



MANAGEMENT STATEMENT AND FINANCIAL MEMORANDUM

AGRI-FOOD AND BIOSCIENCES INSTITUTE (AFBI)

AGRI-FOOD AND BIOSCIENCES INSTITUTE

MANAGEMENT STATEMENT

I. INTRODUCTION

This Document

1. This *Management Statement* and *Financial Memorandum* (MS/FM) has been drawn up by the Department of Agriculture and Rural Development (DARD) in consultation with the Agri-Food and Biosciences Institute (AFBI), Newforge Lane, Belfast, BT9 5PX. The document is based upon a model prepared by the Department of Finance and Personnel (DFP).
2. The terms and conditions set out in the combined MS/FM may be supplemented by guidance or directions issued by DARD or the Minister in respect of the exercise of any individual functions, powers and duties of AFBI. In particular, the arrangements detailed in the Department's Arms Length Bodies Sponsorship Manual are supplementary to the terms and conditions of the combined MS/FM.
3. A copy of the MS/FM for AFBI should be given to all newly appointed Board Members, members of AFBI's Executive Management Team and departmental sponsor staff on appointment, and subsequent to any revision of the MS/FM. Additionally the MS/FM should be tabled for the information of the Board 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 AFBI Board on a timely basis.
4. Subject to the legislation noted below, the *Management Statement* sets out the broad framework within which AFBI will operate, in particular:
 - AFBI's overall aims, objectives and targets in support of DARD's wider strategic aims and its Commitments within the Programme for Government;
 - the rules and guidelines relevant to the exercise of AFBI's functions, duties and powers;
 - the conditions under which any public funds are paid to AFBI;
 - how AFBI is to be held to account for its performance.
5. The associated *Financial Memorandum* sets out in greater detail certain aspects of the financial provisions which AFBI shall observe. However, the *Management Statement* and *Financial Memorandum* do not convey any legal powers or responsibilities.

6. The MS/FM shall be periodically reviewed by DARD.
7. In addition to the periodic review referred to at paragraph 6, AFBI, DARD or the Minister, may propose amendments to the MS/FM at any time. Any such proposals by AFBI shall be considered in the light of evolving departmental policy aims, operational factors and the track record of AFBI itself. The guiding principle shall be that the extent of flexibility and freedom given to AFBI shall reflect both the quality of its internal controls and its operational needs. DARD shall determine what changes, if any, are to be incorporated in the MS/FM. Legislative provisions shall take precedence over any part of the MS/FM. Substantive amendments to the MS/FM shall be approved by DFP Supply after consultations with AFBI, as appropriate. (The definition of “substantive” will be determined by DARD in consultation with DFP.)
8. The MS/FM is approved by DFP Supply, and signed and dated by DARD’s Senior Sponsor and AFBI’s Chief Executive.
9. Any question regarding the interpretation of the MS/FM shall be resolved by DARD after consultation with AFBI and, as necessary, with DFP Supply.
10. Copies of this MS/FM and any subsequent substantive amendments shall be placed in the Library of the Assembly. Copies shall also be placed on AFBI’s website.

Founding Legislation/Status

11. AFBI is established under The Agriculture (Northern Ireland) Order 2004 as a body corporate. AFBI is not regarded as the servant or agent of the Crown, nor does it enjoy any status, immunity or privilege of the Crown.

Functions and Powers

12. The Agriculture (Northern Ireland) Order 2004 gives AFBI the following functions and powers.
13. Functions: The function of AFBI, as provided for under the 2004 Order, is to undertake scientific work in the fields of:
 - agriculture
 - animal health and welfare
 - food
 - fisheries
 - forestry
 - the natural environment, and
 - rural development and enterprise.

14. Scientific work refers to scientific work in any of the fields above and includes:
- research and development
 - the testing or analysis of any matter
 - the provision of advice and information on scientific matters, and
 - the dissemination or application of the results of scientific research.
15. Article 4 of the Agriculture (Northern Ireland) Order 2004 provides for assigned work, which means an agreed programme of work allocated to AFBI by DARD the priority of which it is important to protect. Defining it as assigned work puts a statutory obligation on AFBI to carry out this work. This distinguishes it from any commercial work which will not be afforded the same level of protection. DARD may also commission work outside the assigned work programme, especially in response to an emergency e.g. a major animal disease outbreak, and AFBI will be expected to maintain appropriate skills, experience and facilities to be able to respond to such emergencies. This response capability shall be periodically reviewed and agreed between DARD and AFBI and clearly identified in AFBI's Business Continuity Plans.
16. DARD and AFBI have also entered into a *Memorandum of Understanding (MoU)* which sets out the key principles upon which the DARD and AFBI customer / provider relationship will operate including how both Parties will work together to develop, deliver and monitor implementation of the Assigned Work Programme.
17. In addition to its assigned work, AFBI may carry out any scientific work for any person (including DARD or any other government department) on such terms and conditions as may be agreed between AFBI and that person, subject to compliance with this MSFM, the Agriculture (Northern Ireland) Order 2004 and the Department's Arms Lengths Bodies Sponsorship Manual.
18. Whilst AFBI may undertake commercial work i.e. all work other than assigned work, this must not prejudice its agreed assigned work programme for DARD. Work for other Government bodies may be accorded similar status to assigned work under a notice served under Article 6(3) of the Agriculture (Northern Ireland) Order 2004. Commercial work may come from any source, not just from DARD, will generally be on a contractual basis and is required to comply with *MPMNI*, Chapter 6 Fees, Charges and Levies. AFBI will need to ensure there is provision within commercial contracts for the suspension of commercial activities in the event of it being called upon to respond to an emergency situation.

19. The functions of AFBI shall be exercised in accordance with such directions of a general or specific nature as DARD may give to AFBI after consultation and in writing. Such directions shall not, however, be given in relation to any commercial activity which would require AFBI to act in breach of any obligation owed to a person or a body with whom AFBI have entered into a contract.
20. DARD may make payments to AFBI out of money appropriated for that purpose and in accordance with such terms and conditions as DARD may, with the approval of DFP as necessary, determine. AFBI shall pay to DARD all sums received by it in the course of, or in connection with, the carrying out of its functions.
21. Powers: Subject to the restrictions set out in the Agriculture (Northern Ireland) Order 2004 and to the supplementary conditions detailed in the Department's Arms Length Bodies Sponsorship Manual, AFBI may do anything which it thinks is appropriate for facilitating or incidental or conducive to the exercise of any of its functions.

Classification

22. For policy/administrative purposes AFBI is classified as an executive non-departmental public body.
23. For national accounts purposes AFBI is classified to the central government sector.
24. References to AFBI include (where they exist), all subsidiaries and joint ventures that are classified to the public sector for national accounts purposes. If such a subsidiary or joint venture is created, there shall be a document setting out the arrangements between it and AFBI.

II. STRATEGIC THEMES AND GOALS

25. Within AFBI's Corporate Plan 2011/12 – 2014/15, the Minister has approved the following Strategic Themes and Goals for AFBI:

Strategic Themes

- Delivery of scientific work assigned by the Department of Agriculture and Rural Development
- Helping government and industry to protect the NI economy and environment through AFBI's emergency response capability
- Actively managing the AFBI commercial portfolio
- Building AFBI's knowledge base

- Investing in its people, systems and processes
- Strengthening its financial base

Goals

- Successfully deliver the assigned work programme and in so doing support DARD in achieving its goals.
- Provision of scientific support to DARD and other government departments and agencies in managing the impact of animal and plant health, food and environmental emergencies.
- Actively manage and grow AFBI's commercial portfolio and in so doing build our reputation as a customer-first organisation.
- Sustain and develop AFBI's knowledge base and position AFBI as a leader in the delivery of innovation and scientific support to the agri-food sector.
- Invest in its people and ensure that the best systems and processes are in place to manage its organisation efficiently and effectively.
- Ensure the long-term financial sustainability of AFBI.

26. Associated with these Strategic Themes and Goals, the Corporate Plan also identifies Impact Indicators and four year Priorities.

III. RESPONSIBILITIES AND ACCOUNTABILITY

The Minister

27. The Minister is accountable to the Assembly for the activities and performance of AFBI. The Minister's responsibilities include:

- approving AFBI's strategic objectives and the policy and performance framework within which AFBI will operate (as set out in this *Management Statement* and *Financial Memorandum* and associated documents);
- keeping the Assembly informed about AFBI's performance
- carrying out responsibilities specified in the Agriculture (Northern Ireland) Order 2004, including appointments to the AFBI Board and approving the terms and conditions of Board members.

The Accounting Officer of DARD

28. The Permanent Secretary, as DARD's principal Accounting Officer (the 'departmental Accounting Officer'), is responsible for the overall organisation, management and staffing of DARD and for ensuring that there is a high standard of financial management in the Department as a whole. The departmental Accounting Officer is accountable to the Assembly for the issue of public funding to AFBI. The departmental Accounting Officer designates the Chief Executive of AFBI as AFBI's Accounting Officer, and may withdraw the Accounting Officer designation if he/she believes that the incumbent is no longer suitable for the role.
29. In particular, the departmental Accounting Officer of DARD shall ensure that:
- AFBI's Strategic Themes and Goals support DARD's wider strategic aims and Commitments within the Programme for Government;
 - the financial and other management controls applied by DARD to AFBI are appropriate and sufficient to safeguard public funds and for ensuring that AFBI's compliance with those controls is effectively monitored ("public funds" include not only any funds granted to AFBI by the Assembly but also any other funds falling within the stewardship of AFBI)
 - the internal controls applied by AFBI conform to the requirements of regularity, propriety and good financial management; and
 - any grant-in-aid to AFBI is within the ambit and the amount of the Request for Resources and that Assembly authority has been sought and given.
30. The responsibilities of a departmental Accounting Officer are set out in more detail in Chapter 3 of *Managing Public Money Northern Ireland*.

The sponsoring team in DARD

31. Within DARD, AFBI Sponsor Branch (ASB), part of Policy and Economics Division, is the sponsoring team for AFBI. The team, in consultation as necessary with the DARD Accounting Officer, is the primary source of advice to the Minister on the discharge of his/her responsibilities in respect of AFBI, and the primary point of contact for AFBI in dealing with DARD. The team shall carry out its duties under the management of a senior sponsor, who shall have primary responsibility within the team for overseeing the activities of AFBI. AFBI's senior sponsor is the Director of Policy and Economics Division.
32. The sponsoring team shall advise the Minister on:

- an appropriate framework of objectives and targets for AFBI in the light of DARD's wider strategic aims and Commitments within the Programme for Government;
- an appropriate budget for AFBI in the light of DARD's overall public expenditure priorities; and
- how well AFBI is achieving strategic objectives and whether it is delivering value for money.

33. In support of the departmental Accounting Officer, the sponsoring team shall:

on performance and risk management –

- monitor AFBI's activities on a continuing basis through an adequate and timely flow of information from AFBI on performance, budgeting, control, and risk management, including early sight of AFBI's Annual Governance Statement;
- address in a timely manner any significant problems arising in AFBI, whether financial or otherwise, making such interventions in the affairs of AFBI as DARD judges necessary to address such problems; and
- periodically carry out a risk assessment of AFBI's activities to inform DARD's oversight of AFBI; adjust these arrangements if necessary; and amend the *Management Statement* and *Financial Memorandum* accordingly. The risk assessment shall take into account the nature of AFBI's activities; the public monies at stake; AFBI's corporate governance arrangements; its financial performance; internal and external auditor's reports; the openness of communications between AFBI and DARD; and any other relevant matters.

on communication with AFBI –

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

AFBI's Board

34. Board Members are appointed as follows:

- by DARD in accordance with the Agriculture (Northern Ireland) Order 2004;
- for no more than five years at a time
- appointments are made in line with the Code of Practice issued by the Commissioner for Public Appointments Northern Ireland.

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

- establish the overall strategic direction of AFBI within the policy and resources framework determined by the Minister and DARD;
- constructively challenge AFBI's Executive Management Team in its planning, target setting and delivery of performance;
- ensure that DARD is kept informed of any changes which are likely to impact on the strategic direction of AFBI 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 DARD, 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 DARD;
- ensure that the Board receives and reviews regular financial information concerning the management of AFBI; is informed in a timely manner about any concerns relating to the activities of AFBI; and provides positive assurance to DARD that appropriate action has been taken on such concerns;
- demonstrate high standards of corporate governance at all times, including using the independent audit committee (see paragraphs 75-79) to help the Board to address the key financial and other risks facing AFBI; and
- appoint a Chief Executive to AFBI and, in consultation with DARD, set performance objectives and remuneration terms linked to those objectives for the Chief Executive, which gives due weight to the proper management and use of public monies.

36. 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 42) that is adopted by AFBI 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 person 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 AFBI.

37. DARD shall have access to all Board meeting minutes. The draft minutes of each Board meeting shall be provided to AFBI Sponsor Branch within 15 days of the Board meeting taking place.

The Chairman of AFBI

38. The Chairman is appointed as follows:

- by DARD in accordance with the Agriculture (Northern Ireland) Order 2004;
- for no more than five years at a time ; and
- appointments are made in line with the Code of Practice issued by the Commissioner for Public Appointments Northern Ireland.

39. The Chairman is responsible to the Minister. The Chairman shares with other Board members the collective responsibilities set out in paragraph 35, and in particular for ensuring that AFBI fulfils the aims and objectives set by DARD and approved by the Minister and that AFBI's affairs are conducted with probity.

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

- formulating AFBI's strategy;
- ensuring that the Board, in reaching decisions, takes proper account of guidance provided by DARD;

- 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.

41. The Chairman shall also:

- in conjunction with DARD, 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 DARD of the needs of AFBI 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 on-going performance appraisal, with a formal assessment being completed by the Chair 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 reports. The Chair of the Board will also be appraised on an annual basis by the departmental Accounting Officer or an official acting on his or her behalf.

42. 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.

43. Communications between the Board, the Minister and DARD 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.

The Chief Executive's role as Accounting Officer

44. The Chief Executive of AFBI is designated as AFBI's Accounting Officer by the departmental Accounting Officer of DARD.
45. The Accounting Officer of AFBI 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 AFBI.
46. As Accounting Officer, the Chief Executive shall exercise the following responsibilities in particular:

on planning and monitoring-

- establish, in agreement with DARD and the Board, AFBI's corporate and business plans in support of DARD's wider strategic aims and Commitments within the Programme for Government;
- inform DARD of AFBI's progress against its business plan targets including its delivery of DARD's work programme and demonstrate how resources are being used to achieve those targets;
- ensure that timely forecasts and monitoring information on performance and finance are provided to DARD; that DARD 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 DARD 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 founding legislation and in any other relevant instructions and guidance that may be issued from time to time by DFP or DARD;
- advise the Board on AFBI's performance compared with its aims 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 MPMNI if the Board, or its Chairman, is contemplating a course of action involving a transaction which the Chief Executive considers would infringe the

requirements of propriety or regularity, or does not represent prudent or economical administration, efficiency or effectiveness;

on managing risk and resources -

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

on accounting for AFBI'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, DARD, or DFP;
- sign a Statement of Accounting Officer's responsibilities, for inclusion in the annual report and accounts;
- sign an Annual Governance Statement regarding AFBI's governance arrangements, for inclusion in the annual report and accounts;
- ensure that effective procedures for handling complaints about AFBI are established and made widely known within AFBI;
- 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 DARD and DFP – in particular Chapter 3 of *MPMNI* and the Treasury document

Regularity and Propriety and Value for Money (a copy of which the Chief Executive shall receive on appointment). Section IX of the *Financial Memorandum* refers to other key guidance;

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

The Chief Executive's role as Consolidation Officer

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

48. As AFBI's Consolidation Officer, the Chief Executive shall be personally responsible for preparing the consolidation information, which sets out the financial results and position of AFBI; for arranging for its audit; and for sending the information and the audit report to the Principal Consolidation Officer nominated by DFP.

49. As Consolidation Officer, the Chief Executive shall comply with the requirements of AFBI's Consolidation Officer Letter of Appointment as issued by DFP and shall, in particular:

- ensure that AFBI 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 ("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.

Delegation of duties

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

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

51. The Chief Executive of AFBI is the Principal Officer for handling cases involving the Northern Ireland Commissioner for Complaints. As Principal Officer, he shall inform the Permanent Secretary of DARD of any complaints about AFBI accepted by the Ombudsman for investigation, and about AFBI's proposed response to any subsequent recommendations from the Ombudsman.

Consulting customers

52. AFBI 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 customers' needs and expectations of its services, and will work to deliver a modern, accessible service.

IV. PLANNING, BUDGETING AND CONTROL

The Corporate Plan

53. Consistent with the timetable for the NI Executive's Budget process reviews, AFBI shall submit to DARD a draft of AFBI's corporate plan covering the budget period. AFBI shall have agreed with DARD the issues to be addressed in the plan and the timetable for its preparation.

54. DFP reserves the right to ask to see and agree AFBI's corporate plan.

55. The plan shall reflect AFBI's statutory duties and, within those duties, the priorities set from time to time by the Minister. In particular, the plan shall demonstrate how AFBI contributes to the achievement of DARD's strategic aims and, where relevant, its Commitments within the Programme for Government.

56. The corporate plan shall set out:

- AFBI's priorities and goals for the duration of the plan and its strategy for achieving those priorities;
- 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 DARD at the beginning of the planning round. These forecasts should represent AFBI's best estimate of all its available income not just any grant or grant-in-aid; and

- other matters as agreed between DARD and AFBI.
57. The main elements of the plan, including the key performance indicators, shall be agreed between DARD and AFBI in light of DARD's decisions on policy and resources taken in the context of the Executive's wider policy and spending priorities and decisions.
58. DARD shall aim to give AFBI as much planning certainty as possible over the period of the corporate plan.

The Business Plan

59. Each year of the corporate plan, amplified as necessary, shall form the basis of the business plan for the relevant forthcoming year. On an annual basis, DARD and AFBI should agree a date by which AFBI will submit its draft business plan to DARD.
60. The business plan shall include 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 DARD.
61. DFP reserves the right to ask to see and agree AFBI's annual business plan.
62. Corporate and business plans will be formally approved by the Minister.

Publication of Plans

63. The corporate and business plans shall be published on AFBI's internet site. They shall be made available to staff.

Reporting performance to DARD

64. AFBI 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.
65. AFBI shall take the initiative in informing DARD 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.
66. AFBI's organisational performance shall be reported to DARD at each Accountability Meeting. Performance will be formally reviewed by officials of DARD. The Minister shall meet the Chair and Deputy Chair of the AFBI Board formally each year to discuss AFBI's performance,

its current and future activities, and any policy developments relevant to those activities.

67. In addition to a regular monthly report on AFBI's financial position provided by ASB to DARD's Departmental Board, ASB will provide DARD's Top Management Group with a bi-annual report on implementation of the MoU and delivery of the Assigned Work Programme.

68. AFBI's performance against key targets shall be reported in AFBI's annual report and accounts (see Section V below).

Budgeting procedures

69. The financial framework within which AFBI is required to operate is set out in the *Financial Memorandum*.

Internal audit

70. AFBI shall establish and maintain arrangements for internal audit in accordance with the Public Sector Internal Audit Standards (PSIAS) [DAO (DFP) 11/12] and any additional advice and guidance issue by DFP and DARD.

71. DARD should outline the arrangements that it has determined as appropriate for AFBI, taking account of DAO (DFP) 01/10 Internal Audit Arrangements between Departments and Arm's Length Bodies. This will include specifying DARD's requirements in terms of:

- having input to AFBI's planned internal audit coverage;
- arrangements for the receipt of audit reports, assignment reports, the Head of Internal Audit's annual report and opinion etc;
- arrangements for the completion of Internal and External Assessments of AFBI's internal audit function against PSIAS including advising that DARD reserves a right of access to carry out its own independent reviews of internal audit in AFBI;
- the right of access to all documents prepared by AFBI's internal auditor, including where the service is contracted out. Where AFBI's audit service is contracted out, AFBI should stipulate this requirement when tendering for the services.

72. AFBI shall consult ASB, in the first instance, to ensure that the latter is satisfied with the specification of the competence and qualifications of AFBI's Head of Internal Audit and that the requirements for approving the appointment of an auditor are in accordance with PSIAS and relevant DFP guidance.

73. ASB will review AFBI's terms of reference for internal audit service provision. AFBI shall notify ASB of any subsequent changes to internal audit's terms of reference.

74. DARD Internal Audit may be utilised by the Department, at the request of the Principal Accounting Officer, other senior officials or ASB to undertake one-off or ad hoc reviews and investigations within AFBI.

Audit Committee

75. AFBI shall set up an independent audit committee as a committee of its Board, in accordance with the Cabinet Office's *Guidance on Codes of Practice for Public Bodies* (FD (DFP) 03/06 refers) and in line with the Audit and Risk Assurance Committee Handbook (April 2013).

76. A DARD representative (usually the Grade 7 in ASB) will attend all AFBI Audit Committee meetings in an observer capacity. The nature of DARD's representative attendance should be made clear to the Audit Committee and included in the Audit Committee Terms of Reference.

77. DARD shall have access to all Audit Committee papers and minutes.

78. The draft minutes of each AFBI Audit Committee meeting shall be provided to DARD within 15 working days of the Audit Committee meeting taking place. Copies of the final minutes shall also be forwarded to DARD upon approval.

79. DARD should specify the arrangements it has determined appropriate for AFBI, which may include attendance by departmental representatives at AFBI's Audit Committee.

Fraud

80. AFBI shall report immediately to DARD all frauds (proven or suspected), including attempted fraud. DARD shall then report the frauds immediately to DFP and the Comptroller & Auditor General (C&AG). In addition AFBI shall forward to DARD the annual fraud return, commissioned by DFP, on fraud and theft suffered by AFBI.

81. DARD will notify AFBI of any revisions to the Department's Counter Fraud Strategy. AFBI will notify DARD of any subsequent changes to its Anti-Fraud Policy or response plan.

Additional departmental access to AFBI

82. In addition to the right of access referred to in paragraph 71 above, DARD shall have a right of access to all AFBI's records and personnel for purposes such as sponsorship audits, operational investigations

and any other purpose. (See also paragraphs 37 and 77, access to Board and Audit Committee papers.)

V. EXTERNAL ACCOUNTABILITY

The annual report and accounts

83. After the end of each financial year AFBI 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 AFBI. A draft of the report shall be submitted to DARD at least two weeks before the proposed publication date, although it is expected that DARD and AFBI will have had extensive pre-publication discussion on the content of the report prior to formal submission to DARD.
84. The annual report and accounts shall comply with the most recent version of the Government Financial Reporting Manual (FReM) issued by DFP (which is updated each year). The accounts shall be prepared in accordance with any relevant statutes and the specific Accounts Direction issued by DARD.
85. The annual report and accounts shall outline AFBI's main activities and performance during the previous financial year and set out in summary form AFBI's forward plans. Information on performance against key financial targets shall be included in the annual report notes to the accounts, and shall therefore be within the scope of the audit.
86. 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. DARD is responsible for the laying of AFBI's accounts before the Assembly.
87. 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 DARD.

External audit

88. The Comptroller & Auditor General (C&AG) audits AFBI's annual accounts and which are passed to Sponsor Branch to lay before the Assembly. For the purpose of audit the C&AG has a statutory right of access to relevant documents as provided for in Articles 3 and 4 of the Audit and Accountability (Northern Ireland) Order 2003.
89. The C&AG will liaise with AFBI on the arrangements for completing the audit of AFBI accounts. This will either be undertaken by staff of the

Northern Ireland Audit Office (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.

90. The C&AG has agreed to share with DARD 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 DARD's responsibilities in relation to financial systems within AFBI. The C&AG will also consider providing DARD and other relevant bodies with reports which DARD may request at the commencement of the audit and which are compatible with the independent auditor's role.

Value for Money examinations

91. The C&AG may carry out examinations into the economy, efficiency and effectiveness with which AFBI 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, AFBI should ensure that it includes a clause which makes the grant or contract conditional upon the recipient, contractor or customer 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.

VI. STAFF MANAGEMENT

General

92. Within the arrangements approved by the Minister and DFP, AFBI shall have responsibility for the recruitment, retention and motivation of its staff. To this end AFBI 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 AFBI'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 AFBI's objectives;
- proper consultation with staff takes place on key issues effecting them;
- adequate grievance and disciplinary procedures are in place;
- whistle blowing procedures consistent with the Public Interest Disclosure (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)

VII. REVIEWING THE ROLE OF AFBI

93. AFBI shall be reviewed in accordance with the business needs of DARD and AFBI. Reference should be made to Chapter 9 of the *Public Bodies: a Guide for Northern Ireland Departments*.

94. The need for a review of AFBI will be considered in 2015 and bi-annually thereafter.

95. In the event that AFBI is to be wound up DARD shall, in good time before AFBI is to be wound up:

- ensure that procedures are in place in AFBI to gain independent assurance on key transactions, financial commitments, cash flows and other information needed to handle the wind-up effectively and to maintain the momentum of work that is to be inherited by any residuary body;
- specify the basis for the valuation and accounting treatment of AFBI's assets and liabilities at wind-up, distinguishing between actual and potential assets and liabilities, in order to provide a clear basis for assessing AFBI's financial legacy;
- if necessary, secure representation on AFBI's Board to ensure that the wind-up is conducted in a proper and satisfactory manner; and

- AFBI shall provide DARD with full details of all agreements where AFBI or its successors have a right to financial gains. It should also pass to DARD details of any forms of claw back due to AFBI.

VIII. MISCELLANEOUS

Intellectual Property Rights

96. Further to the full legal and beneficial title to the rights assigned by DARD to AFBI in the Deed of Assignment between DARD and AFBI dated 26 January 2011, any intellectual property rights created during provision of the Assigned Work Programme and covered by the associated MoU will belong to the Party whose employee created those intellectual property rights.

Legal services

97. AFBI will obtain its own legal services independently of DARD, and in accordance with procurement policy.

FINANCIAL MEMORANDUM

I. INTRODUCTION

1. This *Financial Memorandum* sets out certain aspects of the financial framework within which AFBI is required to operate.
2. The terms and conditions set out in the combined *Management Statement* and *Financial Memorandum (MSFM)* may be supplemented by guidelines or directions issued by DARD in respect of the exercise of any individual functions, powers and duties of AFBI. In particular, the arrangements detailed in DARD's Arm's Length Bodies Sponsorship Manual are supplementary to the terms and conditions of this *MSFM*.
3. AFBI shall satisfy the conditions and requirements set out in the combined document, together with such other conditions as the Minister or DARD may from time to time require.

II. GENERAL

Procurement

4. AFBI's procurement policies shall reflect the Northern Ireland Public Procurement Policy, Procurement Guidance Notes (PGN) and any other guidelines or guidance issued by the Central Procurement Directorate (CPD) and the Procurement Board. PGN 04/12 provides guidance and advice on Procurement Control Limits and the Basis for Contract Awards.
5. AFBI's procurement activity must also comply with the provisions of the Service Level Agreement between DARD and CPD, September 2011, which should ensure AFBI's compliance with relevant UK, EU and international procurement rules.
6. Periodic reviews of AFBI's procurement activity should be undertaken. The results of any such review should be shared with DARD.

Competition/Best Value for Money

7. Procurement by AFBI 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 of purpose) to meet AFBI's requirements. Where appropriate, a full option appraisal shall be carried out before decisions are taken.
8. There is a need for suitable and proportionate business case/appraisal before entering into contracts, contract extensions and procurements. Current guidance regarding the need for all contracts, including direct award contracts, all contract extensions, and all procurement projects

to be supported by suitable appraisals/business cases is set out in FD (DFP) 03/12.

9. The Award of Contracts without Competition, also known as Single Tender Actions (STA) or Direct Award Contracts (DAC), may be permitted in certain circumstances, and occurs when a contract is awarded to a contractor (i.e. all economic operators, including contractors, suppliers and service providers) without competition. STA specific documentation, including an STA business case to justify such an action, must be completed, and the necessary approvals sought before such a course of action is commenced.
10. AFBI must ensure that the necessary documentation referred to in point 8 above is completed for all STAs, and that it is signed off by the AFBI Accounting Officer. Further to that, all proposed STAs above the threshold of £30,000, with effect from 1 April 2013, must be submitted to DARD's Permanent Secretary for approval. (However, as discussed below, all proposals for the use of external consultants, whether STA or not, require DARD's approval). Additionally, commencing January 2013, AFBI must report (in arrears) to the monthly Departmental Board on all STAs above £5,000.
11. STAs seeking AFBI Accounting Officer approval should incorporate Head of Procurement advice from AFBI's CoPE, which is CPD, and legal advice where appropriate, together with a consideration of the circumstances and an assessment of the risks involved. Current guidance is contained in PGN 03/11, Award of Contracts without a Competition.
12. AFBI shall publish monthly, from 1 April 2013, in accordance with CPD guidance, all STAs above £30,000.

Timeliness in paying bills

13. AFBI shall collect receipts and pay all matured and properly authorised invoices in accordance with Annex 4.5 and 4.6 of *Managing Public Money Northern Ireland* (MPMNI) and any other guidance issued by DFP or DARD, and aim to pay suppliers wherever possible within 10 working days in accordance with DAO (DFP) 04/13.

Novel, contentious or repercussive proposals

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

Risk management/Fraud

15. AFBI 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")*.
16. AFBI 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.
17. AFBI shall adopt and implement policies and practices to safeguard against fraud and theft, in line with DFP's guide, *Managing the Risk of Fraud*.
18. All cases of attempted, suspected or proven fraud shall be reported to DARD, who shall report it to DFP and NIAO (see Paragraph 80-81 in the *Management Statement* and Annex 4.7, Fraud in *MPMNI*) as soon as they are discovered, irrespective of the amount involved.

Wider markets

19. AFBI shall seek, in accordance with Section 7.11 and Annex 7.6, Wider Markets Activity in *MPMNI*, to maximise receipts from non-Consolidated Fund sources provided that this is consistent with:
 - (a) AFBI's main functions;
 - (b) its corporate plan as agreed with DARD; and
 - (c) the Agriculture (Northern Ireland) Order 2004.

If there is any doubt about the appropriateness of an activity, AFBI shall consult DARD, which will consult DFP as necessary.

Fees and charges

20. Fees or charges for all services supplied by AFBI must be determined in accordance with Chapter 6, Fees Charges and Levies, of *MPMNI* and its associated Annexes.

III AFBI'S BUDGET

Departmental Expenditure Limit (DEL) Budget

21. AFBI's DEL Resource Consumption, Capital Consumption and Resource Depreciation Budgets are set for forward years as part of the Comprehensive Spending Review process and reviewed annually as part of the In-Year Monitoring process.
22. AFBI also raises funds through receipts generated in the course of its operating activities and these receipts form part of the Resource Consumption Budget.
23. The Resource, Capital and Depreciation Budgets form part of DARD's Resource DEL and Capital DEL, and AFBI's Provisional and Final DEL Outturn is judged against the Final Budget position in each financial year in order to assess financial performance.

Annually Managed Expenditure (AME) Budget

24. AFBI's AME Budget is set on an annual basis for the current and forward years in line with AME exercises commissioned by DFP, and reviewed as part of the In-Year Monitoring process. AFBI's AME Budget forms part of DARD's AME Budget, and AFBI's Provisional and Final Outturn is judged against the Final Budget position in each financial year.

Expenditure not proposed in the budget

25. AFBI shall not, without prior written approval from DARD, enter into any undertaking to incur any expenditure which falls outside AFBI's delegations or which is not provided for in AFBI's annual budget as approved by DARD.

Receipts from sale of goods or services

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

Interest earned

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

Un-forecast changes in in-year income

29. If the negative DEL income realised or expected to be realised in-year is less than estimated, AFBI shall, unless otherwise agreed with DARD, ensure a corresponding reduction in its gross expenditure so that the authorised provision is not exceeded. *(For example, if AFBI is allocated £100 resource DEL provision by DARD 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, AFBI will need to reduce its expenditure to £105 to avoid breaching its budget).*
30. If the negative DEL income realised or expected to be realised in the year is more than estimated, AFBI may apply to DARD to retain the excess income for specified additional expenditure within the current financial year without an offsetting reduction to grant-in-aid. DARD shall consider such applications, taking account of competing demands for resources. DFP approval is required for the retention of excess income above the deminimis level of £1m. 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 DARD.

Reserves

31. AFBI is not permitted to hold reserves. AFBI shall not aim to build up cash balances or net assets in excess of what is required for operational purposes without the prior approval of DARD and DFP.

Build-up and draw-down of deposits

32. AFBI 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).
33. AFBI shall ensure that it has the necessary DEL provision for any expenditure financed by draw-down of deposits.

Gifts and bequests received

34. AFBI is free to retain any gifts, bequests or similar donations, subject to paragraph 35. These shall be capitalised at fair value on receipt and must be notified to DARD. (A release from the donated assets reserve should offset depreciation in the operating cost statement. The latest FReM requirements should be applied.)
35. Before accepting a gift, bequest, or similar donation, AFBI shall consider if there are any associated costs in doing so or any conflicts of interests arising. AFBI 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

36. Normally AFBI will not be allowed to borrow, but when considering borrowing of any kind, shall observe the principles set out in Chapter 5, Funding, and the associated annexes of *MPMNI*. AFBI shall seek the approval of DARD and, where appropriate, DFP, to ensure that it has the 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 accordance with Chapter 5 of *MPMNI*.
37. Where, exceptionally, AFBI is allowed to borrow, the spending financed by borrowing scores gross in budgets. This applies whatever the source of borrowing (Department, market, European Investment Bank etc.). The cash raised by borrowing does not score as negative DEL. This means that any expenditure of AFBI financed by borrowing will need DEL budget to cover arrangements, provided that this is the normal budgeting treatment for such expenditure.

IV. GRANT IN AID

Grant in Aid Budget

38. AFBI is paid Grant in Aid (GiA) by DARD. The GiA paid by DARD to AFBI sits outside AFBI's budget. GiA is the cash consequence of AFBI's net DEL Resource and Capital Consumption Budgets, excluding depreciation. AFBI Sponsor Branch, within DARD, holds the GiA budget and AFBI draw down against this budget.
39. Grant-in-aid will be paid to AFBI in monthly instalments, on the basis of a written application from AFBI 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 AFBI's functions.

40. AFBI should have regard to the general principles enshrined in Chapter 5, Funding, and associated Annexes of *MPMNI* that it should seek grant-in-aid according to need.

Cash Balances

41. Cash balances accumulated during the course of the year shall be kept at the minimum level consistent with the efficient operation of AFBI. 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, DARD 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.

V. EXPENDITURE ON STAFF

Staff costs

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

Pay and conditions of service

43. The staff of AFBI, whether on permanent or temporary contract, shall be subject to levels of remuneration and terms and conditions of service (including superannuation) within the general NICS pay structure. AFBI has no delegated power to amend these terms and conditions.
44. Civil Service terms and conditions of service apply to the rates of pay and non-pay allowances paid to AFBI'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 DARD and DFP to vary such rates.
45. Annual pay increases of AFBI staff must be in accordance with the annual DFP Financial Director letter on Pay Remit Approval Process and Guidance issued by DFP. Therefore, all proposed pay awards must have prior approval of DARD and the Minister of Finance before implementation.
46. The travel expenses of Board Members shall be tied to Departmental rates. Reasonable actual costs shall be reimbursed.
47. AFBI shall operate a pay scheme which shall form part of the annual aggregate pay budget approved by DARD and DFP.

48. AFBI shall comply with the Fixed-term Employees (Prevention of Less Favourable Treatment) Regulations 2002.

Pensions, redundancy/compensation

49. AFBI's staff shall be eligible for a pension provided by membership of the Principal Civil Service Pension Scheme (Northern Ireland) (PCSPS (NI)).

50. Staff may opt out of the PCSPS (NI) into the PCSPS (NI) Partnership Pension Account which is the defined contribution / money purchase scheme provided as an option to any member who would be eligible to join Premium or Nuvos PCSPS (NI) main scheme arrangements. The Partnership Pension Account has a statutory requirement for employers to pay an age related contribution to the scheme and to match any employee contributions up to 3% of pensionable pay in addition to paying the mini accruing Superannuation Liability Charge (ASLC) to the PCSPS (NI).

51. Any proposal by AFBI to move from the existing pension arrangements, or to pay any redundancy or compensation for loss of office, requires the approval of DARD and DFP. Proposal on severance payments must comply with Chapter 4, Internal Management, Section 4.11 and Annex 4.13 of *MPMNI*. Where the PCSPS (NI) is the relevant pension scheme, AFBI must conform with the procedures for early retirement/severance which apply to NICS and ensure that the level of benefits are the standard applicable under the Civil Service Compensation Scheme (Northern Ireland) (CSCS (NI)) rules. DARD is responsible for ensuring that AFBI complies with the guidance and procedures.

52. DARD is responsible for ensuring that AFBI continues to meet the criteria for membership of the PCSPS (NI), where this is the pension scheme applicable.

VI. EXPENDITURE ON POLICIES, PROGRAMMES AND PROJECTS

Economic appraisal

53. AFBI is required to apply the principles of appraisal, with appropriate and proportionate effort, to all of its internal decisions involving public sector funds with the exception of services commissioned by DARD and services delivered to non-DARD customers at or above full cost recovery. The principles apply equally to policies, programmes and projects whether they concern spending or saving of public money, including European Union (EU) funds, and apply also to 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. involves capital or current spending, or both;
- b. are large or small;
- c. are above or below delegated limits (see Appendix A).

54. 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. However, particular weight should be given to the *total public funds* involved, since it is primarily for these that AFBI is accountable to the taxpayer.

55. General guidance on economic appraisal that applies to AFBI can be found in:

- DFP's on-line guide *The Northern Ireland Guide to Expenditure Appraisal and Evaluation* (NIGEAE), 2009,
- the HM Treasury Guide, *The Green Book: Appraisal and Evaluation in Central Government* (2003), and,
- Specific guidance can be found in DARD's "Arrangements for completion of Economic Appraisals/Business Cases /Post Project Evaluations for scientific work undertaken by AFBI: Guidance for DARD Policy Leads commissioning work; and for AFBI Leads delivering work"¹

56. As regards Post Project Evaluations (PPEs), all PPEs requiring DFP approval must be quality assessed, and signed off, by DARD's Resource Economics Branch prior to their onward transmission to DFP for approval (via DARD's Finance Division).

57. AFBI must maintain a database of all Business Cases/Economic Appraisals and Post-Project Evaluations which DARD can use for further test-drilling as and when required. This database should mirror DARD's central database.

Capital expenditure

58. Subject to being above an agreed capitalisation threshold, all expenditure on the acquisition or creation of fixed assets shall be

¹ This document has been drafted and is going through the approvals process within DARD.

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.

59. Proposals for large-scale individual projects or acquisitions will normally be considered within AFBI's corporate and business planning process. Subject to paragraph 60, applications for approval by DARD and if necessary DFP, shall be supported by formal notification that the proposed project or purchase has been examined and duly authorised by the AFBI Board. Regular reports on the progress of projects shall be submitted to DARD.

60. Approval of the corporate/business plan does not obviate AFBI's responsibility to abide by the economic appraisal process.

61. Within its approved overall resources limit AFBI shall, as indicated in the attached Appendix on delegations, have delegated authority to spend up to £500,000 on any individual capital project or acquisition. Beyond that delegated limit, DARD's and where necessary DFP's prior authority must be obtained before expenditure on an individual capital project or acquisition is incurred. However, it should be noted that the issue as to whether a capital expenditure is within, or outside of AFBI's delegated limit, relates only to what level of approval AFBI needs to secure for the project or acquisition.

Transfer of funds within budgets

62. Unless financial provision is subject to specific DARD 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, does not need DFP approval. However, such transfers within budgets are required to be notified to DFP as part of the In-Year Monitoring process or Budget exercises, and as such require DARD Sponsor Branch approval in the first instance. Any transfers between Resource and Resource Depreciation and Impairment budgets, and any proposals to increase excess income by £1m or more require Sponsor Branch and DFP approval. Budget allocations will not be changed until ratified by DFP.

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

63. AFBI shall not, without DARD'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

64. 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 DARD, and where necessary DFP. If grants or loans are to be made under a continuing scheme, statutory authority is likely to be required.

65. The terms and conditions of a grant or loan to the 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 are readily available for inspection by AFBI, DARD and the Comptroller & Auditor General (C&AG).

66. Also, see under the heading *Recovery of grant-financed assets* (paragraphs 89-91 below).

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

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

68. Losses shall not be written off until all reasonable attempts to make a recovery, in accordance with AFBI's debt management processes, have been made and proven unsuccessful.

69. Gifts by management to staff are subject to the requirements of DAO (DFP) 05/03, Expenditure on Non Pay Rewards.

Leasing

70. Prior DARD approval must be secured for all property and finance leases. AFBI must have capital DEL provision for finance leases and other transactions which are, in substance, borrowings (paragraphs 35-36 above).

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

Public/Private Partnerships

72. AFBI 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, AFBI shall consult DARD. AFBI should ensure that it has the necessary budget cover.
73. Any partnership controlled by AFBI shall be treated as part of AFBI in accordance with guidance in the FReM and consolidated with it, subject to any particular treatment required by the FReM. Where the judgement over the level of control is difficult DARD will consult DFP (who may need to consult with the Office of National Statistics over national accounting treatment).

Subsidiary companies and joint ventures

74. AFBI shall not establish subsidiary companies or joint ventures without the express and prior approval of DARD and DFP. In judging such proposals DARD will have regard to its own wider strategic aims, objectives and Programme for Government commitments.
75. For public expenditure purposes any subsidiary company or joint venture controlled or owned by AFBI shall be consolidated with it in accordance with guidance in the FReM subject to any particular treatment required by the FReM. Where the judgement over the level of control is difficult, DARD will consult DFP (who may need to consult with the Office of National Statistics over national accounting treatment). Unless specifically agreed with DARD 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

76. AFBI shall not make any investments in traded financial instruments without the prior written approval of DARD, and where appropriate DFP, nor shall it build up cash balances or net assets in excess of what is required for operational purposes. Unless specifically provided for, funds held in bank accounts or as financial investments shall be a factor for consideration when grant-in-aid is determined. Equity shares in ventures which further the objectives of AFBI shall equally be subject to DARD and DFP approval unless covered by a specific delegation.

Unconventional financing

77. AFBI shall not enter into any unconventional financing arrangement without the prior approval of DARD and DFP.

Commercial insurance

78. AFBI shall not take out any insurance without the prior approval of DARD 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 Chapter 4, Internal Management, Section 4.4 and Annex 4.5 of *MPMNI*.
79. In the case of a major loss or third-party claim DARD shall liaise with AFBI about the circumstances in which an appropriate addition to budget out of DARD's funds and/or adjustment of AFBI's targets might be considered. DARD will liaise with DFP Supply where required in such cases.
80. AFBI is listed in the Schedule of Employers Exempted from Insurance, of The Employer's Liability (Compulsory Insurance) Regulations (Northern Ireland) 1999.

Payment, Credit and Government Procurement cards

81. AFBI, in consultation with DARD, shall ensure that a comprehensive set of guidelines on the use of payment cards (including credit and procurement cards) is in place in accordance with DAO (DFP) 24/02, Issue and Use of Payment Cards (inc. Credit Cards).

Hospitality

82. AFBI, in consultation with DARD, shall ensure that a comprehensive set of guidelines on hospitality is in place in accordance with DAO (DFP) 10/06 (Revised), Acceptance and Provision of Gifts and Hospitality.

Use of professional services including consultants

83. AFBI shall adhere to the DFP guidance FD (DFP) 07/12, Use of Professional Services Including Consultants.
84. All proposals by AFBI to employ external consultants, no matter their value, must be subject to prior consultation with DARD Finance Division and the approval of the Minister. Finance Division have specific forms to be completed to justify the use of consultants. However, if AFBI propose to employ the proposed external consultants without competition, the documentation submitted to DARD must also include documentation to also justify the STA approach. AFBI should contact DARD Finance Division who can advise on the specific documentation to be completed. Permanent Secretary and Ministerial Approval is required for such STA consultancy proposals.

85. AFBI will provide DARD with details of its planned use of consultants in each financial year. In addition, AFBI will provide DARD with an update on the status of all consultancies completed and/or started in each financial year on a quarterly basis.
86. Care should be taken to avoid actual, potential, or perceived conflicts of interest when employing consultants.

VII. MANAGEMENT AND DISPOSAL OF FIXED ASSETS

Register of assets

87. AFBI shall maintain an accurate and up-to-date register of its fixed assets.

Disposal of assets

88. AFBI 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 in advance by DARD), and in accordance with the principles in Chapter 4, Internal Management, Section 4.10 and Annex 4.8 of *MPMNI*.
89. All receipts derived from the sale of assets (including grant financed assets, see below) must be declared to DARD on a quarterly basis, which will consult with DFP on the appropriate treatment.

Recovery of grant-financed assets

90. Where AFBI has financed expenditure on capital assets by a third party, AFBI shall set conditions and make appropriate arrangements to ensure that any such assets individually above a value of £1,000 are not disposed of by the third party without AFBI's prior written consent.
91. AFBI 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 DARD.
92. AFBI shall ensure that if the assets created by grants made by AFBI 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 AFBI for surrender to DARD. The amounts recoverable under the procedures in paragraphs 89-90 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 in the asset.

VIII. BUDGETING PROCEDURES

Setting the annual budget

93. Each year, in the light of decisions by DARD on AFBI's corporate plan (see paragraphs 53-58 of the *Management Statement*), DARD will send to AFBI:
- a formal statement of the annual budgetary provision allocated by DARD in the light of competing priorities across DARD and of any forecast income approved by DARD; and
 - a statement of any planned change in financial policies affecting AFBI.
94. AFBI'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. These elements will form part of the approved business plan for the year in question (see paragraphs 59-62 of the *Management Statement*).
95. Any grant-in-aid provided by DARD for the year in question will be voted in DARD's Estimate and will be subject to Assembly control.

General conditions for authority to spend

96. Once AFBI's budget has been approved by DARD and subject to any restrictions imposed by Statute, the Minister and/or this *MSFM*, AFBI shall have authority to incur expenditure approved in the budget without further reference to DARD, on the following conditions:
- AFBI shall comply with the delegations set out in Appendix A of this document. These delegations shall not be altered without the prior agreement of DARD and DFP;
 - AFBI 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 AFBI's budget shall not remove the need to seek formal DARD, 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, or is in line with the conditions set out in paragraph 15 above regarding novel, contentious or repercussive proposals;
 - AFBI shall provide DARD with such information about its operations, performance, individual projects or other expenditure as DARD may reasonably require; and

- AFBI shall comply with NI Procurement Policy and carry out procurement via CPD or another recognised CoPE.

Providing monitoring information to DARD

97. AFBI shall provide DARD with, as minimum, information on a monthly basis which will enable the satisfactory monitoring by DARD of AFBI's:

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

IX. BANKING

Banking arrangements

98. AFBI's Accounting Officer is responsible for ensuring that AFBI's banking arrangements are in accordance with the requirements of Chapter 5, Funding, Section 5.8 and Annex 5.7 of *MPMNI*. In particular AFBI shall ensure that the arrangements safeguard public funds and that their implementation ensures efficiency, economy and effectiveness.

99. AFBI shall therefore ensure that:

- these arrangements are suitably structured and represent value-for-money;
- sufficient information about banking arrangements is supplied to DARD's Accounting Officer to enable the latter to satisfy his/her own responsibilities (see Chapter 3, Accounting Officers, *MPMNI* and Section 3.2 of the *Management Statement*);
- its banking arrangements are 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.

X. COMPLIANCE WITH INSTRUCTIONS AND GUIDANCE

Relevant documents

100. AFBI shall comply with the following general guidance documents:

- this *Management Statement and Financial Memorandum*;
- *Managing Public Money Northern Ireland (MPMNI)*;
- *Public Bodies – a Guide for NI Departments* issued by DFP;
- *Government Internal Audit Standards*, issued by DFP;
- *Managing the Risk of Fraud*, issued by DFP;
- *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 by the central Departments (DFP and OFMDFM) including Procurement Board and CPD Guidance;
- specific instructions and guidance issued by DARD; and
- recommendations made by the Public Accounts Committee, or by other Assembly authority, which may have been accepted by the government and which are relevant to AFBI.

XI. REVIEW OF MANAGEMENT STATEMENT AND FINANCIAL MEMORANDUM

101. The *Management Statement* and *Financial Memorandum* will be reviewed at least every three years in accordance with the business needs of DARD and AFBI or following a review of AFBI's functions as provided for in Section VII of the *Management Statement*.

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

Signed:  Date: 27-11-13

Chief Executive on behalf of AFBI

Signed:  Date: 27/11/2013

Director, Policy and Economics Division on behalf of DARD

DELEGATED LIMITS

I. GENERAL

1. These delegated expenditure limits have been agreed by DARD and DFP.
2. Any novel and/or potentially contentious, and/or potentially repercussive proposals, regardless of the amount of expenditure, require the approvals of DARD and DFP.
3. AFBI is required to adopt the public sector appraisal, procurement and Post Project Evaluation (PPE) policies and procedures for all projects, no matter the level of expenditure or resources.

II. CAPITAL PROJECTS

4. The AFBI Chief Executive may authorise capital expenditure on discrete capital projects of up to £500,000. Capital projects over this amount require the approval of DARD, and may be subject to quality assurance by DFP if requested.

III. DISPOSAL OF SURPLUS EQUIPMENT

5. The AFBI Chief Executive should authorise the disposal of obsolete and surplus equipment/assets owned by AFBI with an original cost of greater than £5k. AFBI Heads of Division may authorise the disposal of obsolete and surplus equipment/assets owned by AFBI with an original cost of less than £5k.
6. AFBI must maintain and retain a Schedule of Disposal for scrutiny by DARD and DARD Internal Audit as required.

IV. ENGAGEMENT OF CONSULTANTS

7. All proposals, to appoint external consultants must be submitted to DARD's AFBI Sponsor Branch accompanied by an appropriate and proportionate business case. Ultimately, DARD Ministerial approval will be required for such proposals.

V. LOSSES AND SPECIAL PAYMENTS

8. The Chief Executive with prior approval from DARD will have the authority to write off losses and make special payments up to:
 - (a) Cash losses – up to £500 per case/incident
 - (b) Stores/Equipment losses – up to £1,000 per case/incident
 - (c) Constructive losses and fruitless payments – up to £1,000 per case
 - (d) Compensation payments:
 - (i) made under legal obligation, e.g. by Court Order – up to £20,000 per case plus reasonable expenses
 - (ii) for damage to personal property of staff – up to £1,000 per case
 - (iii) where written legal advice is that AFBI should not fight a court action because it is unlikely that it would win – up to £20,000 per case.
 - (e) Claims abandoned or waiver of claim – up to £1,000 per case
 - (f) Extra contractual payments – up to £1,000 per case
 - (g) Ex gratia payments – up to £1,000 per case (Pension payments are not covered by this threshold)
 - (h) Extra statutory and extra regulatory payments – no delegation, all proposals must be submitted to DARD for approval.
9. The prior approval of DARD must be obtained for amounts above these values.
10. Where total losses exceed £100,000 in any financial year an explanatory note should be included in AFBI's accounts.
11. Details of all losses and special payments should be recorded in a Losses and Special Payments Register, which will be available to auditors. The register should be kept up-to-date and should show evidence of the approval by the Chief Executive and, where appropriate, DARD.