

Regional Business Services Organization: Management Statement

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1. INTRODUCTION

1.1 This document

- 1.1.1 Subject to the legislation noted below, this Management Statement establishes the framework, agreed with the Department of Health, Social Services and Public Safety (the sponsor Department), within which the Regional Business Services Organization (hereafter referred to as the BSO) will operate. The term 'Department' is used to include the authority of both the Department and its Minister. Only in those cases where reference is intended to his/her personal authority (see, principally, Section 3.1) is the Minister specified.
- 1.1.2 The associated Financial Memorandum sets out in greater detail certain aspects of the financial provisions which the BSO shall observe. However, the Management Statement and Financial Memorandum do not convey any legal powers or responsibilities, nor do they comprise the totality of the guidance, directives etc which have applied and (as determined by the sponsor Department) continue to apply to the BSO.
- 1.1.3 The document shall be reviewed by the sponsor Department at least every five years. The first review is planned to take place at the end of the 2014-15 financial year.
- 1.1.4 In addition, the BSO or the Department may propose amendments to this document at any time. Any such proposals by the BSO shall be considered in the light of evolving Departmental policy aims, operational factors and the record of the BSO itself. The guiding principle shall be that the extent of flexibility and freedom given to the BSO shall reflect both the quality of its internal controls to achieve performance and its operational needs. The Department shall determine what changes, if any, are to be incorporated in the document. Legislative provisions shall take precedence over any part of the document. Significant variations to the document shall be cleared with DFP after consultation with the BSO, as appropriate. (The determination of those issues that are "significant"

will be made by the Department in consultation with DFP on a case by case basis).

- 1.1.5 This MS/FM has been approved by DFP Supply, and signed and dated by the Department after consultation with the BSO.
- 1.1.6 Any question regarding the interpretation of the document shall be resolved by the Department after consultation with the BSO and, as necessary, with DFP (and OFMDFM if appropriate).
- 1.1.7 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 BSO's website.
- 1.1.8 A copy of the MS/FM for the BSO should be given to all newly appointed Board members, senior executive staff and departmental sponsor staff on appointment. Additionally the MS/FM should be tabled for the information of Board members at least annually at a full meeting of the Board. Amendments made to the MS/FM should also be brought to the attention of the full Board on a timely basis.

1.2 BSO founding legislation, functions, duties etc

- 1.2.1 The BSO is established under Section 14(1) of the Health and Social Care (Reform) Act (Northern Ireland) 2009 (hereafter referred to as the Act). The BSO does not carry out its functions on behalf of the Crown.
- 1.2.2 The BSO is established for the purposes specified in Section 15(1) of the Act. The BSO's general powers etc are listed in Schedule 3 of the Act.

1.3 Classification

- 1.3.1 For policy/administrative purposes the BSO is classified as a Health and Social Care body (akin to an executive non-departmental public body) and for national accounts purposes is classified to the central government sector.

2. AIMS, OBJECTIVES AND TARGETS

2.1 Overall aims

- 2.1.1 The approved overall aim for the BSO is to:

Provide, or secure the provision of, a range of support services for other health and social care bodies as directed by the Department. These can include HR, Finance, procurement and logistics services, legal advice, registration of the public for eligibility for health services, payments of family health practitioners, operation of a Pensions service to eligible HSC employees, a range of information technology services, internal audit, and fraud prevention, investigation and probity checking.

2.2 Objectives and key targets

- 2.2.1 The Department determines the BSO's performance framework in light of the Programme for Government, the Department's wider strategic aims, and current PSA objectives and targets. The key targets, standards and actions to be delivered by the BSO are set out in its Service Delivery Plan, a sub-set of its three-year Corporate Plan.

3. RESPONSIBILITIES AND ACCOUNTABILITY

3.1 The Minister

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

- approving the BSO's Service Delivery Plan;
- keeping the Assembly informed about the BSO's performance, as part of the HSC system;
- carrying out responsibilities specified in the founding legislation including appointments to the Board (including its Chairman) and laying of the annual report and accounts before the Assembly; and
- approving the remuneration scheme for Non-Executive Board members and setting the annual pay settlement each year under these arrangements.

3.2 The Accounting Officer of DHSSPS

3.2.1 The sponsor Department's Accounting Officer (the 'Departmental Accounting Officer') has designated the Chief Executive of the BSO as the BSO's Accounting Officer, and may withdraw the Accounting Officer designation if he/she believes that the incumbent is no longer suitable for the rôle. The respective responsibilities of the Departmental Accounting Officer and the Accounting Officers of arm's length bodies are set out in Chapter 3 of *Managing Public Money Northern Ireland (MPMNI)*.

3.2.2 In particular, the Departmental Accounting Officer shall ensure that:

- the BSO's corporate and service delivery plans set out how, in accordance with the Department's direction under section 15 of the Act, it will provide a broad range of support functions for the health and social care service. At

present, these include: administrative support, advice and assistance; financial services; human resource, personnel and corporate services; Pensions; payment of Family Health practitioners, registration of an individual's eligibility to receive health and social care services, training; estates; information technology and information management; procurement; logistics; legal services; internal audit and fraud prevention, investigation and probity services;

- the BSO's Service Delivery Plan supports the Department's wider strategic aims and will contribute, as appropriate, to the achievement of Public Service Agreements (PSA) and Priorities for Action (PfA) targets, standards and actions;
- the financial and other management controls applied by the Department to the BSO are appropriate and sufficient to safeguard public funds, and that the BSO's compliance with those controls is effectively monitored ("public funds" include not only any funds granted to the BSO by the Assembly but also any other funds falling within the stewardship of the BSO); and
- the internal controls applied by the BSO conform to the requirements of regularity, propriety and good financial management.

3.2.3 The Departmental Accounting Officer is also responsible for ensuring that arrangements are in place to:

- continuously monitor the BSO's activities through an adequate and timely flow of information from the BSO on performance, budgetary control and risk management, including early sight of the BSO's Statement on Internal Control;
- address in timely fashion any significant problems arising in the BSO, whether financial or otherwise, making such interventions in its affairs as he/she judges necessary to address such problems;
- periodically carry out an assessment of the risks both to the Department's and the BSO's objectives and activities;

- inform the BSO of relevant Government policy in timely fashion; and
- bring concerns about the activities of the BSO to the attention of the full Board, requiring explanations and assurances that appropriate action has been taken.

3.2.4 The Planning & Performance Management Directorate within the Department is the sponsoring team for the BSO, forming its primary point of contact with the Department on non-financial management and performance. Regarding such matters, the team is the primary source of advice to the Minister on the discharge of his/her responsibilities in respect of the BSO. It also supports the Departmental Accounting Officer on his/her responsibilities towards the BSO.

3.2.5 The relationship between the BSO and its Departmental sponsoring team, based on the principles of good public administration, is articulated through direction and guidance and on good practice as notified to the BSO. The salient requirements are described at Appendix 1.

3.2.6 On financial matters, the primary point of Departmental contact for the BSO is Finance Directorate. That Directorate also supports the Departmental Accounting Officer on his/her responsibilities towards the BSO as regards accounting arrangements, budgetary control and other financial matters, in doing so, Finance Directorate liaises as appropriate with the Planning and Performance Management Directorate.

3.3 The Chief Executive's rôle as Accounting Officer

3.3.1 The Chief Executive, as the BSO's Accounting Officer, is personally responsible for safeguarding the public funds of 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 BSO. In addition he/she should ensure

that the BSO as a whole is run on the basis of the standards (in terms of governance, decision making and financial management) set out in Box 3.1 of MPMNI.

- 3.3.2 In addition, the Chief Executive must, within three months of appointment, attend the training course 'An introduction to Public Accountability for Accounting Officers'.

Responsibilities for accounting to the Assembly

3.3.3 **These include the responsibilities to:**

- 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 Department 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 BSO's system of internal control, for inclusion in the annual report and accounts;
- sign a mid-year assurance statement on the condition of the BSO's system of internal control;
- act in accordance with the terms of this document and with the instructions and relevant guidance in MPMNI and other instructions and guidance issued from time to time by the Department and DFP – in particular, Chapter 3 of MPMNI and the Treasury document *Regularity and Propriety* (a copy of which the Chief Executive shall receive on appointment). Section IX of the Financial Memorandum refers to other key guidance; and

- give evidence, normally with the Accounting Officer of the Department, if summoned before the Public Accounts Committee on the use and stewardship of public funds by the BSO.

Responsibilities to the Department

3.3.4 Particular responsibilities to the Department include:

- establishing, with the approval of the Department, the BSO's Corporate and Business Plans (the latter to include the BSO's Service Delivery Plan) in support of the Department's wider strategic aims and objectives and targets in the Programme for Government, PSAs and the Minister's Priorities for Action;
- informing the Department of the BSO's progress in helping to achieve the Department's wider strategic aims and objectives, and relevant targets in the current Programme for Government, PSAs and PfA, and in demonstrating how resources are being used to achieve those objectives;
- ensuring that timely forecasts and monitoring information on performance and budgetary control are provided to the Department, including prompt notification of overspends or underspends and that corrective action is taken;
- ensuring that any significant problems, whether financial or otherwise, and whether detected by internal audit or by other means, are notified to the Department as appropriate and in timely fashion;
- ensuring that a system of risk management, based on Departmental guidance, is maintained to inform decisions on financial and operational planning and to assist in achieving objectives and targets;

- ensuring that an effective system of programme and project management and contract management is maintained;
- ensuring compliance with the Northern Ireland Public Procurement Policy;
- reporting on compliance with controls assurance and quality standards to the Department;
- ensuring that an Assurance Framework is developed and maintained;
- ensuring that a Business Continuity Plan is developed and maintained;
- ensuring that effective procedures for handling complaints about the BSO are established and made widely known within the BSO;
- ensuring that an Equality Scheme is in place, reviewed and equality impact assessed as required by the Equality Commission and OFMDFM;
- ensuring that lifetime opportunities is taken into account;
- ensuring that the requirements of the Data Protection Act 1998 are complied with;
- ensuring that the requirements of the Freedom of Information Act 2000 are complied with and that a publication scheme is in place which is reviewed as required and placed on the website; and
- ensuring that the requirements of relevant statutes, court rulings, and departmental directions are fully complied with.

Responsibilities to the Board of the BSO

3.3.5 The Chief Executive is responsible for:

- advising the Board on the discharge of its responsibilities as set out in this document, in the founding legislation and in any other relevant

instructions and guidance that may be, or have been, issued from time to time;

- advising the Board on the BSO's performance compared with its aims and objectives;
- ensuring 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; and
- taking 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.

3.4 The Chief Executive's rôle as Consolidation Officer

3.4.1 For the purposes of Whole of Government Accounts, the Chief Executive of the BSO is normally appointed by DFP as the BSO's Consolidation Officer.

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

3.4.3 As Consolidation Officer, the Chief Executive shall comply with the requirements of the BSO Consolidation Officer Memorandum as issued by DFP and shall, in particular:

- ensure that the BSO 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.

3.5 Delegation of duties

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

3.6 The Chief Executive’s rôle as Principal Officer for Ombudsman cases

- 3.6.1 The Chief Executive of the BSO 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 sponsor Department of any complaints about the BSO accepted by the Ombudsman for investigation, and about the BSO’s proposed response to any subsequent recommendations from the Ombudsman.

3.7 The BSO’s Board

- 3.7.1 The Board must ensure that effective arrangements are in place to provide assurance on risk management, governance and internal control. The Board must set up an Audit Committee which complies with the requirements of DAO 07/07 and any subsequent relevant guidance, is chaired by an independent non-executive Board member, and comprises solely independent members, to

provide independent advice on the effectiveness of the internal control and risk management systems.

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

- establish the overall strategic direction of the BSO within the policy and resources framework determined by the Department;
- ensure that the BSO's performance fully meets its aims and objectives as efficiently and effectively as possible;
- ensure that the Department is kept informed of any changes which are likely to impact on the strategic direction of the BSO 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 set by the Department, and in accordance with any other conditions relating to the use of public funds; and that, in reaching decisions, the Board takes into account all relevant guidance issued by DFP and the Department or other relevant authority;
- ensure that it receives and reviews regular financial information concerning the management of the BSO; is informed in a timely manner about any concerns about the activities of the BSO; and provides positive assurance to the Department that appropriate action has been taken on such concerns;
- constructively challenge the BSO's executive team in their planning, target setting and delivery of performance;

- ensure that an executive member of the Board has been allocated lead responsibility for risk management;
- demonstrate high standards of corporate governance at all times, including using the independent audit committee (see paragraph 3.7.1) to help the Board address the key financial and other risks facing the BSO; and
- appoint a Chief Executive to the BSO, and set performance objectives for the Chief Executive which give due weight to the proper management and use of public monies.

3.8 The Chairman's personal responsibilities

3.8.1 The Chairman is accountable to the Minister through the Departmental Accounting Officer. Communications between the BSO Board and the Minister should normally be through the Chairman (who will ensure that the other Board members are kept informed of such communications). He/she is responsible for ensuring that the BSO's policies and actions support the Department's wider strategic policies; and that the BSO's affairs are conducted with probity. Where appropriate, these policies and actions should be clearly communicated and disseminated throughout the BSO.

3.8.2 The Chairman has a particular leadership responsibility on the following matters:

- formulating the Board's strategy for discharging its duties;
- ensuring that the Board, in reaching decisions, takes proper account of guidance provided by the Department;
- ensuring that risk management is regularly and formally considered at Board meetings;

- promoting the efficient, economic and effective use of staff and other resources;
 - encouraging 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.
- Meetings must be open to the public, the public should be advised of meetings through the press and the minutes must be placed on the BSO website within one month of the meeting in question.

3.8.3 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, within three months of appointment, receive appropriate induction training, including on the financial management, risk management and reporting requirements of public sector bodies and on any material differences which may exist between private and public sector practice;
- advise the Department of the needs of the BSO when Board vacancies arise, with a view to ensuring a proper balance of professional, financial or other expertise;
- assess, annually, the performance of individual Board members, including when they are being considered for re-appointment to the Board; and
- 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).

3.9 Individual Board members' responsibilities

3.9.1 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 adopted by the BSO (see paragraph 3.8.3) and with the rules relating to the use of public funds and to avoiding 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 organizations; and to declare publicly and to the Board any private interests that may be thought to conflict with their public duties;
- comply with the Board's rules on the acceptance of gifts and hospitality, and of business appointments as set out in the Financial Memorandum; and
- act in good faith and in the best interests of the BSO.

3.10 Consulting service users and other interest groups

3.10.1 The BSO will work in partnership with its stakeholders and customers to deliver its services/programmes to agreed standards. It will consult regularly to develop a clear understanding of citizens' needs and expectations of its services, and to seek feedback from both stakeholders and customers, and will work to deliver a modern, high quality and value-for-money service.

3.10.2 The BSO shall, in carrying out its equality duties, consult in a timely, open and inclusive way and in accordance with the Equality Commission's guiding principles. It will monitor its policies to ensure that as each policy is revised it promotes greater equality of opportunity.

4. PLANNING, BUDGETING AND CONTROL

4.1 The corporate plan

- 4.1.1 Consistent with the timetable for public spending reviews and in compliance with a timeframe set by the sponsor Department, the BSO shall submit annually to the Department for approval a draft of the BSO's updated rolling corporate plan covering three financial years ahead. The BSO shall have agreed with the sponsor Department the issues to be addressed in the plan and the timetable for its preparation.
- 4.1.2 The plan shall reflect the BSO's statutory duties and, within those duties, the priorities set from time to time by the Department. In particular, the plan shall demonstrate how the BSO contributes to the achievement of the Department's strategic aims and the objectives, standards and targets set out in the relevant PSAs and in PfA.
- 4.1.3 Thus the corporate plan shall set out:
- the BSO's long term objectives and associated performance targets for the forward years, and its strategy for achieving those objectives;
 - a review of the BSO's performance in the preceding financial year, and a projection 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 sponsor Department at the beginning of the planning round. These forecasts should represent the BSO's best estimate of all its available income; and
- other matters as agreed between the sponsor Department and the BSO.

4.1.4 The Corporate Plan shall be published by the BSO and made available on its website. A summary version shall be made available to staff.

4.2 The annual Service Delivery Plan

4.2.1 The first year of the three-year Corporate Plan, amplified as necessary, shall form the business or Service Delivery Plan of the BSO.

4.2.2 The Service Delivery Plan shall include key targets and milestones for the year immediately ahead (including relevant objectives set out in Priorities for Action and other relevant Departmental instructions). The Plan will specify what the BSO is going to achieve and the resources that it intends to use in doing so linked to budgeting information so that resources allocated to achieve specific objectives can be readily identified by the sponsor Department)

4.2.3 The Plan will include key performance indicators to show how the BSO is progressing in meeting targets. The Department's presumption is that all targets are both achievable and affordable. By exception, the Plan should indicate where the BSO believe a particular target is not achievable and/or affordable, explaining its belief and proposing actions, within existing resources, to mitigate the problems envisaged.

4.2.4 It is expected that the Department and the BSO will have agreed the content and format of the Service Delivery Plan prior to formal submission to the Department.

4.2.5 The Service Delivery Plan will be subject to Departmental approval.

- 4.2.6 The BSO shall provide the Department, through the means specified by the Department, with a quarterly assessment of the progress being made in the delivery of targets and milestones set (including relevant targets in the current Programme for Government, PSAs and Priorities for Action). The BSO will demonstrate how resources are being used to achieve those objectives.
- 4.2.7 The Service Delivery Plan shall be published by the BSO and made available on its website. A summary version shall be made available to staff.

4.3 Reporting performance to the Department

- 4.3.1 The BSO 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 Service Delivery Plan.
- 4.3.2 The BSO shall take the initiative in informing the Department, through the means prescribed by the Department, of changes in external conditions which make the achievement of objectives more or less difficult, or which may require a change to the budget or objectives as set out in the Service Delivery Plan.
- 4.3.3 The BSO's performance in helping to deliver regional targets and objectives shall be reported to the Department on an ongoing basis, as prescribed by the Department.
- 4.3.4 Senior Departmental officials will hold biannual accountability reviews with the BSO to discuss its overall performance, its current and future activities, any policy developments relevant to those activities, safety and quality issues, financial performance, corporate control/risk management performance, and other issues as prescribed by the Department.

4.3.5 The BSO's performance against key Departmental targets shall be reported in the BSO's annual report and accounts.

4.3.6 An annual audit will be conducted by the NIAO to assess progress against key objectives.

4.3.7 The Department will, at its discretion, carry out occasional inspections to assess progress against key objectives.

5 BUDGETING PROCEDURES

5.1 The BSO's budgeting procedures are set out in the Financial Memorandum.

5.2 Internal audit

5.2.1 The BSO shall establish and maintain arrangements for internal audit in accordance with *FD (DFP) 07/09 The Treasury's Government Internal Audit Standards (GIAS)*, *HSS(F)21/03 Internal Audit Arrangements between a Sponsoring Department and its Non-Departmental Public Bodies (Trust's) and HSS(F)13/2007 Model HPSS Financial Governance Documents*.

5.2.2 The BSO shall ensure that the Department is satisfied with the competence and qualifications of the Head of Internal Audit and that the requirements for approving the appointment are in accordance with GIAS.

5.2.3 The BSO shall arrange for periodic quality reviews of its internal audit in accordance with GIAS. The Department shall consider whether it can rely on these reviews to provide assurance on the quality of internal audit. However, the Department reserves a right of access to carry out independent reviews of internal audit in the BSO.

5.2.4 The Department's Internal Audit Service shall also have a right of access to all documents prepared by the BSO's internal auditor, including where the service

is contracted out. The audit strategy, periodic audit work plans and annual audit report, including the BSO'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.

- 5.2.5 The Sponsor branch will have an annual meeting with the BSO's internal audit to ensure that shared assurance requirements (in relation to risk areas/topics) are built into the BSO's audit plan and audit strategy.

5.3 Audit Committee

- 5.3.1 The BSO 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.
- 5.3.2 The sponsor Department will attend one BSO audit committee meeting per organisation, per year, as an observer and will not participate in any Audit committee discussion.
- 5.3.3 The Audit Committees meeting agendas and minutes shall be forwarded as soon as possible to the sponsoring team.
- 5.3.4 The sponsor department will review the BSO's audit committee terms of reference. The BSO shall notify the sponsor department of any subsequent changes to the audit committee's terms of reference.

5.4 Fraud

- 5.4.1 The BSO should include arrangements for preventing, countering and dealing with fraud by:
- assessing, identifying, evaluating, and responding to fraud risks;
 - ensuring the BSO's Audit Committee formally considers the anti-fraud measures in place;

- reporting immediately all suspected or proven frauds, including attempted fraud to the sponsor Department; and
- complying with all guidance issued by the Department.

5.4.2 The sponsor department will report suspected and actual frauds immediately to DFP and the C&AG. In addition the BSO shall forward to the sponsor Department the annual fraud return, commissioned by DFP, on fraud and theft suffered by the BSO.

5.4.3 The sponsor department will review the BSO's Anti-fraud Policy and Fraud response plan. The BSO shall notify the sponsor department of any subsequent changes to the policy or response plan.

5.5 Additional Departmental access to the BSO

5.5.1 In addition to the right of access referred to in paragraph 5.2.3 above, the Department shall have a right of access to all the BSO's records, meetings and personnel for purposes such as audits, operational investigations, and as the Departmental Accounting Officer sees fit (subject to any relevant legal restrictions).

6. EXTERNAL ACCOUNTABILITY

6.1 The annual report and accounts

6.1.1 After the end of each financial year the BSO shall publish as a single document an annual report of its activities together with its audited annual accounts. The report shall also cover the activities of any corporate bodies under the control of the BSO. A draft of the report shall be submitted to the Department two weeks before the proposed publication date although it is expected that the department

and the BSO will have had extensive pre-publication discussion on the content of the report prior to formal submission to the department.

6.1.2 The report and accounts shall comply with the most recent version of the Government Financial Reporting Manual (FReM) issued by DFP. The accounts shall be prepared in accordance with any relevant statutes and the specific Accounts Direction issued by the Department.

6.1.3 The report and accounts shall outline the BSO's main activities and performance during the previous financial year and set out in summary form the BSO'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.

6.1.4 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 finance circular issued by the Department.

6.1.5 Due to the potential accounting and budgetary implications, any changes to accounting policies or significant estimation techniques underpinning the preparation of annual accounts shall require the prior written approval of the Department.

6.2 External audit

6.2.1 The Comptroller and Auditor General (C&AG) audits the BSO's annual accounts and passes the accounts to the Department who shall lay them before the Assembly. For the purposes 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 .

6.2.2 The C&AG has agreed to liaise with the BSO on who - the NIAO or a commercial auditor - shall undertake the actual audit on his behalf. The final decision rests with the C&AG.

6.2.3 The C&AG has agreed to share with the Department 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 the Department's responsibilities in relation to financial systems within the BSO. The C&AG will also consider, where asked, providing Departments and other relevant bodies with Regulatory Compliance Reports and other similar reports which the Department may request at the commencement of the audit and which are compatible with the independent auditor's role.

6.3 VFM examinations

6.3.1 The C&AG may carry out examinations into the economy, efficiency and effectiveness with which the BSO 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 BSO 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 including those relevant to matters of professional competence, misconduct etc. Where subcontractors are likely to be involved, it should also be made clear that the requirements extend to them.

7. STAFF MANAGEMENT

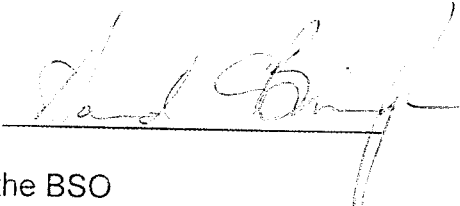
7.1 General

7.1.1. Within the arrangements approved by the Department, the BSO shall have responsibility for the recruitment, retention and motivation of its staff. To this end the BSO 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 as agreed by the Department;
- the performance of its staff at all levels is satisfactorily appraised;
- its staff are encouraged to acquire the appropriate professional, management and other expertise necessary to achieve the BSO's objectives;
- proper consultation with staff takes place on key issues affecting them;
- adequate grievance and disciplinary procedures are in place;
- whistle blowing procedures consistent with the Public Interest Disclosure (Northern Ireland) Order 1998, as amended, are in place;
- a code of conduct for staff is in place based on Annex 5A of Public Bodies: A Guide for NI Departments (available at www.afmdni.gov.uk). This code should be copied to the sponsor team.

8. REVIEWING THE ROLE OF THE BSO

8.1 The role of, and justification for the BSO shall be reviewed periodically, in accordance with the business needs of the sponsor Department and the BSO. Reference should be made to Chapter 9 of the Public Bodies: a Guide for Northern Ireland Departments.

Signed:  Date: 28-3-11

On behalf of the BSO

Signed:  Date: 29/0/11

On behalf of the Department

Appendix 1

1. DOCUMENTATION REQUIREMENTS

1.1 Documentation to be copied to the Sponsor Branch for information

Monthly (or as the occasion arises)

- Board meeting papers (including draft minutes) for each meeting as and when issued to Committee members.
- Governance & Audit Committee papers (including draft minutes) for each meeting as and when issued to Committee members

Annually

- Register of Board members' interests
- The annual report, with the draft submitted to the Department two weeks before the publication date (*detailed timetable for the annual accounts, SIC etc is set by Finance Directorate*)
- The Assurance Framework

Once, and then when revised

- Code of Conduct for Board members
- Code of Practice for staff
- Audit Committee Terms of Reference
- Audit Strategy
- Assurance/Governance Committee Terms of Reference
- Complaints procedure
- Anti-Fraud Policy
- Fraud Response Plan
- Whistle-blowing procedures
- Grievance and Disciplinary procedures
- Equality scheme
- Publication scheme

- Business Continuity plan

1.2 Documentation to be provided to the Sponsor Branch for consideration/ comment/ approval (where noted)

Quarterly

- Assessment of progress being made in the delivery of the Service Delivery Plan's aims and objectives

Bi-annual

- Corporate Risk Register

Annually

- Statement of Internal Control
- Mid-year Assurance Statement (by end-October each year)
- Report on compliance with Controls Assurance Standards
- Internal Audit work-plan
- Internal Audit Progress Report
- Annual Fraud return
- Corporate Plan (including the Business Plan), and the Service Delivery Plan, must be produced for Departmental approval
- The Head of Internal Audit's end-of-year and mid-year opinions on risk management, control and governance

Once

- Inspection reports by external bodies (e.g. RQIA), as specified in directions
- All Internal Audit reports with less than satisfactory assurance
- NIAO management letters

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Financial Memorandum for the Business Services Organisation

I. INTRODUCTION

1 This *Financial Memorandum* sets out certain aspects of the financial framework within which the Business Services Organisation (BSO) is required to operate.

2 The terms and conditions set out in the combined *Management Statement* and *Financial Memorandum* may be supplemented by guidelines or directions issued by the DHSSPS/Minister in respect of the exercise of any individual functions, powers and duties of the BSO.

3 The BSO shall satisfy the conditions and requirements set out in the combined document, together with such other conditions as the DHSSPS/Minister may from time to time impose.

II. THE BSO'S INCOME AND EXPENDITURE - GENERAL

The Departmental Expenditure Limit (DEL)

4 The BSO's current and capital expenditure form part of the sponsoring Department's Resource DEL and Capital DEL respectively.

Expenditure not proposed in the budget

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

Procurement

6 The BSO's procurement policies shall reflect the public procurement policy adopted by the Northern Ireland Executive in May 2002 (refreshed May 2009); Procurement Guidance Notes; and any other guidelines or guidance issued by Central Procurement Directorate (CPD) and the Procurement Board. The BSO shall also ensure that it complies with any relevant EU or other international procurement rules.

- 7 Periodically and wherever practicable the BSO's procurement shall be benchmarked against best practice elsewhere. The results of such review will be shared with DHSSPS.

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 BSO Accounting Officer approval. Further information is published in Procurement Guidance Note 02/10 on the 'Award of Contracts without a Competition'. www.cpdni.gov.uk/index/guidance-for-purchasers/guidance-notes.htm
- 10 The BSO shall send to the DHSSPS after each financial year a report for that year explaining any contracts above £5,000 in which competitive tendering was not employed.

Best Value for money

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

Timeliness in paying bills

12 The BSO shall collect receipts and pay all matured and properly authorised invoices in accordance with Annex 4.5 and Annex 4.6 of *Managing Public Money Northern Ireland* and any guidance issued by DFP or DHSSPS.

Novel, contentious or repercussive proposals

- 13 The BSO shall obtain the approval of the DHSSPS, and 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 on staff benefits;

- making any significant change in the scale of operation or funding of any initiative or particular scheme previously approved by the DHSSPS;

- making any change of policy or practice which has wider financial implications (eg because it might prove repercussive among other public sector bodies) or which might significantly affect the future level of resources required. (The DHSSPS will advise on what constitutes "significant" in this context).

Risk management/Fraud

14The BSO 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")*.

15The BSO 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.

16The BSO 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* .

17All cases of attempted, suspected or proven fraud shall be reported to the DHSSPS who shall report it to DFP and the NIAO as soon as they are discovered, irrespective of the amount involved.

Wider markets

18In accordance with the wider markets policy, the BSO shall seek to maximise receipts from non-Consolidated Fund sources, provided that this is consistent with (a) the BSO's main functions (b) its corporate plan as agreed with the DHSSPS. DHSSPS will confirm with the DFP Supply Officer that such proposed activity is appropriate.

Fees and charges

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

III. THE BSO'S INCOME

20 The BSO is funded by:

- Service and Business agreements for core services with HSC Bodies
- a Capital Allocation from the Department
- a revenue allocation from the Department.

21 Cash balances accumulated during the course of the year shall be kept at the minimum level consistent with the efficient operation of the BSO.

Fines and taxes as receipts

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

Receipts from sale of goods or services

23 Receipts from the sale of goods and services (including certain licences), rent of land, and dividends normally provide additional DEL spending power. If a body wishes to retain a receipt or utilise an increase in the level of receipts, it must gain the prior approval of its DHSSPS.

24 If there is any doubt about the correct classification of a receipt, the BSO shall consult the DHSSPS, which may consult DFP as necessary.

Interest earned

25 Interest earned on cash balances cannot necessarily be retained by the BSO. Depending on the budgeting treatment of this receipt, and its impact on the BSO'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 DHSSPS. If the receipts are used to finance additional expenditure by the BSO, DHSSPS will need to ensure it has the necessary budget cover.

Unforecast changes in in-year income

26If the negative DEL income realised or expected to be realised in-year is less than estimated, the BSO shall, unless otherwise agreed with the DHSSPS, ensure a corresponding reduction in its gross expenditure so that the authorised provision is not exceeded. [NOTE: For example, if the BSO is allocated £100 resource DEL provision by its DHSSPS 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 BSO will need to reduce its expenditure to £105 to avoid breaching its budget. If the BSO still spends £110 the DHSSPS will need to find £5 of savings from elsewhere within its total DEL to offset this overspend.]

27If the negative DEL income realised or expected to be realised in the year is more than estimated, the BSO may apply to the DHSSPS to retain the excess income for specified additional expenditure within the current financial year without an offsetting reduction to grant-in-aid. The DHSSPS 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 DHSSPS.

Build-up and draw-down of deposits

28The BSO shall comply with the rules that any DEL expenditure financed by the draw-down of deposits counts within DEL. The BSO shall maintain and manage cash balances as working balances only. These shall be held at a minimum level throughout the year. Any interest earned on overnight deposits must be returned to the DHSSPS.

29The BSO shall ensure that it has the necessary DEL provision for any expenditure financed by draw-down of deposits.

Proceeds from disposal of assets

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

Gifts and bequests received

31 The BSO is free to retain any gifts, bequests or similar donations, subject to paragraph 32. These shall be treated as receipts and must be notified to the DHSSPS. [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.] The latest FReM requirements should be applied]

32 Before accepting a gift, bequest, or similar donation, the BSO shall consider if there are any associated costs in doing so or any conflicts of interests arising. The BSO 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

33 Normally the BSO will not be allowed to borrow but when doing so the BSO shall observe the principles set out in Chapter 5 and the associated annexes of MPMNI when undertaking borrowing of any kind. The BSO shall seek the approval of the DHSSPS 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*.

34 Any expenditure by the BSO financed by borrowing counts in DEL

IV. EXPENDITURE ON STAFF

Staff costs

35 Subject to its delegated levels of authority the BSO 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

36The staff of the BSO, whether on permanent or temporary contract, shall be subject to levels of remuneration and terms and conditions of service (including superannuation) as approved by the DHSSPS and DFP. The BSO has no delegated power to amend these terms and conditions.

37Current terms and conditions for staff of the BSO are those set out in its Employee Handbook. The BSO shall provide the DHSSPS and DFP with a copy of the Handbook and subsequent amendments.

38 Annual pay increases of BSO 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 DHSSPS and the Minister for Finance before implementation.

39 The travel expenses of Board Members shall be tied to the rates allowed to senior staff of the BSO. Reasonable actual costs shall be reimbursed.

40The BSO shall operate a performance-related pay scheme which shall form part of the general pay structure approved by the DHSSPS and DFP.

41. BSO shall comply with the EU directive on contract workers [Fixed Term Employees Regulations (Prevention of Less Favourable Treatment)].

Pensions; redundancy/compensation

42The BSO's staff shall be eligible for a pension provided by:

- Either the Health and Social Care Superannuation Scheme or the Health and Social Care Pension Scheme.

43 Staff may opt out of the occupational pension scheme provided by the BSO. However, the employer's contribution to any personal pension arrangement, including a stakeholder pension, shall be limited to the national insurance rebate level.

44 Any proposal by the BSO to move from the existing pension arrangements, or to pay any redundancy or compensation for loss of office, requires the approval of the DHSSPS and DFP. Proposals on severance payments must comply with DAO (DFP) 17/05.

V. NON-STAFF EXPENDITURE

Economic appraisal

- 45 The BSO 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;
 - c. are above or below delegated limits(see Appendix A).
- 46 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 applies to the BSO can be found in:

- The Northern Ireland Guide to Expenditure Appraisal and Evaluation (NIGEAE) See <http://www.dfpni.gov.uk/eag> ;
- The HM Treasury Guide, *The Green Book: Appraisal and Evaluation in Central Government*, and
- The Capital Investment Manual.

Capital expenditure

- 47 Subject to being above an agreed capitalisation threshold, all expenditure on the acquisition or creation of fixed assets shall be capitalised on an accruals basis in accordance with relevant accounting standards. Expenditure to be capitalised shall include the (a)

acquisition, reclamation or laying out of land; (b) acquisition, construction, preparation or replacement of buildings and other structures or their associated fixtures and fittings; and (c) acquisition, installation or replacement of movable or fixed plant, machinery, vehicles and vessels.

- 48 Proposals for large-scale individual capital projects or acquisitions will normally be considered within the BSO's corporate and business planning process. Subject to paragraph 52, applications for approval within the corporate/business plan by the DHSSPS and, DFP if necessary, shall be supported by formal notification that the proposed project or purchase has been examined and duly authorised by the Board. Regular reports on the progress of projects shall be submitted to the DHSSPS.
- 49 Approval of the corporate/business plan does not obviate the BSO's responsibility to abide by the economic appraisal process.
- 50 Within its approved overall resources limit the BSO shall, as indicated in the attached Appendix on delegations, have delegated authority to spend up to £250,000 on any individual capital project or acquisition. Beyond that delegated limit, the DHSSPS' 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

- 51 Unless financial provision is subject to specific Departmental 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. 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

- 52 The BSO shall not, without the DHSSPS' 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

53 Unless covered by a delegated authority, all proposals to make a grant or loan to a third party, whether one-off or under a scheme, together with the terms and conditions under which such grant or loan is made shall be subject to prior approval by the DHSSPS, and where necessary DFP. If grants or loans are to be made under a continuing scheme, statutory authority is likely to be required.

54 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 BSO, the DHSSPS and the C&AG.

55 See also below under the heading *Recovery of grant-financed assets* (paragraphs 77-79).

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

56 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 DHSSPS and where necessary DFP.

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

58 Gifts by management to staff are subject to the requirements of HSS (F) 13/2007.

Leasing

59 Prior Departmental approval must be secured for all property and finance leases. The BSO must have capital DEL provision for finance leases and other transactions which are, in substance, borrowing (paragraphs 33-34 above).

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

Public/Private Partnerships

- 61 The BSO 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 BSO shall consult the DHSSPS. BSO should also ensure that it has the necessary budget cover.
- 62 Any partnership controlled by the BSO shall be treated as part of the BSO 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 DHSSPS will consult DFP (who may need to consult with the Office of National Statistics over national accounts treatment).

Subsidiary companies and joint ventures

- 63 The BSO shall not establish subsidiary companies or joint ventures without the express approval of the DHSSPS and DFP. In judging such proposals the DHSSPS will have regard to the Department's wider strategic aim[s] objective and current Public Service Agreement.
- 64 For public expenditure accounts purposes any subsidiary company or joint venture controlled or owned by the BSO 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 DHSSPS will consult DFP (who may need to consult with the Office of National Statistics over national accounts treatment). Unless specifically agreed with the DHSSPS 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

- 65 The BSO shall not make any investments in traded financial instruments without the prior written approval of the DHSSPS, 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. 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 BSO shall equally be subject to Departmental and DFP approval unless covered by a specific delegation.

Unconventional financing

- 66 The BSO shall not enter into any unconventional financing arrangement without the approval of the DHSSPS and DFP.

Commercial insurance

- 67 The BSO shall not take out any insurance without the prior approval of the DHSSPS 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 Annex 4.5 of MPMNI.

- 68 In the case of a major loss or third-party claim, DHSSPS shall liaise with the BSO about the circumstances in which, in the case of a major loss or third-party claim, an appropriate addition to budget out of the DHSSPS' funds and/or adjustment to the BSO's targets shall be considered. DHSSPS will liaise with DFP Supply where required in such cases.

Payment/Credit Cards

- 69 The BSO, in consultation with the DHSSPS, 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 HSS (F) 11/2003.

Hospitality

- 70 The BSO, in consultation with the DHSSPS, 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

- 71 The BSO shall adhere to the guidance issued by DFP, as well as any produced by the DHSSPS in relation to the use of consultants. Please see the delegated limits set out in Appendix A.
- 72 BSO will provide DHSSPS with an annual statement on the status of all consultancies completed and/or started in each financial year.
- 73 **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

- 74 BSO shall maintain an accurate and up-to-date register of its fixed assets.

Disposal of assets

- 75 The BSO 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 DHSSPS], and in accordance with the principles in MPMNI.
- 76 All receipts derived from the sale of assets (including grant financed assets, see below) must be declared to the DHSSPS, which will consult with DFP, if necessary, on the appropriate treatment.

Recovery of grant-financed assets

- 77 Where the BSO has financed expenditure on capital assets by a third party, the BSO shall set conditions and make appropriate arrangements to ensure that any such assets individually above a value of £500 are not disposed of by the third party without the BSO's prior consent.

78 The BSO 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 DHSSPS.

79 The BSO shall ensure that if the assets created by grants made by the BSO 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 BSO for surrender to the DHSSPS. The amounts recoverable under the procedures in paragraphs 77-78 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

80 Each year, in the light of decisions by the DHSSPS on the BSO's updated draft corporate plan, the DHSSPS will send to the BSO:

- a formal statement of the annual forecast income approved by the DHSSPS;
- and
- a statement of any planned change in policies affecting the BSO.

81 The BSO's approved annual business plan will take account both of its approved funding provision [where this applies] 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 DHSSPS funding and/or other income over the year. These elements will form part of the approved business plan for the year in question.

82 Any grant-in-aid provided by the DHSSPS for the year in question will be voted in the DHSSPS' Estimate and will be subject to Assembly control.

General conditions for authority to spend

83 Once the BSO's budget has been approved by the DHSSPS [and subject to any restrictions imposed by Statute/the Minister /this MSFM], the BSO shall have authority to incur expenditure approved in the budget without further reference to the DHSSPS, on the following conditions:

- the BSO 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 DHSSPS and DFP;
- the BSO 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 BSO'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; and
- the BSO shall provide the DHSSPS with such information about its operations, performance individual projects or other expenditure as the DHSSPS may reasonably require (see paragraph 84 below).

Providing monitoring information to the DHSSPS

84 The BSO shall provide the DHSSPS with, as a minimum, information on a monthly basis which will enable the satisfactory monitoring by the DHSSPS of:

- the BSO'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

85 The BSO is a member of the HSC 'pool' of bank accounts. The BSO's Accounting Officer is responsible for ensuring that the BSO's banking arrangements are in accordance with the requirements of Annex 5.7 of *MPMNI*. This responsibility remains even within the current banking pool arrangements. In particular, he/she shall ensure that the arrangements safeguard public funds and that their implementation ensures efficiency, economy and effectiveness.

86 He/she shall therefore ensure that:

- these arrangements are suitably structured and represent value-for-money. The HSC pool of accounts will be comprehensively reviewed at least every three to five years;
- sufficient information about banking arrangements is supplied to the DHSSPS' Accounting Officer to enable the latter to satisfy his/her own responsibilities;
- the BSO'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

87 The BSO shall comply with the following general guidance documents:

- This document (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;
- *Banking: Annex 5.7 MPMNI*
- Relevant Dear Consolidation Officer and Dear Consolidation Manager letters issued by DFP;
- *Regularity and Propriety*, 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 DHSSPS;
- 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 BSO.

X. REVIEW OF FINANCIAL MEMORANDUM

88 The *Management Statement and Financial Memorandum* will normally be reviewed at least every five years.

89 DFP Supply will be consulted on any significant variation proposed to the *Management Statement and Financial Memorandum*.

Signed: J. G. Bingham

Date: 23.5.11

On behalf of the BSO

Signed: Andrew M. Corral

Date: 22/5/11

On behalf of the Department

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 SERVICES

Table 1 Delegated Authority for the Purchase of Goods and Services
(All costs exclude VAT)

THRESHOLDS	NUMBER/TYPE OF TENDER REQUIRED	AUTHORISATION
Up to £2,000	No Quotations necessary	The Chief Executive/The appropriate officer as notified to the DHSSPS
>£2,000 - £30,000	4 Selected Tenders	The Chief Executive/The appropriate officer as notified to the DHSSPS
> £30,000 – EC Thresholds	Publicly advertised tender competition	The Chief Executive/The appropriate officer as notified to the DHSSPS

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 BSO should undertake a comprehensive business case of all projects involving expenditure of £250,000 and over.

Where the minimum number of quotation/tenders is not obtained

For any purchase where the minimum number of quotations/tenders is not obtained the purchase may proceed if the accounting officer is satisfied that every attempt has been made to obtain competitive offers and that value for money will be achieved. In these cases the accounting officer should complete a report, and

records of all correspondence should be retained on file, including any justification given and/or approvals obtained.

2. CAPITAL PROJECTS

The Chief Executive or appropriate officer as notified to the DHSSPS, may authorise capital expenditure on discreet capital projects of up to £250,000. Capital projects over this amount require the approval of the DHSSPS, and may be subject to quality assurance by the Department of Finance and Personnel if requested.

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

3. DISPOSAL OF SURPLUS EQUIPMENT

See paragraphs 77- 78

4. LEASE AND RENTAL AGREEMENTS

See paragraphs 63- 64

5. APPROVAL OF INFORMATION TECHNOLOGY PROJECTS

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

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

The purchase of IT equipment and systems should be in line with the guidance Procedures and Principles for Application of Best Practice in Programme/Project Management (PPM), (available at www.dfpni.gov.uk/successful-delivery) and be subject to competitive tendering unless there are convincing reasons to the contrary. The form of competition should be appropriate to the value and complexity of the project, and in line with the Procurement Control Limits in Table 1. Delegated authority for each IT project is set out in Table 2.

Table 2 Delegation Arrangements for Information Technology Projects, Systems And Equipment
(All costs exclude VAT)

THRESHOLDS	AUTHORISATION
Up to £250,000	The Chief Executive/The appropriate officer as notified to the DHSSPS
Projects over £250,000	The Chief Executive with prior approval from the DHSSPS

6. ENGAGEMENT OF CONSULTANTS

General

The BSO has authority to appoint consultants for a **single contract** without recourse to the DHSSPS up to a **total** cost of £20,000, and subject to any guidance as may be issued by DFP or the DHSSPS.

The BSO will provide the DHSSPS 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.

7. LOSSES AND SPECIAL PAYMENTS

The Chief Executive/ appropriate officer as notified to the DHSSPS will have the authority to write off losses and make special payments up to:

- (a) Cash losses – up to £10,000 per case/incident

- (b) Stores/Equipment losses – up to £10,000 per case/incident
- (c) Constructive losses and fruitless payments – up to £10,000 per case.
- (d) Compensation payments
 - i. Made under legal obligation, e.g. by Court Order – Complete delegation.
 - ii. For damage to personal property of staff – up to £2,000 per case
 - iii. Where written legal advice is that the BSO should not fight a court action because it is unlikely that it would win – up to £250,000 per case
- (e) Claims abandoned or waiver of claim – up to £10,000 per case
- (f) Extra contractual payments – Nil
- (g) Ex gratia payments – up to £10,000 per case (Pensions payments are not covered by this threshold)
- (h) Extra statutory and extra regulatory payments – no delegation, all proposals must be submitted to the DHSSPS for approval

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

A summary note of the losses in any financial year, should be included in the BSO'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 appropriate officer as notified to the DHSSPS for amounts below the delegated limits, and the DHSSPS, where appropriate.