

**MANAGEMENT STATEMENT FOR THE OFFICE OF THE
POLICE OMBUDSMAN FOR NORTHERN IRELAND**

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A. MANAGEMENT STATEMENT AND FINANCIAL MEMORANDUM

INTRODUCTION

This document

This management statement and its associated financial memorandum have been drawn up by the Northern Ireland Office, Policing Operational Support Division (POSD), Castle Buildings, Stormont (the Department) in consultation with the Department's executive NDPB, the Office of the Police Ombudsman for Northern Ireland (the Office), New Cathedral Buildings, St. Anne's Square, 11 Church Street, Belfast. The document is based on a model prepared by the Treasury and is designed to facilitate working relationships between the Office and the Department based on an agreed understanding of their respective roles and responsibilities.

2. Subject to the duties, responsibilities and obligations imposed by the Police (NI) Act 1998 as amended, the management statement sets out the broad framework within which the Office will operate, in particular:

- a. the Office's overall aim, objectives and targets which will be consistent with the Department's wider strategic aims and current Public Service Agreement (PSA);
- b. the rules and guidelines relevant to the exercise of the Office's functions, duties and powers;
- c. the conditions under which any public funds are paid to the Office;
- d. how the Office is to be held to account for its performance.

3. However, the management statement and financial memorandum do not convey any legal powers, duties or responsibilities.

4. The associated financial memorandum sets out in greater detail certain aspects of the financial provisions which the Office shall observe.

5. The document shall be periodically reviewed by the Department in accordance with the timetable referred to in paragraphs 63-64 below.

6. The Police Ombudsman, or the Secretary of State, may propose amendments to this document at any time. Any such proposals by the Police Ombudsman shall be considered in the light of the reasons given by the Police Ombudsman for the proposed change, relevant evolving Departmental policy aims, operational issues affecting the Department and the previous performance of the Office.

Based on the quality of the internal controls in place and on operational needs, the Secretary of State 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 subject to consultation with the Treasury or Cabinet Office as appropriate.

7. The document is signed and dated by the Department and the Police Ombudsman.

8. Any question regarding the interpretation of the document shall be resolved by the Department after consultation with the Police Ombudsman and, as necessary, with the Treasury and/or the Cabinet Office.

9. Copies of this document and any subsequent amendments shall be placed on the Office's website, www.policeombudsman.org.

Founding legislation; status

10. The Police Ombudsman for Northern Ireland is established under the Police (Northern Ireland) Act 1998 as a corporation sole accountable to Parliament through the Secretary of State for Northern Ireland. The Police Ombudsman is appointed by Royal Warrant for a term of seven years. The Office does not carry out its functions on behalf of the Crown. The role of the Police Ombudsman and the constitution of the Office are set out in detail in Schedule 3 of the Act.

The functions, duties and powers of the Police Ombudsman

11. The Police (Northern Ireland) Act 1998 requires the Police Ombudsman to

- exercise his powers in such manner and to such extent as appears to him to be best calculated to secure :
 - a. the efficiency, effectiveness and independence of the police complaints system; and
 - b. the confidence of the public and of members of the police force in that system;
- observe all requirements as to confidentiality;
- receive complaints and other referred matters and to decide how to deal with them;
- investigate complaints, referred matters and matters called in for investigation by the Police Ombudsman;
- receive and record policy complaints and refer them to the Chief Constable;
- make recommendations to the Director of Public Prosecutions for criminal prosecution;
- make recommendations and directions in respect of disciplinary action against police officers;
- notify the Secretary of State, Northern Ireland Policing Board (NIPB) and the Chief Constable of the outcome of certain complaints, referred matters and any investigation which the Police Ombudsman initiates without a complaint; and
- report to the Secretary of State annually.

The Police (Northern Ireland) Act 2000 requires the Police Ombudsman to:

- carry out inquiries as directed by the Secretary of State;
- supply statistical information to the NIPB.

The Police (Northern Ireland) Act 2003 requires the Police Ombudsman to:

- investigate a current practice or policy of the police if the practice or policy comes to his attention under the Police (NI) Act 1998, and he has reason to believe that it would be in the public interest to investigate the practice or policy.

12. The Police Ombudsman also investigates complaints against the Belfast Harbour Police, Larne Harbour Police, the Belfast International Airport Police and Ministry of Defence Police in Northern Ireland and the Serious Organised Crime Agency when its staff operate in this jurisdiction.

Classification

13. For policy/administrative purposes the Office is classified as an executive non-departmental public body.

14. For national accounts purposes, the Office is classified to the central government sector.

B. AIM, OBJECTIVES AND TARGETS

Overall aim

15. The overall aim of the Police Ombudsman is to provide an independent and impartial police complaints service in which both the public and the police have confidence.

Objectives and key targets

16. The Department does not set operational policy for the Office. The Office is independent of government and as such the Department cannot decide on or agree to objectives and targets on how the Office should handle its day to day work, although some non-investigative operational policies may be subject to Department approval in accordance with conditions and requirements set out in the Conditions of Grant. However the Department determines the Office's performance as an NDPB in the light of the Department's wider strategic aims and current PSA (paragraph 2 above) and requires assurance that the Office is achieving its objectives efficiently and effectively, and within available resources.

C. RESPONSIBILITIES AND ACCOUNTABILITY

The Secretary of State

17. The Police Ombudsman, through the Secretary of State, accounts to Parliament for the activities and performance of the Office. The Police Ombudsman is independent of government. However in producing and maintaining a legislative framework, regulatory powers, and resources for the Office to function effectively, the Secretary of State is responsible for:

- a. the appointment of the Police Ombudsman in accordance with the Code of Practice issued by the Commissioner for Public Appointments;
- b. carrying out the responsibilities specified in the Police (NI) Act 1998;
- c. approving the Office's policy and performance framework within which the Office will operate as an NDPB (as set out in this management statement and financial memorandum and associated documents);
- d. approving the amount of grant-in-aid to be paid to the Office, and securing Parliamentary approval;
- e. keeping Parliament informed about the Office's performance;
- f. laying of the annual report and accounts before Parliament.

18. The Secretary of State shall meet the Police Ombudsman formally, on a needs basis, and at least on one occasion each year.

The Accounting Officer of the Department

19. The Permanent Secretary (PS) as the Department's principal Accounting Officer, is responsible for the overall organisation, management and staffing of the Policing Operational Support Division (POSD) of the Department, and for ensuring that there is a high standard of financial management in the Department as a whole. The PS is accountable to Parliament for the issue of any grant in aid to the Office. The PS designates the Chief Executive of the Office as the Office's Accounting Officer, and may withdraw the accounting officer designation if he believes that the incumbent is no longer suitable for the role.

20. In particular the PS should ensure that:

- a. the Office's strategic aims and objectives are consistent with the Department's wider strategic aims and current PSA;
- b. the financial and other management controls applied by the Department to the Office are appropriate and sufficient to safeguard public funds, and for ensuring that the Office's compliance with those controls is effectively monitored;
- c. the internal controls applied by the Office conform to the requirements of regularity, propriety and good financial management;
- d. any grant in aid to the Office is within the ambit and the amount of the Request for Resources (RfR) and that Parliamentary authority has been sought and given;

The responsibilities of a departmental Accounting Officer are set out in more detail in Chapter 3 of HM Treasury manual, *Managing Public Money*.

The sponsoring team in the Department

21. Within the Department, POSD is the sponsoring team for the Office. The team is the primary source of advice to the Secretary of State on the discharge of his responsibilities in respect of the Office, and the primary point of contact for the Office in dealing with the Department. POSD carries out its duties under a Head of Division who has primary responsibility for ensuring that the PS can fulfil his responsibilities to the Secretary of State.

22. POSD advises the Secretary of State on an appropriate framework of objectives and targets for the Office in the light of the Department's wider strategic aims and current PSA targets but observing the independent investigative role of the Office. The Department:

- a. shall advise the Secretary of State on an appropriate budget for the Office in the light of the Department's overall public expenditure priorities;
- b. monitors how well the Office is achieving its strategic objectives and whether it is delivering value for money.

23. In support of the Departmental Accounting Officer, POSD shall:

On performance and risk management

- a. monitor the Office's corporate governance and financial activities on a continuing basis through an adequate and timely flow of information from the Office on performance, budgeting, control and risk management, including early sight of the Office's Statement on Internal Control (SIC);
- b. address in a timely manner any significant problems arising in the Office, whether financial or otherwise, but shall not intervene in the handling or outcome of investigations;
- c. periodically carry out a risk assessment of the Office's activities to inform the Department's oversight of the Office; strengthen these arrangements if necessary; and amend the management statement accordingly. The risk assessment shall take into account the nature of the Office'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 Office and POSD/Department; and any other relevant matters. Other Departmental areas may be required to carry out the risk assessment.

On communication with the Office

- d. inform the Office of relevant Government policy in a timely manner; advise on the interpretation of that policy; and issue specific guidance to the Office as necessary;
- e. bring concerns about the activities of the Office to the attention of the Police Ombudsman, and require explanations and assurances from the Police Ombudsman that appropriate action has been taken.

The Police Ombudsman

24. The Office of Police Ombudsman for Northern Ireland is established by the Police (Northern Ireland) Act 1998 and is accountable to Parliament through the Secretary of State.

25. The Police Ombudsman has corporate responsibility for ensuring that the Office fulfils the aims and objectives set by the Secretary of State and for promoting the efficient and effective use of staff and other resources by the NDPB. To this end, and in pursuit of its wider corporate responsibilities, the Police Ombudsman shall:

- a. establish the overall strategic direction of the Office, within the resources framework determined by the Secretary of State;
- b. ensure that the Secretary of State is kept informed of any changes which are likely to impact on the strategic direction of the Office or on the attainability of its targets, and determine the steps needed to deal with such changes;
- c. ensure that any statutory or administrative requirements for the use of public funds are complied with; that the Office operates within the limits of its statutory authority and any delegated authority agreed with the Department, and in accordance with any other conditions relating to the use of public funds; and that, in reaching decisions, the Office takes into account guidance issued by the Department;
- d. ensure that the Office receives and reviews regularly financial information concerning the management of the Office; is informed in a timely manner about any concerns about the activities of the Office and provides positive assurance to the Department that appropriate action has been taken on such concerns;
- e. demonstrate high standards of corporate governance at all times, including by using the independent audit committee to help the Police Ombudsman to address the key financial and other risks facing the Office;
- f. appoint a Chief Executive and, in consultation with the Department, set performance objectives and remuneration terms linked to these objectives for the Chief Executive which give due weight to the proper management and use of public monies.

26. The Police Ombudsman has a particular leadership responsibility on the following matters:

- a. formulating the Office's strategy in line with the wider strategic policies of the Department;
- b. ensuring that the Office, in reaching decisions takes proper account of guidance provided by the Secretary of State or Department;
- c. promoting the efficient and effective use of staff and other resources;
- d. encouraging high standards of probity, propriety and regularity;
- e. representing the views of the Office to the general public.

The Chief Executive's role as Accounting Officer

27. The Chief Executive of the Office is designated as the Office's Accounting Officer by the Departmental Accounting Officer of the Department.

28. The Chief Executive is personally responsible for safeguarding the public funds for which he 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 office.

29. As Accounting Officer he shall exercise the following responsibilities, in particular:

- On planning and monitoring

- a. ensure that the Office's corporate and business plans are consistent with the Department's wider strategic aims and current PSA;
- b. inform the Department how resources are being used to achieve those objectives;
- c. ensure that timely forecasts and monitoring information on performance and finance are provided to the Department; that the Department is notified promptly if overspends or underspends are likely and that corrective action is taken; and that any significant problems, whether financial or otherwise, and whether detected by internal audit or by other means, are notified to the Department in a timely fashion;

- On managing risk and resources

- d. 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;
- e. ensure that an effective system of programme and project management and contract management is maintained;
- f. ensure that all public funds made available to the Office [including any approved income or other receipts] are used for the purpose intended by Parliament, and that such monies, together with the Office's assets, equipment and staff, are used economically, efficiently and effectively;
- g. ensure that adequate internal management and financial controls are maintained by the Office, including effective measures against fraud and theft;

- h. maintain a comprehensive system of internal delegated authorities which are notified to all staff, together with a system for regularly reviewing compliance with these delegations;
- i. ensure that effective personnel management policies are maintained;

- On advising the Police Ombudsman

- j. advise the Police Ombudsman on the discharge of his responsibilities as set out in relevant legislation and in any other relevant instructions and guidance that may be issued from time to time;
- k. advise the Police Ombudsman on the Office's performance compared with its aims and objectives;
- l. ensure that financial considerations are taken fully into account by the Police Ombudsman at all stages in reaching and executing his decisions, and that standard financial appraisal techniques are followed as far as this is practical;
- m. take action as set out in paragraphs 14-18 of the NDPB Accounting Officer Memorandum if the Police Ombudsman 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 or efficiency or effectiveness;

- On accounting for the Office's activities

- n. 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 Secretary of State;
- o. sign a Statement of Accounting Officer's responsibilities, for inclusion in the annual report and accounts;
- p. sign a Statement on Internal Control regarding the Office's system of internal control, for inclusion in the annual report and accounts;
- q. ensure that effective procedures for handling complaints about the Office are established and made widely known within and outside the Office;
- r. act in accordance with the terms of this document and with the instructions and guidance in Treasury documents; *Government Financial Reporting Manual (FreM)* and *Managing Public Money* and other instructions and guidance issued from time to time by the Department, the Treasury and the Cabinet Office – in particular, the Treasury documents *The Responsibilities of an NDPB Accounting Officer and Regularity and Propriety*, both of which the Chief Executive shall receive on appointment. Paragraph 59 of the attached financial memorandum refers to other key guidance;
- s. give evidence, normally with the Accounting Officer of the Department when summoned before the Committee of Public Accounts on the use and stewardship of public funds by the Office.

The Chief Executive's role as Consolidation Officer

30. For the purposes of Whole of Government Accounts, the Chief Executive of the Office is, as appointed by the Treasury, the Office's Consolidation Officer.

31. As the Office's Consolidation Officer, the Chief Executive is personally responsible for preparing the consolidation information that sets out the financial results and position of the Office, for arranging for its audit and for sending the information and the audit report to the Department for onward transmission to the Treasury.

32. As Consolidation Officer, the Chief Executive shall comply with the requirements of the Consolidation Officer memorandum and shall, in particular:

- a. ensure that the Office has in place and maintains sets of accounting records that will provide the necessary information for the consolidation process;
- b. 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 the Treasury on the form, manner and timetable for the delivery of such information.

Delegation of duties

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

The Chief Executive's role as Principal Officer for complaints of maladministration

34. The Chief Executive is the first point of contact for cases involving a complaint of maladministration against the Office. As the Principal Officer responsible, he shall have any complaint of maladministration examined and provide a full written explanation detailing the outcome to the complainant.

D. PLANNING, BUDGETING AND CONTROL

The Corporate Plan

35. Consistent with the timetable for public spending reviews, the Office shall submit annually to the Department a draft of the Office's updated corporate plan covering three years ahead.

36. The plan shall reflect the Office's statutory duties. In particular, the plan shall demonstrate how the Office contributes to the achievement of the Department's PSA targets, where appropriate.

37. The corporate plan shall set out:

- a. the Office's key objectives and associated key performance targets for the three forward years, and its strategy for achieving those objectives;
- b. a review of the Office's performance in the preceding financial year and an estimate of performance in the current year;
- c. alternative scenarios to take account of factors which may significantly affect the execution of the plan, but which cannot be accurately forecast;
- d. other matters as agreed between the Department and the Office.

38. The main elements of the plan – including the key performance targets - shall be agreed between the Department and the Office in the light of the Department's decisions on policy and resources taken in the context of the Government's wider public expenditure plans and decisions, but having regard always to the Police Ombudsman's duty to seek to provide an independent, effective and efficient police complaints system .

39. In reaching annual decisions on the Office's rolling corporate plan and in monitoring progress, the Department shall aim to give the Office greater planning certainty by observing the principles set out in paragraph 15 of PES(2000)25 concerning three-year planning and end-year flexibility (EYF). These principles are summarised in paragraph 18 of the financial memorandum.

The Business Plan

40. The first year of the corporate plan, amplified as necessary, shall form the business plan. The business plan shall be updated to 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.

Publication of plans

41. Subject to any commercial considerations, the corporate and business plans shall be published and made available on the Internet, www.policeombudsman.org. Copies of the plan shall be made available to staff.

Reporting performance to the Department

42. The Office 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.

43. The Office shall take the initiative in informing the Department of changes in external conditions which make the achievement of objectives more or less difficult, or which may require a change to the budget or objectives set out in the corporate or business plans.

44. The Office's performance in the achievement of key objectives, shall be reported to the Department on a three-monthly basis.

45. The Office's performance against key targets shall be reported in the Office's annual report and accounts [see paragraphs 53-56 below].

Budgeting procedures

46. The Office's budgeting procedures are set out in the financial memorandum.

Internal audit

47. The Office shall establish and maintain arrangements for internal audit in accordance with the Treasury's Government Internal Audit Standards (GIAS). The Office shall consult the Department to ensure that the latter is satisfied with the competence and qualifications of the Head of Internal Audit and the requirements for approving the appointment in accordance with Government Internal Audit Standards (GIAS) 5.2.

48. The Office shall set up an independent audit committee in accordance with the Cabinet Office's Guidance and the Treasury's Audit Committee guidance.

49. The Police Ombudsman shall ensure that the Audit Committee is established to receive and review regular reports from the Chief Executive as to the Office's discharge of its financial and other responsibilities and to receive and review reports from internal and external audit. The Audit Committee shall be constituted of the Police Ombudsman, representation of both the Internal and External Auditor, representation of the Department sponsoring team and financial services division and external independent representation.

50. The Office shall arrange for periodic quality reviews of its internal audit in accordance with the 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 Office.

51. The Department's Internal Audit Service shall also have a right of access to all documents prepared by the Office's internal auditor, including where the service is contracted out. The audit strategy, periodic audit plans and annual audit report, including the Office'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 NIO Head of Internal Audit as appropriate.

52. In addition, the Office shall forward to the Department an annual report on fraud and theft suffered by the Office; notify any unusual or major incidents as soon as possible; and notify any changes to internal audit's terms of reference, the audit committee's terms of reference or the Office's Fraud Policy and Fraud Response Plan.

E. EXTERNAL ACCOUNTABILITY

The annual report and accounts

53. In accordance with Section 61(3) of the Police (NI) Act 1998 the Police Ombudsman shall, not later than 3 months after the end of each financial year make to the Secretary of State, a report on the discharge of the Police Ombudsman's functions during that year. A draft of the report shall be submitted to the Department two weeks before the proposed publication date. The annual report will include the Office's audited annual accounts. The Secretary of State will lay a copy of the annual report before both Houses of Parliament. The Office will arrange for publication.

54. The report and accounts shall comply with the Treasury document Financial Reporting Manual (FreM), or other Treasury guidance issued. The accounts shall be prepared in accordance with the relevant statutes and the specific Accounts Direction issued by the Department.

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

56. The report and accounts shall be laid before Parliament and made available on the Internet, www.policeombudsman.org, in accordance with the guidance on the procedures for presenting and laying the combined annual report and accounts as prescribed in chapter 13 of the NDPB Annual Reports and Accounts Guidance.

External audit

57. The Comptroller and Auditor General (C&AG) audits the Office's annual accounts. The accounts and annual report shall be laid before Parliament. For the purpose of audit, the C&AG has a statutory right of access to relevant documents as provided for in the Government Resources and Accounts Act 2000, including by virtue of any Order made under that Act.

58. The C&AG has agreed to consult the Department and the Office on who – the NAO or a commercial auditor - shall undertake the actual audit on his behalf. The final decision rests with the C&AG.

59. The C&AG has agreed to share with 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 Office. The C&AG has also agreed, where asked, to provide Departments and other relevant bodies with Regulatory Compliance Reports and other similar reports which Departments may request at the commencement of the audit and which are compatible with the independent auditor's role.

Value-for-money (VFM) examinations

60. The C&AG may carry out examinations into the economy, efficiency and effectiveness with which the Office 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 section 8 of the National Audit Act 1983. In addition, the Office shall provide, in conditions to grants and contracts, for the C&AG to exercise such access to documents held by grant recipients and contractors and sub-contractors as may be required for these examinations; and shall use its best endeavours to secure access for the C&AG to any other documents required by the C&AG which are held by other bodies.

F. HEALTH AND SAFETY COMPLIANCE

61. The Office of the Police Ombudsman 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 sponsoring Division on performance and incidents.

G. STAFF MANAGEMENT

General

62. Within the arrangements approved by the Secretary of State, the Office shall have responsibility for the recruitment, retention and motivation of its staff. To this end, the Office shall ensure that:

a. 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, sexual orientation, race, colour, ethnic or national origin, religion, disability, community background or age;

b. the level and structure of its staffing, including gradings and numbers of staff, is appropriate to its functions and the requirements of efficiency, effectiveness and economy;

c. the performance of its staff at all levels is satisfactorily appraised and the Office's performance measurement systems are reviewed from time to time;

d. its staff are encouraged to acquire the appropriate professional, management and other expertise necessary to achieve the Office's objectives;

e. proper consultation with staff takes place on key issues affecting them;

f. adequate grievance and disciplinary procedures are in place;

g. whistleblowing procedures consistent with the Public Interest Disclosure Act 1998 are in place;

h. a code of ethics for staff is in place.

H. REVIEWING THE ROLE OF THE OFFICE AS AN NDPB

63. The Office shall be reviewed by the Department with sufficient frequency to ensure that the Department is confident that the Office is delivering a high quality service and fits appropriately in the Department's overall delivery strategy, having regard always to the statutory independence of the Police Ombudsman. The review should be carried out in accordance with the Cabinet Office guidance on "lighter touch" reviews.

64. The Management Statement will normally be reviewed at least every five years.

Signed on behalf of the Department

Signed on behalf of the Office

26 August 2008

Date

4 September 2008

Date

**FINANCIAL MEMORANDUM FOR THE OFFICE OF THE
POLICE OMBUDSMAN FOR NORTHERN IRELAND**

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FINANCIAL MEMORANDUM

A. INTRODUCTION

1. This financial memorandum, which forms part of the management statement for the Office, sets out in greater detail certain aspects of the financial framework within which the Office 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 Secretary of State in respect of the exercise of any individual functions, powers and duties of the Office.
3. The Office shall satisfy the conditions and requirements set out in the combined document, together with such other conditions as the Secretary of State may from time to time impose.

B. THE OFFICE'S INCOME AND EXPENDITURE – GENERAL

The Departmental Expenditure Limit (DEL)

4. The Office's current and capital expenditure form part of the Department's resource DEL and capital DEL respectively.

Expenditure not proposed in the budget

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

Procurement

6. The Office's procurement policies shall reflect guidance from the Office of Government Commerce, including *Procurement Policy Guideline*. The Office shall also ensure that it complies with any relevant Departmental, EU or other international procurement rules.
7. Periodically and wherever practicable the Office's procurement shall be benchmarked against best practice elsewhere and contracted out where this would achieve better value for money.

Competition

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

Value for money

9. Procurement by the Office of works, equipment, goods and services shall be based on value for money, i.e. quality (in terms of fitness for purpose) and delivery against price. Where appropriate, a full option appraisal shall be carried out before procurement decisions are taken.

Timeliness in paying bills

10. The Office shall collect receipts and pay all matured and properly authorised invoices in accordance with the terms of contracts or within 30 days, as provided for in Annex 4.6 of Managing Public Money. The Office shall comply with the British Standard for Achieving Good Payment Performance in Commercial Transactions (BS 7890), and with the Late Payment of Commercial Debts (Interest) Act 1998 as amended.

Novel, contentious or repercussive proposals

11. The Office shall obtain the approval of the Department before:

- a. 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;
- b. making any significant change in the scale of operation or funding of any initiative or particular scheme previously approved by the Department; or
- c. 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

12. The Office shall ensure that the risks which it faces are dealt with in an appropriate manner, in accordance with relevant aspects of best practice in corporate governance, and shall develop a risk management strategy, in accordance with the Treasury guidance *Management of Risk: A Strategic Overview*.

13. The Office shall adopt and implement policies and practices to safeguard itself against fraud and theft, in line with Treasury's guide *Managing the Risk of Fraud*.

Fees and charges

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

C. THE OFFICE'S INCOME

Grant in aid

15. Grant in aid will normally be paid to the Office in bi-monthly instalments, on the basis of a written application from the Office showing evidence of need. The application shall certify that the conditions applying to the use of grant in aid have been observed to date and that further grant in aid is now required for purposes appropriate to the Office's functions.

16. The Office should have regard to the general principles enshrined in Annex 5.1 of Managing Public Money that it should seek grant in aid according to need.

17. Cash balances accumulated during the course of the year from grant in aid or other Exchequer funds shall be kept at the minimum level consistent with the efficient operation of the Office. Grant in aid not drawn down by the end of the year shall lapse. However, where draw-down of grant in aid is delayed to avoid excess cash balances at year-end, the Department will make available in the next financial year – subject to approval by Parliament of the relevant Estimates provision – any such grant in aid which is required to meet any liabilities at year end, such as creditors.

End-year flexibility

18. As set out in PES (2000)25, the Department will aim to set firm multi-year plans and cascade end-year flexibility (EYF) on budgets where possible. In particular, the Department will aim to:

- a. agree, ahead of the year in question, a rolling three-year budget, fixed for at least the first year and with indicative amounts for subsequent years;
- b. decide at that point the Office's likely entitlement to EYF against the overall Departmental position (having regard to any loss of EYF as a result of Departmental Expenditure Limit (DEL) Reserve claims made by the Department) and Ministerial priorities.
- c. adjust (if necessary) and confirm the amount of EYF when accurate information is available in the Public Expenditure Outturn White Paper, taking account of outturn and of any DEL Reserve claims which might limit the EYF entitlement of the Department itself.

Receipts from sale of goods or services

19. Receipts from the sale of goods and services (including certain licences where there is a significant degree of service to the individual applicant), rent of land, and dividends are classified as negative public expenditure in national accounts and are therefore normally offset against the DEL (i.e. they provide additional DEL spending power).

20. If there is any doubt about the correct classification of a receipt, the Office shall consult the Department, who will consult the Treasury as necessary.

Fines, taxes and other receipts

21. Most fines and most taxes (including levies and some licences) are not negative public expenditure and do not provide additional DEL spending power. Such receipts shall either be surrendered to the Department or, if retained, shall either reduce the need for grant in aid or, if used to finance additional expenditure by the Office, shall require additional DEL cover from the Department.

Unforecast changes in in-year income

22. If the negative DEL income realised or expected to be realised in-year is less than estimated, the Office shall, unless otherwise agreed with the Department, ensure a corresponding reduction in its gross expenditure so that the authorised provision is not exceeded.

23. If the negative DEL income realised or expected to be realised in the year is more than estimated, the Chief Executive may apply to the Department to retain the excess income for specified additional expenditure within the current financial year without an offsetting reduction to grant in aid. The Department shall consider such applications, taking account of competing demands for resources. 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 Exchequer via the sponsor Department. (These arrangements are subject to the provisions set out in paragraphs 49-52 below.)

Proceeds from disposal of assets

24. Disposals of land and buildings are dealt with in paragraphs 49-52 below.

Gifts and bequests received

25. The Office has adopted the Departmental policy in relation to Gifts and Hospitality received and will maintain their own register.

Borrowing

26. The Office shall observe the rules set out in Section 5.6 of Managing Public Money when undertaking borrowing of any kind. The Office shall seek the approval of the Department to ensure that it has any necessary authority and budgetary cover for any borrowing or the expenditure financed by such borrowing.

Reserves

27. No grant or grant-in-aid shall be paid into any reserve held by the Office. Funds in any reserve may be a factor for consideration when grant-in-aid is determined.

D. EXPENDITURE ON STAFF

Staff costs

28. Subject to its delegated levels of authority, the Office 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

29. The Police Ombudsman may, with the approval of the Secretary of State as to numbers and as to remuneration and other terms and conditions of service, employ such persons as he thinks fit to enable him to carry out his functions. The Police Ombudsman will remunerate staff within the general pay structure of the Department except as in paragraph 34 below.

30. The Police Ombudsman may enter into arrangements to engage police officers for a period of temporary service (secondment) with the Police Ombudsman or to have other assistance provided by persons employed in the Civil Service.

31. Civil Service terms and conditions of service apply to the rates of pay and non-pay allowances paid to the Office's staff and to any other party entitled to payment in respect of travelling expenses or other allowances. Payment shall be made in accordance with the Civil Service Management Code except where prior approval has been given by the Department to vary such rates.

32. The Office may from time to time engage such other temporary staffing resource as is necessary to ensure its effective operations having due regard to operational necessity, value for money and ensuring expenditure is covered within available resources.

33. There is no delegated authority to make any special severance payments to staff that are in excess of normal statutory or contractual requirements.

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

Pensions; redundancy/compensation

35. The Office's staff shall normally be eligible for a pension provided by membership of the Principal Civil Service Pension Scheme (PCSPS).

36. Staff may opt out of the occupational pension scheme provided by the Office and are entitled to a PCSPS partnership pension which is a stakeholder pension.

37. Any proposal by the Office to move from the existing pension arrangements, or to pay any redundancy or compensation for loss of office, requires the approval of the Department. Proposals on severance payments must comply with DAO (GEN) 04/02.

E. NON-STAFF EXPENDITURE

Capital expenditure

38. Subject to being above an agreed capitalisation threshold, all expenditure on the acquisition or creation of fixed assets shall be capitalised on an accruals basis. Expenditure to be capitalised shall include:

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

39. Proposals for large-scale individual capital projects or acquisitions will normally be considered within the Office's corporate planning process. Applications for approval by the Department [and if necessary the Treasury] shall be supported by formal notification that the proposed project or purchase has been examined and duly authorised by the Police Ombudsman. Regular reports on the progress of projects shall be submitted to the Department.

40. Within its approved overall resources limit, the Office shall, as indicated in the attached Appendix 1 on delegated authorities, have delegated authority in relation to capital expenditure. Beyond that delegated limit, the Department's prior authority must be obtained before expenditure on an individual project or acquisition is incurred.

Transfer of funds within budgets - virement

41. Unless financial provision is subject to specific Department Treasury controls (e.g. where provision is ring-fenced for specific purposes), transfers between budgets within the total capital budget, or between budgets within the total revenue budget, do not need Department approval. Transfers from revenue budgets to capital budgets require the Department's approval however, transfers from capital to resource budgets are not allowed.

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

42. Proposals for making gifts or other special payments (including write-offs) outside the delegated limits set out in the Appendix 1 to this document must have the prior approval of the Department.

43. Gifts by management to staff are subject to the requirements of DAO(GEN)13/01 and the associated Cabinet Office guidance on non-pay rewards.

Leasing

44. Prior Departmental approval must be secured for all property and finance leases. The Office must have capital DEL provision for finance leases and other transactions which are in substance borrowing.

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

Commercial insurance

46. Except for buildings insurance which is a requirement of the lease, the Office shall not take out any insurance without the prior approval of the Department, other than third-party insurance required by the Road Traffic Acts and any other insurance which is a statutory obligation or which is permitted in Annex 4.5 of Managing Public Money.

47. The Department shall have a written agreement with the Office about the circumstances in which, in the case of a major loss or third-party claim, an appropriate addition to budget out of the Department's funds and/or adjustment to the Office's targets shall be considered.

F. MANAGEMENT AND DISPOSAL OF FIXED ASSETS

Register of assets

48. The Office shall maintain an accurate and up-to-date register of its fixed assets. All mobile assets e.g. mobile phones and laptops must be signed for by the recipient in an appropriate register. Subsequent transfers must be logged accordingly.

Disposal of assets

49. The Office shall dispose of assets which are surplus to its requirements. Assets shall be sold for best price, taking into account any costs of sale. High-value assets shall be sold by auction or competitive tender [unless otherwise agreed by the Department], and in accordance with Annex 4.8 of Managing Public Money.

50. The Office may normally retain receipts derived from the sale of assets provided that:

- a. the Department and the Treasury are content for the Office to retain these receipts;
- b. they are used to finance other capital spending;
- c. the Department receives prior notification of individual sales; and

- d. total sales in any financial year do not exceed a specified limit [normally 3 per cent of the Office's grant in aid (see PES(98)5)].

51. If, notwithstanding the above, the Office disposes of assets which have been purchased, improved or developed with Exchequer funds and the receipts amount to more than £1 million, or where the disposal has unusual features of which Parliament should be aware, Parliamentary approval shall be secured for the receipts to be reinvested. The receipts shall therefore be surrendered to the Department, which shall then submit an Estimate seeking approval for the receipts to be appropriated in aid by the Department and for a corresponding increase in the Office's grant in aid. If the proposed new investment exceeds the Office's relevant delegated authority the Department's approval will be needed.

52. If the criteria in paragraph 50 above are not met, any receipts shall be dealt with in line with the rules on surplus in-year receipts (paragraph 23 above).

G. BUDGETING PROCEDURES

Setting the annual budget

53. Each year, in the light of decisions by the Department on the Office's updated draft corporate plan (paragraphs 35-41 of the management statement, the Department will send to the Office: a formal statement of the annual budgetary provision allocated by the Department in the light of competing priorities across the Department and of any forecast income approved by the Department.

54. The Office'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 Departmental funding and/or other income over the year. These elements will form part of the approved business plan for the year in question.

55. Any grant in aid provided by the Department for the year in question will be voted in the Department's Estimate and will be subject to Parliamentary control.

General conditions for authority to spend

56. Once the Office's budget has been approved by the Department, the Office shall have authority to incur expenditure approved in the budget without further reference to the Department, on the following conditions:

- a. the Office shall comply with the delegations set out in Appendix 1 of this document. These delegations shall not be altered without the prior agreement of the Department;

- b. the Office shall comply with the conditions set out in paragraph 11 above regarding novel, contentious or repercussive proposals;
- c. inclusion of any planned and approved expenditure in the Office's budget shall not remove the need to seek formal Departmental approval where any proposed expenditure is outside the delegated limits or is for new schemes not previously agreed;
- d. the Office shall provide the Department with such information about its operations, performance individual projects or other expenditure as the Department may reasonably require (paragraph 57 below).

Providing monitoring information to the Department

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

- a. the Office's cash management;
- b. its draw-down of any grant in aid;
- c. forecast outturn and spend to date by resource headings, together with a variance analysis;
- d. other data required for the Combined Online Information System (COINS).

H. BANKING

Banking arrangements

58. The Office's Accounting Officer is responsible for ensuring that the Office's banking arrangements are in accordance with the requirements of Managing Public Money and the Treasury guidance document *Departmental Banking: A Manual for Government Departments*. In particular, he shall ensure that the arrangements safeguard public funds and are carried out efficiently, economically and effectively.

I. COMPLIANCE WITH INSTRUCTIONS AND GUIDANCE

Relevant documents

59. The NDPB shall comply with the following general guidance documents:

- a. this document (both the management statement and the financial memorandum);
- b. *Managing Public Money, including in particular Chapter 3 setting out the responsibilities of Accounting Officers*;
- c. *Non-Departmental Public Bodies – a Guide for Departments* (the "NDPB Guide"), issued by the Cabinet Office;
- d. *Government Internal Audit Standards* , issued by the Treasury;
- e. *Managing the Risk of Fraud* , issued by the Treasury;
- f. *Financial Reporting Manual (FreM)*, issued by the Treasury;
- g. the *Fees and Charges Guide* , issued by the Treasury;

- h. *Departmental Banking: A Manual for Government Departments* , issued by the Treasury;
- i. relevant "Dear Accounting Officer" (DAO) letters, issued by the Treasury;
- j. *Regularity, Propriety and Value for Money*, issued by the Treasury;
- k. the Consolidation Officer memorandum, issued by the Treasury;
- l. relevant "Dear Consolidation Officer" (DCO) letters, issued by the Treasury;
- m. other relevant guidance and instructions issued by the Treasury in respect of Annual Accounts or Whole of Government Accounts;
- n. other relevant instructions and guidance issued by the central Departments;
- o. specific instructions and guidance issued by the sponsor Department; and
- p. recommendations made by the Public Accounts Committee, or by other Parliamentary authority, which have been accepted by the Government and which are relevant to the NDPB.

J. REVIEW OF FINANCIAL MEMORANDUM

60. This financial memorandum will normally be reviewed at least every five years or following a review of the Office's functions.

61. The Treasury will be consulted on any significant variation proposed to this financial memorandum and the associated management statement.

Signed on behalf of the Department

Signed on behalf of the Office

26 August 2008

Date

4 September 2008

Date

DELEGATED AUTHORITIES BETWEEN THE DEPARTMENT AND THE
OFFICE OF THE POLICE OMBUDSMAN

<u>RESOURCE CATEGORY</u>	<u>EXTENT OF DELEGATION</u>
CAPITAL EXPENDITURE	
Capital Projects (for each separate project)	£200k
IT Equipment (for each separate project)	£50k
REVENUE EXPENDITURE	
Employment of consultants, including legal advice	£50k
Individual Gifts at the discretion of the Chief Executive	£100
Losses	£2k