts, regulations or scheme rules or the full facts not being known;
- e. Unauthorised issues, e.g. Payments not admissible under the Acts, regulations or scheme rules;
- f. Losses arising from other causes, e.g. Non-disclosure of full facts by the beneficiary, short of proven fraud;

- g. Constructive losses and fruitless payments – up to £2000 per case;
- h. Compensation payments – up to £2000 per case;
- i. Bookkeeping losses;
- j. Because of unvouched or incompletely vouched payments, including cases where vouchers are missing;
- k. Because of charges to Estimates or other accounts to clear in explicable or erroneous debit balances;
- l. Claims abandoned or waiver of claim – up to £2000 per case; and
- m. Special payments.

The prior approval of OFMDFM must be obtained for amounts above these values. In all other cases, OFMDFM'S prior approval to write-off should be sought. Should there be any doubt about the correct classification of any item, reference should be made to OFMDFM. All applications to OFMDFM for approval of write-off should be made with the minimum of delay. Where total losses and Special Payments exceed £5000 in any financial year, an explanatory note should be included in the Commissioner'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 Commissioner and OFMDFM as necessary.

Thresholds	Requirements	Authorisation
Up to £1,000	1 or 2 Oral Quotations depending on the need to have a price comparison (fax or e-mail confirmation should be obtained)	The Commissioner
<u>£1,000 - £10,000</u>	3 Selected Tenders	The Commissioner
<u>> £10,000 - £30,000</u>	4 Selected Tenders	The Commissioner
> £30,000 (When over the EC threshold observe the EC threshold guidelines -	Publicly advertised open or restricted tender competition	The Commissioner plus advice and approval from OFMDFM

Table 1 - Delegated Authority for the Purchase of Goods and Services (excluding IT)²

² All costs exclude VAT

Thresholds	Requirements	Authorisation
<u>Up to £500</u>	No special requirement	The Commissioner
>£500 to £5000	2 written quotations/tenders	The Commissioner
.>£5000 to £10,000	3 written tenders	The Commissioner
>£10,000 to £25,000	4 written tenders	The Commissioner plus advice and approval from OFMDFM
>£25,000 to £50,000	Open tendering secured by public advertisement	The Commissioner plus advice and approval from OFMDFM
>£50,000 (When over the EC threshold observe the EC threshold guidelines)	Open tendering secured by public advertisement and full economic appraisal and business case (see DAO (DFP) 9/91)	The Commissioner plus advice and approval from OFMDFM

Table 2 - Delegated Authority for Information Technology Projects, Systems And Equipment³

³ All costs exclude VAT