

MANAGEMENT STATEMENT and FINANCIAL MEMORANDUM FOR PROBATION BOARD FOR NORTHERN IRELAND

1. INTRODUCTION

1.1 This document

- 1.1.1 This *Management Statement* and *Financial Memorandum* (MS/FM) has been drawn up by the Department of Justice (DOJ) in consultation with the Probation Board for Northern Ireland (PBNI), 80-90 North Street, Belfast BT1 1LD. The document is based on a model prepared by the Department of Finance and Personnel (DFP).
- 1.1.2 The terms and conditions set out in the combined *Management Statement* and *Financial Memorandum* may be supplemented by guidelines or directions issued by the DOJ/Minister of Justice in respect of the exercise of any individual functions, powers and duties of PBNI .
- 1.1.3 A copy of the MS/FM for PBNI should be given to all newly appointed Board Members, senior management 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.
- 1.1.4 Subject to the legislation noted below, this *Management Statement* sets out the broad framework within which PBNI will operate, in particular:
- PBNI's overall purpose, objectives and targets in support of the DOJ's wider strategic aim(s) and the outcomes and targets contained in its current Public Service Agreement (PSA);
 - the rules and guidelines relevant to the exercise of PBNI's functions, duties and powers;
 - the conditions under which any public funds are paid to PBNI;
 - how PBNI is to be held to account for its performance.
- 1.1.5 The associated *Financial Memorandum* sets out in greater detail certain aspects of the financial provisions which PBNI shall observe. However, the *Management Statement* and *Financial Memorandum* do not convey any legal powers or responsibilities.

- 1.1.6 The document shall be periodically reviewed by the DOJ in accordance with the timetable referred to in Section 7 below.
- 1.1.7 PBNI, the DOJ, or the Minister of Justice, may propose amendments to this document at any time. Any such proposals by PBNI shall be considered in the light of evolving departmental policy aims, operational factors and the track record of PBNI itself. The guiding principle shall be that the extent of flexibility and freedom given to PBNI shall reflect both the quality of its internal controls to achieve performance and its operational needs. The DOJ shall determine what changes, if any, are to be incorporated in the document. Legislative provisions shall take precedence over any part of the document. Significant variations to the document shall be cleared with DFP Supply after consultation with the PBNI, as appropriate. (The definition of "significant" will be determined by the DOJ in consultation with DFP.)
- 1.1.8 The *MS/FM* is approved by DFP Supply, and signed and dated by the DOJ and the PBNI's Director of Probation.
- 1.1.9 Any question regarding the interpretation of the document shall be resolved by the DOJ after consultation with PBNI and, as necessary, with DFP Supply.
- 1.1.10 Copies of this document and any subsequent substantive amendments shall be placed in the Library of the Assembly. (Copies shall also be made available to members of the public on the PBNI's website.)

1.2 Founding legislation; status

- 1.2.1 The Probation Board for Northern Ireland was established under the Probation Board (Northern Ireland) Order 1982. PBNI does not carry out its functions on behalf of the Crown.

1.3 The functions, duties and powers of PBNI

- 1.3.1 The Probation Board (Northern Ireland) Order 1982 sets out the following mandatory functions for PBNI:

Article 4 (1)

- a) To secure the maintenance of an adequate and efficient probation service
- b) To make arrangements for persons to perform work under community service orders
- c) To provide such Probation Officers and other staff as the Department of Justice considers necessary to perform social welfare duties in prisons and other Young Offender Centres; and

- d) To undertake such other duties as may be prescribed.

The Order also gives PBNI discretionary power, subject to the approval of the Department of Justice, to:

Article 4 (2)

- a) Provide and maintain probation hostels and other establishments for use in connection with the supervision and assistance of offenders
- b) Provide and maintain bail hostels
- c) Make and give effect to schemes for the supervision and assistance of offenders and the prevention of crime
- d) Make arrangements with voluntary organisations or any other persons (including government departments and public bodies) to:
 - (i) provide and maintain such hostels and other establishments as are mentioned in sub-paragraphs (a) and (b) above
 - (ii) give effect to schemes for the supervision and assistance of offenders and the prevention of crime.

1.4 Classification

- 1.4.1 For policy/administrative purposes PBNI is classified as an executive non-departmental public body.
- 1.4.2 PBNI under Schedule 1 Article 1 (1) of the Order is constituted as a body corporate and as such can acquire and hold lands, sue and be sued, execute deeds, use an official seal, make leases, enter into contractually binding agreements and do all other acts necessary or expedient in the discharge of its statutory duties. Under Article 8 (3) PBNI may borrow or raise money, on such terms and subject to such conditions as the Department of Justice may approve.

2. PURPOSE, OBJECTIVES AND TARGETS

2.1 Overall purpose

- 2.1.1 The PBNI Statement of Purpose is 'Making local communities safer by challenging and changing offenders' behaviour'. The Probation Board contributes to reducing offending and making local communities safer through supervising offenders subject to court orders and engaging with individuals to challenge and positively change their behaviour.

2.2 Objectives and key targets

- 2.2.1 The Department of Justice determines PBNI's performance framework in the light of the Department's wider strategic aims and current PSA objectives and targets (paragraph 1.1.4). The Minister has agreed the objectives, key targets and performance measures within PBNI's corporate and business planning process. (Section 4 below)

3. RESPONSIBILITIES AND ACCOUNTABILITY

3.1 The Minister

- 3.1.1 The Minister is accountable to the Assembly for the activities and performance of PBNI. His/Her responsibilities include:

- approving PBNI's strategic objectives and the policy and performance framework within which PBNI will operate (as set out in this *Management Statement* and *Financial Memorandum* and associated documents);
- keeping the Assembly informed about PBNI's performance;
- approving the amount of grant-in-aid/grant/other funds to be paid to PBNI, and securing Assembly approval;
- carrying out responsibilities specified in the Probation Board (Northern Ireland) Order 1982, including appointments to the Board, approving the terms and conditions of Board members, appointment of the Director, approval of terms and conditions of staff, and laying of the annual report and accounts before the Assembly; and
- Holding regular accountability reviews with PBNI to discuss policy and resources and provide an opportunity for PBNI to account for its stewardship of public funds.

3.2 The Accounting Officer of Department of Justice

- 3.2.1 The Permanent Secretary, as the DOJ's principal Accounting Officer (the 'departmental Accounting Officer'), is responsible for the overall organisation, management and staffing of the DOJ and for ensuring that there is a high standard of financial management in the DOJ as a whole. The departmental Accounting Officer is accountable to the

Assembly for the issue of any grant-in-aid to PBNI. The departmental Accounting Officer designates the Director of Probation as PBNI's Accounting Officer, and may withdraw the accounting officer designation if he/she believes that the incumbent is no longer suitable for the role.

3.2.2 In particular, the departmental Accounting Officer of the DOJ shall ensure that:

- PBNI's strategic purpose and objectives support the DOJ's wider strategic aim(s) and current PSA objectives and targets;
- the financial and other management controls applied by the DOJ to PBNI are appropriate and sufficient to safeguard public funds and for ensuring that PBNI's compliance with those controls is effectively monitored ("public funds" include not only any funds granted to PBNI by the Assembly but also any other funds falling within the stewardship of PBNI);
- the internal controls applied by PBNI conform to the requirements of regularity, propriety and good financial management; and
- any grant-in-aid to PBNI is within the ambit and the amount of the Request for Resources and that Assembly authority has been sought and given.

3.2.3 The responsibilities of a departmental Accounting Officer are set out in more detail in Chapter 3 of Managing Public Money Northern Ireland (MPMNI).

3.3 The Sponsoring Division in the Department of Justice

3.3.1 Within the DOJ, Reducing Offending Division is the sponsoring division for PBNI. The Division, in consultation as necessary with the departmental Accounting Officer, is the primary source of advice to the Minister on the discharge of his/her responsibilities in respect of PBNI, and the primary point of contact for PBNI in dealing with the DOJ. The sponsoring division shall carry out its duties under the management of a senior officer, who shall have primary responsibility within the team for overseeing the activities of PBNI.

3.3.2 The sponsoring division shall advise the Minister on:

- an appropriate framework of objectives and targets for PBNI in the light of the DOJ's wider strategic aim(s) and current PSA objectives and targets; and
- an appropriate budget for PBNI in the light of the DOJ's overall public expenditure priorities;
- how well PBNI is achieving its strategic objectives and whether it is delivering value for money.

3.3.3 In support of the departmental Accounting Officer, the sponsoring division shall:

on performance and risk management -

- monitor PBNI's activities on a continuing basis through an adequate and timely flow of information from PBNI on performance, budgeting, control, and risk management, including early sight of PBNI's Statement on Internal Control;
- address in a timely manner any significant problems arising in PBNI, whether financial or otherwise, making such interventions in the affairs of PBNI as the DOJ judges necessary to address such problems;
- periodically carry out a risk assessment of the PBNI's activities to inform the DOJ's oversight of PBNI; 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 PBNI's activities; the public monies at stake; the body's corporate governance arrangements; its financial performance; internal and external auditors' reports; the openness of communications between the body and the DOJ; and any other relevant matters;

on communication with PBNI -

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

3.4 The Role of the Criminal Justice Inspection Northern Ireland

- 3.4.1 Under the Justice (Northern Ireland) Act 2000, the Criminal Justice Inspection Northern Ireland undertakes inspection of PBNI and other criminal justice agencies. CJINI therefore has a statutory power to carry out inspections of Probation Board work. HM Inspectorate of Probation may also be invited to participate in some inspections where appropriate. CJINI is an independent non-departmental public body, and the Chief Inspector of Criminal Justice Inspection reports directly to the Minister of Justice.
- 3.4.2 The main objective of inspection is to assure the Minister of Justice, and through him the public, as to the Probation Board's standards of service and professional practice, and its efficiency, effectiveness and even-handedness. A protocol for the conduct of CJINI inspections is published on its website – www.cjini.org. CJINI's inspection reports are published and laid before the Assembly, and are made publicly available on its website.
- 3.4.3 CJINI consults with a range of stakeholders, including PBNI and the DOJ, to develop an annual plan of inspections, taking account of PBNI's own programme of internal monitoring and evaluation. In exceptional circumstances CJINI may, after consultation with PBNI and the DOJ, carry out inspections at short notice to address issues that were not foreseen at the planning stage.

3.5 The Board

- 3.5.1 The Board is appointed on a fixed term of 3 years with the possibility of reappointment for a further period of 3 years. These appointments are made by the Minister of Justice in line with the Code of Practice issued by the Commissioner for Public Appointments.
- 3.5.2 The Board has corporate responsibility for ensuring that PBNI meets its statutory remit and in doing so fulfils the aim(s) and objectives set by the DOJ and approved by the Minister, and for promoting the efficient, economic and effective use of staff and other resources by PBNI. To this end, and in pursuit of its wider corporate responsibilities, the Board shall:
- establish the overall strategic direction of PBNI within the policy and resources framework determined by the Minister of Justice and DOJ;

- constructively challenge PBNI's executive team in their planning, target setting and delivery of performance;
 - ensure that the DOJ is kept informed of any changes which are likely to impact on the strategic direction of PBNI or on the attainability of its targets, and determine the steps needed to deal with such changes;
 - ensure that any statutory or administrative requirements for the use of public funds are complied with; that the Board operates within the limits of its statutory authority and any delegated authority agreed with the DOJ, and in accordance with any other conditions relating to the use of public funds; and that, in reaching decisions, the Board takes into account all relevant guidance issued by DFP and DOJ;
-
- ensure that the Board receives and reviews regular financial information concerning the management of PBNI; is informed in a timely manner about any concerns about the activities of PBNI; and provides positive assurance to the DOJ that appropriate action has been taken on such concerns;
 - demonstrate high standards of corporate governance at all times, including using the audit committee (see paragraph 4.7), to help the Board to address the key financial and other risks facing PBNI; and
 - appoint, with the Minister's approval a Director of PBNI and, in consultation with the DOJ, set performance objectives and remuneration terms linked to these objectives for the Director, which give due weight to the proper management and use of public monies.

3.5.3 Individual Board Members shall act in accordance with their wider responsibilities as Members of the Board – namely to:

- comply at all times with the Code of Practice (see paragraph 3.6.5) that is adopted by the Board and with the rules and guidance relating to the use of public funds and to conflicts of interest;
- not misuse information gained in the course of their public service for personal gain or for political profit, nor seek to use the opportunity of public service to promote their private interests or those of connected persons or organisations; and to declare publicly and to the board any private interests that may be perceived to conflict with their public duties;

- comply with the Board's rules on the acceptance of gifts and hospitality, and of business appointments; and
- act in good faith and in the best interests of PBNI.

3.5.4 The DOJ shall have access to all Board meeting minutes. If a representative of the DOJ is attending Board meetings this will normally be in an observer capacity.

3.6 The Chairman

3.6.1 The Chairman of the Board is appointed on a part-time basis for a fixed term of 3 years with the possibility of reappointment for a further 3 years. This appointment is made by the Minister of Justice in line with the Code of Practice issued by the Commissioner for Public Appointments.

3.6.2 The Chairman is responsible to the Minister of Justice. The Chairman shall ensure that PBNI's policies and actions support the wider strategic policies of the Minister; and that PBNI's affairs are conducted with probity. The Chairman shares with other Board members the corporate responsibilities set out in paragraph 3.5.2, and in particular for ensuring that PBNI fulfils the aim(s) and objectives set by the DOJ and approved by the Minister of Justice.

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

- formulating the Board's strategy;
- ensuring that the Board, in reaching decisions, takes proper account of guidance provided by the Minister of Justice or the DOJ;
- promoting the efficient, economic and effective use of staff and other resources;
- encouraging and delivering high standards of regularity and propriety;
- representing the views of the Board to the general public; and
- ensuring that the Board meets at regular intervals throughout the year and that the minutes of meetings accurately record the decisions taken and, where appropriate, the views of individual Board members.

3.6.4 The Chairman shall also:

- ensure that all members of the Board, when taking up office, are fully briefed on the terms of their appointment and on their duties, rights and responsibilities, and receive appropriate induction training, including on the financial management and reporting requirements of public sector bodies and on any differences which may exist between private and public sector practice;
- advise the DOJ of the needs of PBNI when Board vacancies arise, with a view to ensuring a proper balance of professional and financial expertise; and
- assess the performance of individual Board Members. Board Members will be subject to ongoing performance appraisal, with a formal assessment being completed by the Chairman of the Board at the end of each year and prior to any re - appointment of individual Members taking place. Members will be made aware that they are being appraised, the standards against which they will be appraised, and will have an opportunity to contribute to and view their report. The Chairman of the Board will also be appraised on an annual basis by the Director of Safer Communities.

3.6.5 The Chairman shall also ensure that a Code of Practice for Board Members is in place, based on the Cabinet Office's *Code of Practice for Board Members of Public Bodies*, (FD (DFP) 03/06 refers). The Code shall commit the Chairman and other Board Members to the Nolan "seven principles of public life", and shall include a requirement for a comprehensive and publicly available register of Board Members' interests.

3.6.6 Communications between the Minister, the DOJ and PBNI on strategic and policy matters shall normally be through the Chairman. The Chairman shall ensure that the other Board Members are kept informed of such communications on a timely basis.

3.7 The Director's role as Accounting Officer

3.7.1 The Director of PBNI is designated as PBNI's Accounting Officer by the departmental Accounting Officer of the DOJ.

3.7.2 The Accounting Officer of PBNI 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 PBNI.

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

on planning and monitoring -

- taking appropriate account of the statutory responsibility of PBNI ensure the development and implementation, in agreement with the DOJ, of PBNI's corporate and business plans in support of the DOJ's wider strategic aim(s) and current PSA objectives and targets;
- inform the DOJ of PBNI's progress in helping to achieve the DOJ's policy objectives and in demonstrating how resources are being used to achieve those objectives;
- ensure that timely forecasts and monitoring information on performance and finance are provided to the DOJ; that the DOJ is notified promptly if overspends or underspends are likely and that corrective action is taken; and that any significant problems, whether financial or otherwise, and whether detected by internal audit or by other means, are notified to the DOJ in a timely fashion;

on advising the Board -

- advise the Board on the discharge of its responsibilities as set out in this document, in the Probation Board (Northern Ireland) Order 1982 and in any other relevant instructions and guidance that may be issued from time to time by DFP or DOJ;
- advise Board Members on PBNI's performance compared with its aim(s) and objectives;
- ensure that financial considerations are taken fully into account by the Board at all stages in reaching and executing its decisions, and that standard financial appraisal techniques are followed appropriately;
- take action in line with Section 3.8 of Managing Public Money NI (MPMNI) if the Board, or its Chairman, is contemplating a course of action involving a transaction which the Director considers would infringe the requirements of propriety or regularity, or does not represent prudent or economical administration, efficiency or effectiveness;

on managing risk and resources -

- ensure that a system of risk management is maintained to inform decisions on financial and operational planning and to assist in achieving objectives and targets;
- ensure that an effective system of programme and project management and contract management is maintained;
- ensure compliance with the Northern Ireland Public Procurement Policy;
- ensure that all public funds made available to PBNI, including any income or other receipts, are used for the purpose intended by the Assembly, and that such monies, together with PBNI's assets, equipment and staff, are used economically, efficiently and effectively;
- ensure that adequate internal management and financial controls are maintained by PBNI, including effective measures against fraud and theft;
- maintain a comprehensive system of internal delegated authorities that are notified to all staff, together with a system for regularly reviewing compliance with these delegations;
- ensure that effective personnel management policies are maintained;

on accounting for PBNI's activities -

- sign the accounts and be responsible for ensuring that proper records are kept relating to the accounts and that the accounts are properly prepared and presented in accordance with any directions issued by the Minister, the DOJ, or DFP;
- sign a Statement of Accounting Officer's responsibilities, for inclusion in the annual report and accounts;
- sign a Statement on Internal Control regarding PBNI's system of internal control, for inclusion in the annual report and accounts;
- ensure that effective procedures for handling complaints about PBNI are established and made widely known within PBNI;
- act in accordance with the terms of this document and with the instructions and relevant guidance in *MPMNI* and other instructions and guidance issued from time to time by the DOJ and DFP - in particular, Chapter 3 of *MPMNI* and the Treasury document *Regularity and Propriety and Value for Money* (a copy of which the Director shall receive on appointment). Section IX of the *Financial Memorandum* refers to other key guidance;

- give evidence, normally with the Accounting Officer of the DOJ, if summoned before the Public Accounts Committee on the use and stewardship of public funds by PBNI;
- ensure that an Equality Scheme is in place, reviewed and equality impact assessed as required by the Equality Commission and OFMDFM;
- ensure that Lifetime Opportunities is taken into account; and
- ensure that the requirements of the Data Protection Act 1998 and the Freedom of Information Act 2000 are complied with.

3.8 The Director's role as Consolidation Officer

- 3.8.1 For the purposes of Whole of Government Accounts, the Director of PBNI is normally appointed by DFP as PBNI's Consolidation Officer.
- 3.8.2 As PBNI's Consolidation Officer, the Director shall be personally responsible for preparing the consolidation information, which sets out the financial results and position of PBNI; for arranging for its audit; and for sending the information and the audit report to the Principal Consolidation Officer nominated by DFP.
- 3.8.3 As Consolidation Officer, the Director shall comply with the requirements of the PBNI Consolidation Officer Letter of Appointment as issued by DFP and shall, in particular:
- ensure that PBNI 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.

3.9 Delegation of duties

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

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

- 3.10.1 The Director of PBNI is the Principal Officer for handling cases involving the Northern Ireland Commissioner for Complaints. As Principal Officer, he/she shall inform the Permanent Secretary of the DOJ of any complaints about PBNI accepted by the Ombudsman for investigation, and about PBNI's proposed response to any subsequent recommendations from the Ombudsman.

3.11 Consulting Customers

- 3.11.1 PBNI will work in partnership with its stakeholders and customers to deliver the services/programmes, for which it has responsibility, to agreed standards. It will consult regularly to develop a clear understanding of citizens' needs and expectations of its services, and to seek feedback from both stakeholders and customers and will work to deliver a modern, accessible service.

4. PLANNING, BUDGETING AND CONTROL

4.1 The Corporate Plan

- 4.1.1 Consistent with the timetable for the NI Executive's Budget process reviews, PBNI shall submit to the DOJ a draft of PBNI's corporate plan covering three years ahead. PBNI shall have agreed with the DOJ the issues to be addressed in the plan and the timetable for its preparation.
- 4.1.2 DFP reserves the right to ask to see and agree the PBNI's Corporate Plan.
- 4.1.3 The plan shall reflect PBNI's statutory duties and, within those duties, the priorities set from time to time by the Minister. In particular, the plan shall demonstrate how PBNI contributes to the achievement of the DOJ's strategic aims and PSA objectives and targets.
- 4.1.4 The Corporate Plan shall set out:
- PBNI's key objectives and associated key performance targets for the three forward years, and its strategy for achieving those objectives;

- a review of PBNI's performance in the preceding financial year, together with comparable outturns for the previous 2-5 years, and an estimate of performance in the current year;
 - alternative scenarios to take account of factors which may significantly affect the execution of the plan, but which cannot be accurately forecast;
 - a forecast of expenditure and income, taking account of guidance on resource assumptions and policies provided by the DOJ at the beginning of the planning round. These forecasts should represent PBNI's best estimate of all its available income not just any grant or grant-in-aid; and
 - other matters as agreed between the DOJ and PBNI.
-

4.1.5 The main elements of the Plan, including the key performance targets, shall be agreed between the DOJ and PBNI in the light of the DOJ's decisions on policy and resources taken in the context of the Executive's wider policy and spending priorities and decisions.

4.2 The Business Plan

4.2.1 Each year of the Corporate Plan, amplified as necessary, shall form the basis of the Business Plan for the relevant forthcoming year. The Business Plan shall include key targets and milestones for the year immediately ahead and shall be linked to budgeting information so that resources allocated to achieve specific objectives can readily be identified by the DOJ.

4.2.2 DFP reserves the right to ask to see and agree PBNI's annual Business Plan.

4.2.3 Corporate and Business Plans will be formally approved by the Minister of Justice.

4.3 Publication of plans

4.3.1 PBNI will aim to publish the plan within 3 months of the beginning of the period to which it relates. Copies shall also be made available to staff and members of the public on the PBNI's website.

4.4 Reporting performance to the DOJ

4.4.1 PBNI 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 PBNI shall take the initiative in informing the DOJ of changes in external conditions, which make the achievement of objectives more or less difficult, or which may require a change to the budget or objectives as set out in the Corporate or Business Plans.
- 4.4.3 PBNI's performance in helping to deliver Departmental policies, including the achievement of key objectives, shall be reported to the DOJ on a three-monthly basis. Performance will be formally reviewed quarterly by officials of the DOJ. The Minister of Justice shall meet the Board formally each year to discuss PBNI's performance, its current and future activities, and any policy developments relevant to those activities.
- 4.4.4 PBNI's performance against key targets shall be reported in the PBNI Annual Report and Accounts (see Section 5.1 below). Arrangements for the validation of reported performance will be agreed between PBNI and the DOJ.

4.5 Budgeting procedures

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

4.6 Internal audit

- 4.6.1 PBNI shall establish and maintain arrangements for internal audit in accordance with the Government Internal Audit Standards (GIAS).
- 4.6.2 The DOJ shall have a right of access to all documents prepared by PBNI's internal auditor, including where the service is contracted out. *(PBNI should stipulate this requirement when tendering for the services.)*
- 4.6.3 PBNI shall arrange for periodic quality reviews of its internal audit in accordance with GIAS. The DOJ shall consider whether it can rely on these reviews to provide assurance on the quality of internal audit. However, the DOJ reserves a right of access to carry out independent reviews of internal audit within PBNI.
- 4.6.4 The DOJ will review the PBNI's terms of reference for internal audit service provision. PBNI shall notify the DOJ of any subsequent changes to internal audit's terms of reference.

4.7 Audit Committee

- 4.7.1 PBNI shall set up an audit committee independent of the organisation's executive structure and competent, in accordance with the Cabinet Office's *Guidance on Codes of Practice for Public Bodies* (FD (DFP) 03/06 refers) and in line with the Audit Committee Handbook DAO (DFP) 07/07.
 - 4.7.2 The DOJ shall be represented at Board Audit Committee's meetings and have access to the relevant papers and minutes as required.
 - 4.7.3 The DOJ will review the PBNI's Audit Committee's terms of reference. PBNI shall notify the DOJ of any subsequent changes to the Audit Committee's terms of reference.
-

4.8 Fraud

- 4.8.1 PBNI shall report immediately to the DOJ all frauds (proven or suspected), including attempted fraud. The DOJ shall then report the frauds immediately to DFP and the C&AG. In addition PBNI shall forward to the DOJ the annual fraud return, commissioned by DFP, on fraud and theft suffered by PBNI. For the purposes of this document, fraud covers any deception which harms the Department's interest.
- 4.8.2 The DOJ will review PBNI's Counter Fraud Policy and Fraud Response Plan. PBNI shall notify the DOJ of any subsequent changes to the policy or response plan.

4.9 Health & Safety

- 4.9.1 PBNI shall establish arrangements for compliance with all relevant Health and Safety legislation including the development of appropriate policies, the appointment of competent persons to manage and control risk and ensure appropriate training for staff. Reports shall be provided to the DOJ on performance and incidents.

4.10 Information Assurance

- 4.10.1 PBNI must as a minimum apply and operate the Information Assurance and Security Standards and policies of the DOJ. These policies and processes are applicable to all information including paper records, computers, communication systems and the information stored on them as well as other information assets in PBNI.

4.11 Additional Departmental access to PBNI

- 4.11.1 In addition to the right of access referred to in paragraph 4.6.2 above, the DOJ shall have a right of access to all of PBNI's records and personnel for purposes such as sponsorship audits and operational investigations. (See also paragraphs 3.5.4 and 4.7.2 access to Board and Audit Committee minutes.)

5. EXTERNAL ACCOUNTABILITY

5.1 The Annual Report and Accounts

- 5.1.1 After the end of each financial year PBNI 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 PBNI. A draft of the report shall be submitted to the DOJ two weeks before the proposed publication date although it is expected that the DOJ and PBNI will have had extensive pre publication discussion on the content of the report prior to formal submission to the DOJ.
- 5.1.2 The report and accounts shall comply with the most recent version of the Government Financial Reporting Manual (FReM) issued by DFP. (NOTE: This guidance is updated every year.) The accounts shall be prepared in accordance with any relevant statutes and the specific Accounts Direction issued by the DOJ.
- 5.1.3 The report and accounts shall outline PBNI's main activities and performance during the previous financial year and set out in summary form PBNI's forward plans. Information on performance against key financial targets shall be included in the notes to the accounts, and shall therefore be within the scope of the audit.
- 5.1.4 The report and accounts shall be laid before the Assembly and made available, in accordance with the guidance on the procedures for presenting and laying the combined annual report and accounts as prescribed in the relevant FD letter issued by DFP.
- 5.1.5 Due to the potential accounting and budgetary implications, any changes to accounting policies or significant estimation techniques underpinning the preparation of annual accounts, requires the prior written approval of the DOJ.

5.2 External Audit

- 5.2.1 The Comptroller and Auditor General (C&AG) audits PBNI's annual accounts and passes the accounts to the DOJ who lays them before the Assembly, together with PBNI's annual report. For the purpose of audit the C&AG has a statutory right of access to relevant documents as provided for in Articles 3 and 4 of the Audit and Accountability (Northern Ireland) Order 2003.
- 5.2.2 The C&AG will liaise with PBNI on the arrangements for completing the audit of PBNI's accounts. This will either be undertaken by staff of the NIAO or a private sector firm appointed by the C&AG to undertake the audit on his behalf. The final decision on how such audits will be undertaken rests with the C&AG, who retains overall responsibility for the audit.
- 5.2.3 The C&AG has agreed to share with the DOJ relevant information identified during the audit process including the report to those charged with governance at the end of the audit. This shall apply, in particular, to issues which impact on the DOJ's responsibilities in relation to financial systems within PBNI. The C&AG will also consider, where asked, providing the DOJ and other relevant bodies with reports which the DOJ 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 PBNI 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, PBNI should ensure that it includes a clause which makes the grant or contract conditional upon the recipient or contractor providing access to the C&AG in relation to documents relevant to the transaction. Where subcontractors are likely to be involved, it should also be made clear that the requirements extend to them.

6. STAFF MANAGEMENT

6.1 General

- 6.1.1. Within the arrangements approved by the Minister and DFP PBNI shall have responsibility for the recruitment, retention and motivation of its staff. To this end PBNI shall ensure that:

- its rules for the recruitment and management of staff create an inclusive culture in which diversity is fully valued; where appointment and advancement is based on merit; and where there is no discrimination on grounds of gender, marital status, domestic circumstances, sexual orientation, race, colour, ethnic or national origin, religion, disability, community background or age;
- the level and structure of its staffing, including grading and numbers of staff, are appropriate to its functions and the requirements of efficiency, effectiveness and economy;
- the performance of its staff at all levels is satisfactorily appraised and PBNI'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 PBNI's objectives;
- proper consultation with staff takes place on key issues affecting them;
- adequate grievance and disciplinary procedures are in place;
- whistle blowing procedures consistent with the Public Interest (Northern Ireland) Order 2003 are in place; and
- a code of conduct for staff is in place based on Annex 5A of Public Bodies: A Guide for NI Departments (available at www.afmdni.gov.uk).

7. REVIEWING THE ROLE OF PBNI

- 7.1 PBNI shall be reviewed periodically, in accordance with the business needs of the DOJ and PBNI and of best corporate governance practice. Reference should be made to Chapter 9 of the Public Bodies: a Guide for Northern Ireland Departments.

Financial Memorandum

I. INTRODUCTION

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

II. PBNI'S INCOME AND EXPENDITURE - GENERAL

The Departmental Expenditure Limit (DEL)

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

Expenditure not proposed in the budget

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

Procurement

- 6 PBNI'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 PBNI's procurement activity should be carried out by means of the Department's Service Legal Agreement

with CPD - this should ensure compliance with relevant UK, EU and international procurement rules.

- 7 Governance information is provided on a regular basis to the DOJ.

Competition

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

- 9 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 require DOJ Accounting Officer approval. It is advisable that PBNI seek an assurance from CPD, or their legal adviser, to provide assurance for the Accounting Officer that the use of single tender action is legitimate in a particular case. Further information is published in Procurement Guidance Note 03/11 on the 'Award of Contracts without a Competition'. www.cpdni.gov.uk/index/guidance-for-purchasers/guidance-notes.htm

- 10 The PBNI shall send to DOJ after each financial year a report for that year explaining any contracts in which competitive tendering was not applied.

Best value for money

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

Timeliness in paying bills

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

Novel, contentious or repercussive proposals

- 13 PBNI shall obtain the approval of DOJ, 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 DOJ;
- making any change of policy or practice which has wider financial implications (e.g. because it might prove repercussive among other public sector bodies) or which might significantly affect the future level of resources required.

Risk management/Fraud

-
- 14 PBNI shall ensure that the risks it faces are dealt with in an appropriate manner, in accordance with relevant aspects of best practice in corporate governance, and shall develop a risk management strategy, in accordance with the Treasury guidance *Management of Risk: A Strategic Overview (The "Orange Book")*.
- 15 PBNI shall take proportionate and appropriate steps to assess the financial and economic standing of any organisation or other body with which it intends to enter into a contract or to which it intends to give grant or grant-in-aid.
- 16 PBNI shall adopt and implement policies and practices to safeguard itself against fraud and theft, in line with DFP's guide *Managing the Risk of Fraud*.
- 17 All cases of attempted, suspected or proven fraud shall be reported to the DOJ who shall report it to DFP and the NIAO (see section 4.8 in the Management Statement) as soon as they are discovered, irrespective of the amount involved.

Stewardship Reporting

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

Wider markets

- 19 PBNI shall seek to maximise receipts from non-Consolidated Fund sources, provided that this is consistent with (a) PBNI's main functions

(b) its corporate plan as agreed with the DOJ. The DOJ will confirm with the DFP Supply Officer that such proposed activity is appropriate.

Fees and charges

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

III. PBNI'S INCOME

Grant-in-aid

21 Grant-in-aid will be paid to PBNI in fortnightly instalments, on the basis of a written application from PBNI 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 PBNI's functions.

22 PBNI should have regard to the guidance in DAO (DFP) 04/03 and to the general principle enshrined in Annex 5.1 of *Managing Public Money Northern Ireland* that it should seek grant-in-aid according to need.

23 Cash balances accumulated during the course of the year shall be kept at the minimum level consistent with the efficient operation of PBNI. Grant-in-aid not drawn down by the end of the year shall lapse. However, where draw-down of grant-in-aid is delayed to avoid excess cash balances at year-end, the DOJ will make available in the next financial year (subject to approval by the Assembly of the relevant Estimates provision) any such grant-in-aid required to meet any liabilities at year end, such as creditors.

Fines and taxes as receipts

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

Receipts from sale of goods or services

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

- 26 If there is any doubt about the correct classification of a receipt, PBNI shall consult the DOJ, which may consult DFP as necessary.

Interest earned

- 27 Interest earned on cash balances cannot necessarily be retained by PBNI. Depending on the budgeting treatment of this receipt, and its impact on PBNI's cash requirement, it may lead to commensurate reduction of grant-in-aid or be required to be surrendered to the NI Consolidated Fund via the DOJ. If the receipts are used to finance additional expenditure by PBNI, the DOJ will need to ensure it has the necessary budget cover.

Unforecast changes in in-year income

- 28 If the negative DEL income realised or expected to be realised in-year is less than estimated, PBNI shall, unless otherwise agreed with the DOJ, ensure a corresponding reduction in its gross expenditure so that the authorised provision is not exceeded. [NOTE: For example, if PBNI is allocated £100 resource DEL provision by the DOJ and expects to receive £10 of negative DEL income, it may plan to spend a total of £110. If income (on an accruals basis) turns out to be only £5 PBNI will need to reduce its expenditure to £105 to avoid breaching its budget. If PBNI still spends £110 the DOJ will need to find £5 of savings from elsewhere within its total DEL to offset this overspend.]
- 29 If the negative DEL income realised or expected to be realised in the year is more than estimated, PBNI may apply to the DOJ to retain the excess income for specified additional expenditure within the current financial year without an offsetting reduction to grant-in-aid. The DOJ shall consider such applications, taking account of competing demands for resources, and will consult with DFP in relation to any significant amounts. If an application is refused, any grant-in-aid shall be commensurately reduced or the excess receipts shall be required to be surrendered to the NI Consolidated Fund via the DOJ.

Build-up and draw-down of deposits

- 30 PBNI shall comply with the rules that any DEL expenditure financed by the draw-down of deposits counts within DEL and that the build-up of deposits may represent a saving to DEL (if the related receipts are negative DEL in the relevant budgets).
- 31 PBNI shall ensure that it has the necessary DEL provision for any expenditure financed by draw-down of deposits.

Proceeds from disposal of assets

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

Gifts and bequests received

- 33 The Board will comply with the relevant Departmental Gifts & Hospitality Policy. Gifts, bequests or similar donations may be capitalised at fair value on receipt and must be notified to the DOJ. [NOTE: A release from the donated assets reserve should offset depreciation in the operating cost statement. The latest FReM requirements should be applied.]
- 34 Before accepting a gift, bequest, or similar donation, PBNI shall consider if there are any associated costs in doing so or any conflicts of interests arising. PBNI shall keep a written record of any such gifts, bequests and donations and of their estimated value and whether they are disposed of or retained.

Borrowing

- 35 PBNI may, by means of a bank overdraft or by such other means, within such limits and subject to such conditions as may be approved by the Minister of Justice, temporarily borrow such sums as may be necessary for the purpose of defraying any expenses incurred by it under Article 8 (1) of the Probation Board (Northern Ireland) Order 1982.
- 36 Under Article 8 (2) of the Order any sum borrowed shall be repaid by PBNI before the end of the financial year in which it is borrowed.
- 37 Under Article 8 (3) of the Order PBNI may borrow or raise money, on such terms and subject to such conditions as may be approved by the Minister of Justice, upon the security of any property or assets of PBNI for the purpose of meeting expenses incurred in connection with any permanent works the cost of which is properly chargeable to capital or for any other purpose for which capital moneys may properly be applied.
- 38 PBNI shall observe the principles set out in Chapter 5 and the associated annexes of MPMNI when undertaking borrowing of any kind. PBNI shall seek the approval of the DOJ and, where appropriate, DFP, to ensure that it has any necessary authority and budgetary cover for any borrowing or the expenditure financed by such borrowing. Medium or long term private sector or foreign

borrowing is subject to the value for money test in *Section 5.7 of MPMNI*.

IV. EXPENDITURE ON STAFF

Staff costs

- 39 Subject to its delegated levels of authority PBNI 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

- 40 The staff of PBNI, whether on permanent or temporary contract, shall be subject to levels of remuneration and terms and conditions of service (including superannuation) within the general pay structure approved by the DOJ and DFP. PBNI has no delegated power to amend these terms and conditions. Terms and conditions of service may be varied by PBNI, but such variation is subject to the prior approval of the DOJ and DFP.
- 41 Probation Officers are employed under the terms and conditions of service based on those agreed by the National Negotiating Council (NNC) for Probation Services. Currently PBNI mirrors Northern Ireland Civil Service (NICS) terms and conditions and the NIO pay structure, which was in place prior to devolution, for its Administrative staff. This arrangement is currently under review. A number of options for PBNI Administrative Staff are currently under consideration. Any new arrangements will have to be agreed and approved by both DOJ and DFP prior to implementation. A small number of other grades are employed under locally agreed variations of NNC and/or NICS terms and conditions or the Joint Negotiating Council for Youth and Community workers.
- 42 Annual pay increases of PBNI staff must be in accordance with the annual FD letter on Pay Remit Approval Process and Guidance issued by DFP. Therefore, all proposed pay awards must have prior approval of the DOJ and DFP before implementation.
- 43 The Board Chairman and Board Members are remunerated at rates determined by the Department. The rate of remuneration will be reviewed by the Department annually. The travel and subsistence expenses of Board Members are currently paid in accordance with the rates published by DOE Local Government Policy Division (LGPD). This arrangement is currently under review.

44 PBNI shall operate a performance-related pay scheme which shall form part of the general pay structure approved by the Department and DFP.

45 PBNI shall comply with the EU directive on contract workers - Fixed Term Employees Regulations (Prevention of Less Favourable Treatment.)

Pensions; redundancy/compensation

46 PBNI's staff shall be eligible for a pension provided by:

- admittance to the NI Local Government Officers' Superannuation Committee (NILGOSC);

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

V. NON-STAFF EXPENDITURE

Economic appraisal

48 PBNI 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 Appendices 1 & 2).

49 Appraisal itself uses up resources. The effort that should go into appraisal and the detail to be considered is a matter for case-by-case judgement, but the general principle is that the resources to be devoted to appraisal should be in proportion to the scale or importance of the objectives and resource consequences in question. Judgement of the appropriate effort should take into consideration the totality of the resources involved in a proposal.

50 General guidance on economic appraisal that apply to NDPBs can be found in:

- DFP's on-line guide *The Northern Ireland Guide to Expenditure Appraisal and Evaluation* ("NIGEAE", 2009). See <http://www.dfpni.gov.uk/eag>
- The HM Treasury Guide, *The Green Book: Appraisal and Evaluation in Central Government* (2003).

Capital expenditure

- 51 Subject to being above an agreed capitalisation threshold, all expenditure on the acquisition or creation of fixed assets shall be capitalised on an accruals basis in accordance with relevant accounting standards. Expenditure to be capitalised shall normally include the (a) acquisition, reclamation or laying out of land; (b) acquisition, construction, preparation or replacement of buildings and other structures or their associated fixtures and fittings; and (c) acquisition, installation or replacement of movable or fixed plant, machinery, vehicles and vessels.
- 52 Proposals for large-scale individual capital projects or acquisitions will normally be considered within PBNI's corporate and business planning process. Subject to paragraph 54, applications for approval within the corporate/business plan by the DOJ and, DFP if necessary, shall be supported by formal notification that the proposed project or purchase has been examined and duly authorised by PBNI. Regular reports on the progress of projects shall be submitted to the DOJ.
- 53 Approval of the corporate/business plan does not obviate PBNI's responsibility to abide by the economic appraisal process.
- 54 Within its approved overall resources limit PBNI shall, as indicated in the attached Appendix on delegations, have delegated authority to spend up to £100k on any individual capital project or acquisition. Beyond that delegated limit, the DOJ's and where necessary, DFP's prior authority must be obtained before expenditure on an individual project or acquisition is incurred.

Transfer of funds within budgets

- 55 Unless financial provision is subject to specific DOJ or DFP controls (e.g. where provision is ring-fenced for specific purposes) or delegated limits, transfers between budgets within the total capital budget, or between budgets within the total revenue budget, do not need DOJ approval. PBNI will advise DOJ of its intention to undertake any such transfers through the monitoring round arrangements. The one exception to this is that, due to HM Treasury controls, any movement into, or out, of depreciation and impairments within the resource budget will require DOJ and possibly DFP approval. [NOTE: Under

resource budgeting rules, transfers from capital to resource budgets are not allowed.]

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

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

Grant or loan schemes

- 57 Unless covered by a delegated authority, all proposals to make a grant or loan to a third party, whether one-off or under a scheme, together with the terms and conditions under which such grant or loan is made shall be subject to prior approval by the DOJ, and where necessary DFP. If grants or loans are to be made under a continuing scheme, statutory authority is likely to be required.
- 58 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 PBNI, the DOJ and the C&AG.
- 59 See also below under the heading *Recovery of grant-financed assets* (paragraphs 81 - 83).

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

- 60 Proposals for making gifts or other special payments (including issuing write-offs) outside the delegated limits set out in the Appendix A of this document must have the prior approval of the DOJ and where necessary DFP.
- 61 Losses shall not be written off until all reasonable attempts to make a recovery have been made and proved unsuccessful.
- 62 Gifts by management to staff are subject to the requirements of DAO (DFP) 05/03 and DAO (DFP) 10/06.

Leasing

- 63 Prior DOJ approval must be secured for all property and finance leases. PBNI must have capital DEL provision for finance leases and other transactions which are, in substance, borrowing (paragraphs 35 - 37 above).
- 64 Before entering into any lease (including an operating lease) PBNI shall demonstrate that the lease offers better value for money than purchase.
-

Public/Private Partnerships

- 65 PBNI shall seek opportunities to enter into Public/Private Partnerships where this offers better value for money than conventional procurement. Where cash flow projections may result in delegated spending authority being breached, PBNI shall consult the DOJ. PBNI should also ensure that it has the necessary budget cover.
- 66 Any partnership controlled by PBNI shall be treated as part of PBNI in accordance with guidance in the FReM and consolidated with it (subject to any particular treatment required by the FReM). Where the judgment over the level of control is difficult the DOJ will consult DFP (who may need to consult with the Office of National Statistics over national accounts treatment).

Subsidiary companies and joint ventures

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

Financial investments

- 69 PBNI shall not make any investments in traded financial instruments without the prior written approval of the DOJ, and where appropriate DFP, nor shall it build up cash balances or net assets in excess of what is required for operational purposes. 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 PBNI shall equally be subject to DOJ and DFP approval unless covered by a specific delegation.

Unconventional financing

- 70 PBNI shall not enter into any unconventional financing arrangement without the approval of the DOJ and DFP.

Commercial insurance

- 71 PBNI shall not take out any insurance without the prior approval of the DOJ 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.
- 72 In the case of a major loss or third-party claim the DOJ shall liaise with PBNI about the circumstances in which an appropriate addition to budget out of the DOJ's funds and/or adjustment to PBNI's targets might be considered. The DOJ will liaise with DFP Supply where required in such cases.

Payment/Credit Cards

- 73 PBNI, in consultation with the DOJ, shall ensure that a comprehensive set of guidelines on the use of payment cards (including credit cards) is in place. Reference should be made to DAO (DFP) 24/02.

Hospitality

- 74 PBNI, in consultation with the DOJ, shall ensure that a comprehensive set of guidelines on the provision of hospitality is in place. Reference should be made to DAO (DFP) 10/06 Revised.

Use of Consultants

- 75 PBNI shall adhere to the guidance issued by DFP, as well as any produced by the DOJ in relation to the Use of Consultants. Please see the delegated limits set out in Appendix A.
- 76 PBNI will provide the DOJ with an annual statement on the status of all consultancies completed and/or started in each financial year.
- 77 **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

- 78 PBNI shall maintain an accurate and up-to-date register of its fixed assets.

Disposal of assets

- 79 PBNI shall dispose of assets which are surplus to its requirements. Assets shall be sold for best price, taking into account any costs of sale. Generally assets shall be sold by auction or competitive tender (unless otherwise agreed by the DOJ) and in accordance with the principles in MPMNI.
- 80 All receipts derived from the sale of assets (including grant financed assets, see below) must be declared to the DOJ, which will consult with DFP on the appropriate treatment.

Recovery of grant-financed assets

- 81 Where PBNI has financed expenditure on capital assets by a third party, PBNI shall set conditions and make appropriate arrangements to ensure that any such assets individually above a value of £10k are not disposed of by the third party without PBNI's prior consent.
- 82 PBNI shall therefore ensure that such conditions and arrangements are sufficient to secure the repayment of the NI Consolidated Fund's due share of the proceeds of the sale, in order that funds may be surrendered to the DOJ.
- 83 The DOJ shall ensure that if the assets created by grants made by

PBNI 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 PBNI for surrender to the DOJ. The amounts recoverable under the procedures in paragraphs 82-83 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

- 84 Each year, in the light of decisions by the DOJ on PBNI's corporate plan (Section 4.1 of the *Management Statement*), the DOJ will send to PBNI:
- a formal statement of the annual budgetary provision allocated by the DOJ in the light of competing priorities across the DOJ and of any forecast income approved by the DOJ;
 - and
 - a statement of any planned change in policies affecting PBNI.
- 85 PBNI's approved annual business plan will take account both of its approved funding provision and of any forecast receipts, and will include a budget of estimated payments and receipts together with a profile of expected expenditure and of draw-down of any DOJ funding and/or other income over the year. These elements will form part of the approved business plan for the year in question (Section 4.1 of the *Management Statement*.)
- 86 Any grant-in-aid provided by the DOJ for the year in question will be voted in the DOJ's Estimate and will be subject to Assembly control.

General conditions for authority to spend

- 87 Once PBNI's budget has been approved by the DOJ, and subject to any restrictions imposed by Statute/the Minister /this MSFM, PBNI shall have authority to incur expenditure approved in the budget without further reference to the DOJ, on the following conditions:
- PBNI shall comply with the delegations set out in Appendix A of this document. These delegations shall not be altered without the prior agreement of the DOJ and DFP;
 - PBNI shall comply with the conditions set out in paragraph 13 above regarding novel, contentious or repercussive proposals;
 - inclusion of any planned and approved expenditure in PBNI'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

- PBNI shall provide DOJ with such information about its operations, performance individual projects or other expenditure as DOJ may reasonably require (see paragraph 89 below); and
- PBNI shall comply with NI Procurement Policy and carry out procurement via CPD if the contract value is greater than the delegated limit.

Providing monitoring information to the Department of Justice

88 PBNI shall provide the DOJ with, as a minimum, information on a monthly basis which will enable the satisfactory monitoring by the DOJ of:

- PBNI'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

89 PBNI's Accounting Officer is responsible for ensuring that the PBNI's banking arrangements are in accordance with the requirements of Annex 5.7 of *MPMNI*. In particular, he/she shall ensure that the arrangements safeguard public funds and that their implementation ensures efficiency, economy and effectiveness.

90 He/she shall therefore ensure that:

- The PBNI is part of the department's banking pool;
- The PBNI'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

91 PBNI shall comply with the following general guidance documents:

- Both the *Financial Memorandum* and the *Management Statement*;
- *Managing Public Money Northern Ireland (MPMNI)*
- *Public Bodies - a Guide for NI Departments* issued by DFP;
- *Government Internal Audit Standards*, issued by DFP;

- The document *Managing the Risk of Fraud* issued by DFP;
- The Treasury document *The Government Financial Reporting Manual (FReM)* issued by DFP;
- Relevant DFP *Dear Accounting Officer* and *Finance Director* letters;
- Relevant *Dear Consolidation Officer* and *Dear Consolidation Manager* letters issued by DFP;
- *Regularity, Propriety and Value for Money*, issued by Treasury;
- The *Consolidation Officer Letter of Appointment*, issued by DFP;
- Other relevant instructions and guidance issued by the central Departments (DFP/OFMDFM) including Procurement Board and CPD Guidance;
- Specific instructions and guidance issued by the DOJ;
- Recommendations made by the Public Accounts Committee, or by other Assembly authority, which have been accepted by the Government and which are relevant to the NDPB.

X. REVIEW OF FINANCIAL MEMORANDUM

92 The *Management Statement* and *Financial Memorandum* will normally be reviewed at least every five years or following a review of PBNI's functions as provided for in Section 7 of the *Management Statement*.

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

Signed: B. M. [Signature]
on behalf of PBNI

Date: 5/12/12

Signed: [Signature]
on behalf of the Department

Date: 18/12/12

DELEGATED EXPENDITURE LIMITS

General

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

1. PURCHASING ALL GOODS, SERVICES AND WORKS

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

(All costs exclude VAT)

THRESHOLDS*	NUMBER/TYPE OF TENDER REQUIRED	AUTHORISATION (Dependent on category of expenditure)
Up to £5,000	Departments must demonstrate that value for money has been secured	Deputy Director and below
Greater than or equal to £5,000 but less than £10,000	A minimum of 2 tenders invited	Deputy Director and below
Greater than or equal to £10,000 but less than £30,000	Tender Competition through CPD	Director of Probation or Deputy Director
Greater than or equal to £30,000 but less than EU Thresholds	Publicly advertised tender competition through CPD	Director of Probation or Board
Greater than or equal to EU Thresholds	Notice placed in OJEU through CPD.	Director of Probation or Board

*Note: Thresholds are as per PGN Guidance Note 05/12.

Economic Appraisal

The principles of economic appraisal should be applied in all cases where expenditure is proposed, whether the proposal involves capital or current expenditure, or both. The effort put into economic appraisal should be commensurate with the size or importance of the needs or resources under

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

2. CAPITAL PROJECTS

The Director of Probation may authorise capital expenditure on discrete capital projects of up to £100k. Capital projects over this amount require the approval of the DOJ, 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 approval of the DOJ and DFP.

3. APPROVAL OF INFORMATION TECHNOLOGY PROJECTS

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

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

The purchase of IT equipment and systems should be in line with the guidance on Procedures and Principles for Application of Best Practice in Programme/Project Management (PPM), (available at www.dfpni.gov.uk/successful-delivery) and be subject to competitive tendering unless there are convincing reasons to the contrary. The form of competition should be appropriate to the value and complexity of the project, and in line with the 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
Projects over £100,000	DOJ and DFP

4. ENGAGEMENT OF CONSULTANTS

General

PBNI has authority to appoint consultants for a **single contract** without recourse to the DOJ up to a **total** cost of £10k, and subject to any guidance as may be issued by DFP or the DOJ.

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. Section 5 of the guidance note attached to FD (DFP) 04/09 explains the nature of the required business case.

APPENDIX B

DELEGATED EXPENDITURE LIMITS

PROBATION BOARD FOR NORTHERN IRELAND AREAS REQUIRING DFP APPROVAL REGARDLESS OF AMOUNT

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

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

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

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

PROBATION BOARD FOR NORTHERN IRELAND
AREAS REQUIRING APPROVAL WITH DELEGATED LIMITS IN PLACE

<i>Details</i>	<i>Delegated Limit (£)</i>
All gifts	100
Non-statutory guarantees and liabilities	0
Foreign Exchange transactions, where these are to be channelled through any institution other than the Northern Bank.	0
Use of consultants by PBNI	10,000
IT projects	100,000
Extra Statutory and extra-regulatory payments.	0
Recoupment of overpayments of pay, pensions and allowances.	10,000
Waived or Abandoned claims.	10,000
Individual extra-contractual and ex-gratia payments.	0
Individual compensation claims settled out of court unless legal advice is that the department will not win the case if contested in court, or when there has been no legal advice or when the case could go either way	10,000
Individual compensation claims settled out of court where the legal advice is that the department will not win the case if contested in court. 'Where' refers to when there is no chance of winning the case and the advice is to settle out of court	10,000
Individual compensation payments made as a result of court decision.	10,000
Consolatory Payments.	500
All expenditure under the EU Programmes for which the Special EU Programmes Body is responsible – currently Peace II and Interreg IIIa.	0
Consultancy assignments co-sponsored by the Strategic Investment Board.	0
All other losses, write offs and special payments not covered elsewhere in this letter.	50,000
All other capital projects (non IT) including purchase of land & property	100,000
Legal Fees	50,000
Financial Support to bodies not covered by a specific delegation.	100,000
Contract Variations	The lower of 5% and £25,000

DELEGATIONS WHICH ARE SPECIFIC TO THE PROBATION BOARD

<i>Details</i>	<i>Reference</i>
Remuneration and allowances, pensions and gratuities to or in respect of the chairman, deputy chairman and other members of the Probation Board	Schedule 1, paragraph 4 of the Probation Board (Northern Ireland) Order 1982
Compensation to a board member on termination of the contract prior to expiry of term of office.	Schedule 1, paragraph 5 of the Probation Board (Northern Ireland) Order 1982.
Remuneration and other terms and conditions of service of members of the staff of the Board	Schedule 1, paragraph 5 of the Probation Board (Northern Ireland) Order 1982
Pension, allowances or gratuities to members of the staff of the Board and redundancy payments	Schedule 1, paragraph 13 of the Probation Board (Northern Ireland) Order 1982
Probation Board expenses	Article 7, Para 1 of the Probation Board (Northern Ireland) Order 1982.