

Invest Northern Ireland

Guidance on the Engagement and Management of Third Parties to deliver Invest NI’s services and programmes (External Delivery Organisations)

**Version Control**

Version: 2.1

Issue Date: 31 July 2015

Approver: Keith Millar

Status: Draft

Next Review Date: 01 April 2017

|  |  |  |  |
| --- | --- | --- | --- |
| **Version** | **Author / Reviewer** | **Review Date** | **Reason for change** |
| 1.0 | Keith Millar | 30 September 2013 | First Publication |
| 1.1 | Keith Millar | 13 November 2013 | Correct pagination/clerical error in Appendices 11A, B & C. |
| 1.2 | Keith Millar | 20 December 2013 | Page 5 – wide network description amended; first sentence amended to reflect the need for procurement rigourPage 7 – definition amended and clarifying note added; reference to not-for-profit clarifiedPage 19 – DETI format amended to reflect fact that EDO should not be selected at approval stageVarious – Specific organisation names removed except where used as examples |
| 2.0 | Keith Millar | 27 March 2015 | Annual review. CEO/EDFO approval process amended. |
| 2.1 | Keith Millar | 31 July 2015 | Requirements of DAO 0815 re: reduction of bureaucracy in grant funding to the Voluntary & Community sector included as appropriate. Corporate Governance guidance links refreshed. |

|  |  |  |
| --- | --- | --- |
| Section |  | Page(s) |
| 1 | Introduction & Overview | 5 – 8  |
| 2 | Definitions & Decision Tree | 9 – 11  |
| 3 | Engagement Process | 12 – 13 |
| 4 | Scoping/Business Case | 14 |
| 5 | Economic appraisal | 15 - 16  |
| 6 | Casework Preparation & Approval |  17 - 18 |
| 7 | CEO/EDFO & Permanent Secretary Approval | 19 |
| 8 | Procurement/Tendering | 20 – 21 |
| 9 | Pre-Engagement Due Diligence | 22 – 23  |
| 10 | Contractual Documentation | 24 – 26  |
| 11 | Payment | 27 – 31  |
| 12 | Monitoring & Inspection | 32 – 34 |
| 13 | Evaluation | 35 - 36  |
| 14 | Other Matters | 37 – 39 |
| 15 | Useful Contacts/Guidance | 40 – 42 |
| 16 | Public Sector Organisations | 43 |

|  |  |  |
| --- | --- | --- |
| Appendix |  |  |
| 1 | Classification of EDOs |  |
| 2 | Project proposal approval template |  |
| 3 | Economic appraisal pro-forma – expenditure less than £5,000 |  |
| 4 | Economic appraisal pro-forma – expenditure between £5,000 and £250,000 |  |
| 5 | EDO casework template |  |
| 6 | EDO Pre-engagement due diligence checklist |  |
| 7 | Invest NI Pre-engagement due diligence checklist |  |
| 8 | EDO assurance statement template  |  |
| 9 | Project monitoring report template |  |
| 10 | Payment process flowchart |  |
| 111213 | Summary of corporate governance best practicePublic Sector EDO Inspection Assurance Statement TemplateSupplemental EDO Terms and Conditions Template |  |
|  |  |  |
|  |  |  |
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**Introduction**

There will be occasions, subject to the application of extant public procurement rules, when Invest NI wishes to use the services of an external organisation to deliver, or assist in the delivery, of a number of its services and programmes. The circumstances may arise on account of the following:

1. specific expertise not being available with Invest NI – for example a programme may involve the delivery of technical seminars;
2. resource constraints within Invest NI – where Invest NI has the in-house expertise but is unable to deliver the programme in the timeframe required;
3. leverage of funding – where Invest NI is able to partner with other funders to provide a programme of greater scale and/or better value for money;
4. specific local/sectoral knowledge – for example the use of particular community or trade organisations;
5. better access to target groups – for example, using an third party may provide Invest NI with greater access to a particular segment of society than it would be able to achieve on its own; and
6. wide network or infrastructure – for example, working with other local agencies may provide Invest NI with a ready made infrastructure to deliver programmes to a wide geographical area.

Working with external parties in the delivery of public services can increase risks to Invest NI. It is therefore essential that these relationships are properly structured and managed.

**Historic issues in respect of management of external relationships**

In 2003 Invest Northern Ireland (“Invest NI”) undertook a desk review of its arrangements in relation to third party organisations (“TPOs”). The main findings of the review were that:

1. contracts were not clear as to the services required and the expected outputs were often omitted;
2. a number of contracts were let without any tendering process; and
3. there were no formal monitoring systems to provide Invest NI with assurance that TPOs were complying with the terms and conditions of the contracts.

The Comptroller and Auditor General noted that the desk review was not underpinned by a programme of inspection visits to TPOs and as a result his audit opinion in respect of Invest NI’s 2002/03 accounts was qualified as “insufficient evidence is available to me to confirm that public funds issued to these bodies have been used for the purpose intended by the Northern Ireland Assembly or Parliament”.

As a consequence Invest NI established a risk-based inspection programme of its TPO relationships to provide assurance that the funds issued to TPOs had been used in accordance with the purpose intended by the Northern Ireland Assembly or Parliament. In March 2005 an inspection of 27 TPOs was undertaken by three firms of consultants which provided Invest NI, and the Comptroller and Auditor General, with the required level of assurance.

As a consequence the Comptroller and Auditor General removed the qualification contained within the audit opinion in the Invest NI 2003/04 accounts.

While the accounts for the years ended 2003/04 and subsequent remain unqualified, the results of the inspection programme indicated that further guidance was required on how Invest NI’s interaction with TPOs should be managed and controlled.

**Historic definition of external relationships**

There have historically been a number of different definitions of external relationships.

***Third Party Organisations (TPO)***

Invest NI has referred to its relationships with third party delivery organisations as TPO relationships. DFP’s definition of a TPO is “a body set up, and significantly funded by, a public body to deliver public services or used as a vehicle to disburse monies”.

***Third Sector Organisations***

DETI have developed a definition for Third Sector Organisations. The “third sector” describes the range of institutions which occupy the space between the State and the private sector. These include small local community and voluntary groups, registered charities both large and small, foundations, trusts and the growing number of social enterprises and co-operatives. Third Sector Organisations share common characteristics in the social, environmental or cultural objectives they pursue; their independence from government; and in the reinvestment of surpluses for those same objectives. TSOs can be summarily defined therefore as not for profit organisations which become involved in the delivery of programmes, assisted by government.

***Private sector delivery agents***

In many cases if Invest NI is working with a private sector third party in delivery of a programme, it is likely that this will simply be a contractual arrangement.

**External Delivery Organisations**

It is recognised that some of the historic definitions have led to a degree of confusion and do not necessarily encompass all of the relationships that Invest NI wishes to cover. As a consequence Invest NI has decided to develop a new definition and name to encompass all of those bodies over which it wishes to exercise the controls set out in this guidance document.

This document will therefore refer to External Delivery Organisations (“EDO”s). To provide clarity in respect of the definition it is considered that an EDO should be defined by the nature of its relationship with Invest NI and the risk profile of the funding. In this respect an EDO may be defined as:

***any organisation that is funded by Invest NI to deliver a service on its behalf, but where Invest NI does not normally maintain a direct end user relationship.***

This definition will primarily incorporate not-for-profit (third sector) organisations (who may make a profit but do not redistribute this to shareholders) but may also include, in certain circumstances, private sector organisations. It will also encompass many of the organisations and relationships covered under the historic definitions.

While it is recognized that in some circumstances services provided to a client may be a collaboration between Invest NI and the EDO, in the majority of EDO engagements responsibility for the day-to-day interaction with, and management of, end users or clients will reside with the EDO, either on behalf of Invest NI or in support of Invest NI’s corporate objectives.

**How to Use this Guidance Document**

This document provides guidance on the interaction of Invest NI with EDOs from initial engagement through to monitoring and incorporates those elements of previous guidance which remain valid. As such this guidance replaces previous TPO/TSO guidance.

The document should be read as a stand alone document and the appendices are included as a source of useful templates for undertaking the engagement and management process. Those members of staff engaging with EDO’s should ensure they use the most up-to-date version of the manual, located on the Invest NI Intranet.

The first step in the use of this document is to determine what type of EDO is being engaged. To facilitate this, a decision tree is provided in Section 2. By answering each question in order the reader will determine

1. Is the relationship considered an EDO?
2. What type of EDO is being considered?

Section 3 of the document then provides a generic flow diagram for the steps that should be taken to ensure good governance through the engagement process. The key steps within this process are then looked at in more detail in Sections 4 to 13. While the document provides basic guidance for each part of the process, staff are encouraged to contact the specific subject matter experts/departments within Invest NI for more detailed support and advice.

However, this document is not meant to provide answers to all of the issues that may be faced in engaging with all EDOs but aims to guide the user through the key principles of engagement that can be applied to all EDOs. Guidance can and should be requested on all new engagements at the earliest possible opportunity by sending an email with the relevant details of the proposed relationship to the edo.guidance@investni.com email address.

This will enable the organisation to take a coordinated and informed position on how the engagement should proceed.

If in doubt the user should consider the key purpose of this manual, that is to ***ENSURE THAT FUNDS ISSUED TO EDOS ARE USED FOR THE PURPOSES INTENDED BY THE NORTHERN IRELAND ASSESMBLY OR PARLIAMENT.***

**Key principles of engagement**

There are a number of key principles which should be adhered to when engaging with EDOs. These are as follows:

1. EDOs should have corporate governance standards, internal control frameworks and financial management procedures consistent with what is expected of organisations dealing with public funds;
2. before entering into commitments with EDOs, Invest NI should perform due diligence to ensure that the EDO has appropriate and sufficient financial and other management controls necessary to safeguard public funds;
3. EDOs should comply with Public Procurement rules in respect of activities funded by Invest NI. If an EDO obtains the majority of its income from government sources, it should comply with Public Procurement rules in respect of all expenditure;
4. EDOs funded by Invest NI should be the subject of risk based inspections;
5. Invest NI can have a variety of relationships with EDOs requiring different funding documentation;
6. Invest NI should issue relevant guidance to EDOs on such matters as corporate governance, procurement and fraud policy etc;
7. funding can be provided by Invest NI to EDOs in advance of the EDOs expenditure particularly where they belong to the Voluntary & Community Sector in line with DAO 0815. Funding should ***not*** be provided in advance of need;
8. Invest NI should consider strategic funding contracts with EDOs rather than annual awards. This could involve a multi-year funding contract with an option to break at the end of each year of the contract. EDOs should be given sufficient notice regarding the available funding to enable them to properly manage their business and all decisions to continue funding organisations in the Voluntary & Community Sector should be approved and communicated at least three months in advance of the expire of the existing arrangements;
9. monitoring frameworks should be established to mirror as closely as possible the framework by which the EDO is monitored and controlled by its management and Board, or for VCS organization follow the standard template as defined in [DAO 0815](http://www.dfpni.gov.uk/index/finance/afmd/afmd-key-guidance/afmd-daos/daodfp0815att_v1.pdf);
10. there should be a transparent process to select auditors for EDOs which receive funding from Invest NI; and
11. where other government bodies provide funding to the same organization joint funding structures should be considered.

Please note that copies of all approvals/contracts related to EDO engagements must be copied to the edo.guidance@investni.com email address so audit trails can be maintained.

**Types of EDO**

In assessing whether or not an organisation is an EDO the user should compare the attributes of the proposed funding to the definitions of the different types of EDO; a decision tree has been provided on the next page to assist with this. Invest NI currently defines 4 types of EDO.

**Programme delivery**

Programme Delivery has the following attributes:

1. Invest NI designed and controlled programme;
2. part of Invest NI’s suite of programmes – “Business Development Solutions” – addressing needs of Invest NI’s client base (in narrow sense);
3. delivery of programme is undertaken by an external agent, chosen by open tender competition; and
4. often a private sector delivery agent.

An examples of Programme Delivery is the Social Economy Franchise element within the Jobs Fund programme.

**Programme partnership**

Programme partnership has the following attributes:

1. externally designed and controlled programme;
2. not necessarily part of Invest NI’s Business development Solutions but does address perceived needs of Invest NI’s client base (in broad sense); and
3. Invest NI funding leverages wider inputs.

An example of a Programme Partnership is Craft NI.

**Strategic partnership**

A strategic partnership has the following attributes:

1. no specific programmes delivered from Invest NI funding; and
2. Invest NI provides core funding as benefits perceived to be derived from the partnership for a variety of reasons.

Examples of Strategic Partnerships are Momentum or Halo.

**Fund management/Financial contracted service**

A fund management or financial contracted service EDO will be funded, wholly or partly, by Invest NI to provide finance for end clients.

Examples of these types of EDO are Crescent Capital II and Co-Fund NI (provided by Clarendon).

In summary, this guidance should be used for proposed funding which falls within the definition of a Programme Delivery, Programme Partnership, Financial or Strategic Partnership EDO.



**Summary**

The EDO engagement process may differ depending on the nature of the contract being entered into. The engagement process will fall into one of the following areas:

1. Procured Service – where the EDO is selected and procured line with public procurement guidance
2. Grand Awarded – where the EDO is funded through a grant from Invest NI

In essence the process to be followed for each of these funding routes is very similar but it is always the preferred option of Invest NI to enter into a procured service contract in line with public sector and EU procurement rules, with specific addendums made to ensure performance can be monitored.

A flow chart setting out the engagement process can be found on the next page but in the majority of cases, it is anticipated the process on the right of the diagram will be applicable.

However, in a small number of cases it is possible that, due to the existence of only one service provider, the flow on the left of the diagram will be required. While all of the due diligence and governance steps are still required, in the absence of a competitive tender process, the Economic Appraisal should undertake a robust assessment of value for money. This requirement should be incorporated into the Terms of Reference for the Economic Appraisal. This will typically only apply to certain Programme or Strategic Partnerships.



**Introduction**

To avoid unnecessary work or duplication and to ensure that EDO proposals coming forward are consistent with Invest NI policy a “Preliminary Proposal” is required. The purpose of this is to describe the essence of the programme so that it might be considered early in the process and time wasted on negotiations and detailed appraisals is avoided if the programme is not appropriate. The proposal will identify the main aim and objectives of the program and how these align with the corporate objectives. Outline details as to how the programme might be executed and effectively monitored and evaluated as well as an estimate of overall costs are also necessary. A proposal template is included in [Appendix 2](#Prelim_Proposal)**.**

**Authorisation of Proposal**

Authorisation at this stage is to commit the resources necessary to perform a detailed appraisal and/or to enter into negotiation with other parties leading to a detailed project submission.

Authorisation of proposals should be undertaken using the following criteria:

|  |  |
| --- | --- |
|  | **Delegation Levels for Submissions relating to External Services provided by External Delivery Organisations** |
|  | **Contract Value**  | **Approval Authority**  |
| A.  | Over £10,000  | Director |
| B.  | Up to £10,000  | Grade 7 and equivalent  |

**Introduction**

6.1 All programmes, and therefore funding provided to EDO’s, should be the subject to an Economic Appraisal. As with the appraisal of all funding/expenditure, the principle of proportionality should be applied. This guidance identifies three sizes of Economic Appraisal, which applies to the completion of EDO Economic Appraisals::

1. for expenditure less than £5,000 a simple proposal form can be prepared ([Appendix 3](#Eco_Appraisal_Short)). This can be prepared internally;
2. for expenditure between £5,000 and £250,000 then a pro-forma Economic Appraisal should be prepared ([Appendix 4](#Eco_Appraisal_Long)). The principle of proportionality should be used when preparing this document and the required detail will increase as the quantum of expenditure increases. This document can be prepared internally;
3. for expenditure in excess of £250,000 a full “Green Book” Economic Appraisal is required. Consideration should be given as to whether this can be prepared internally or whether external consultants should be appointed. The Invest NI Economics team can be consulted at this level of expenditure to provide direction on the terms of reference and proportionality. Where assistance is above £1m formal economist input will be provided

In order to provide an effective economic appraisal service within Invest NI, it is essential that client facing staff engage early and objectively with appraisal staff on large and potentially difficult medium sized projects. Further guidance in respect of the economic appraisal process can be obtained from Invest NI’s in-house economists and in the [Economic Appraisal Methodology Guidance](http://meridioweb/Meridio/default.aspx?contentsFrame=../browse/downloadContent.aspx%3FdocumentId%3D10822701%2C%2C%2C%2C%2CsendAsRef%3D1).

**Terms of reference**

The terms of reference (ToR) for the Economic Appraisal should take into account the following:

1. the requirements of HMT Green Book (Appraisal and Evaluation in Central Government) and the NI Guide to Expenditure Appraisal and Evaluation (NIGEAE) - available at <http://www.dfpni.gov.uk/eag>;
2. matters that have come to light as a result of pre-engagement due diligence that require further investigation (if already completed);
3. the principle of proportionate effort; and
4. the nature of the proposed programme, the funding and the tendering requirements.

The ToR for all Economic Appraisals should include a clear requirement for a Value for Money (VFM) assessment, which should include consideration of the following VFM indicators: strategic fit; project need/demand, market failure; additionality; displacement; SMART targets; affordability; cost-effectiveness; viability; economic benefits (NPC/V, wider and regional benefits) and key risk assessment.

The terms of reference should be carefully considered and tailored to each assignment.

**Output from Economic Appraisal**

The output from the Economic Appraisal should be used to develop the tender documentation and then the specifics of the contract with the EDO. In particular the Economic Appraisal should identify a VFM preferred option for delivery, and associated;

1. Project/programme costs and budget;
2. SMART objectives to be realised (activity, output and outcomes targets - including projected benefits);
3. Pre-conditions and conditions to funding;
	1. Arrangements for:
	2. Financing;
	3. Management;
	4. Marketing;
	5. Procurement;
	6. Monitoring; and
	7. Evaluation.
4. Risk Management procedures;
5. Programme milestones and trigger points;
6. Areas of concern and recommendations that require to be addressed to enable funding to proceed.

Matters of concern arising from the Economic Appraisal and those remaining to be addressed from the Pre-Engagement Due Diligence (if already completed) should be brought forward into the Casework papers and proposals for mitigation of the risk identified.

**Casework preparation**

The Casework Submission should be made using the standard template which is attached at [Appendix 5](#Casework) or the [SFA Over 100k submission template](http://secure.investni.com/static/library/intranet/documents/sfa-casework-submission-template.doc) available on the Casework section of the Invest NI intranet.[[1]](#footnote-1)

The casework papers should always highlight the following:

1. if the Casework relates to a new EDO then the papers should set out the process that has been undertaken to assess the EDO from a Corporate Governance perspective. This may include the results of any pre-engagement due diligence that has been carried out and for Voluntary & Community Sector organisations should include review of the Funders Passport and Declaration documents provided within the Government Funding Database;
2. issues highlighted by Pre-Engagement Due Diligence that remain unresolved. In these circumstances the papers should highlight the issue and set out how the matter is to be resolved or controlled either pre-funding or during the funding period. For example, an organisation may have a subsidiary that is in financial difficulty with the risk that it may impact on the organisation as a whole. In these circumstances, Invest NI may decide to fund the parent organisation but put in controls to ensure that the funds are protected from use by the subsidiary; and
3. issues highlighted by the Economic Appraisal that require to be controlled either pre or during the funding period. For example, there may be concern over the ability of the organisation to recruit sufficient numbers for a particular programme. This may be controlled by providing funding with an option to curtail after say one year should sufficient numbers not be achieved.

**Casework approval**

Current approval levels for the submission of Casework are as follows:

|  |  |
| --- | --- |
| **Total Assistance** | **Approval Authority** |
| **> £1m - £6m** | Board Casework Committee |
| **£500k - £1m** | Senior Executive Casework |
| **£100k - £500k** | Executive Casework Committee |
| **£50k - £100k** | Manager Casework Committee |
| **< £50k** | Line manager |

All cases involving Operating support of over £250k (over three years), or of £100k per year in any of the first three years will require DFP approval. A template for this can be found [here](http://svrintranetapps/intranetapps/ininetdocmanager/uploads/docs/dfp_approval_proforma_for_operating_support.doc).

**Privacy Impact Assessment**

All projects or programmes that involve collecting and/or using personal information give rise to privacy issues and data protection concerns. To enable Invest NI to address these concerns and the associated risks, a Privacy Impact Assessment should be carried out as early as possible. Further guidance on what projects require PIA’s to be carried out and how they should be managed can be found in the Invest NI Privacy Impact Assessment Guidance and Procedural Manual. The Privacy Officer can be contacted directly for support and advice at:

privacy.officer@investni.com

Outcomes from this assessment should be included in the casework presented for approval.

**CEO/EDFO and Permanent Secretary Approval for all new or renewed EDO Contracts**

Invest NI Executive Director Finance & Operations (EDFO), CEO and Permanent Secretary approval is required prior to engaging with an EDO, or renewing an existing program delivered via an EDO contract/LoO.

To comply with tendering best practice it has been agreed that EDFO, CEO and Permanent Secretary approval is sought for the use of an EDO before the tendering/selection process commences.

In all cases the Executive Director Finance & Operations and Chief Executive must have provided approval prior to going to Permanent Secretary. Once Permanent Secretary approval has been formally received, the Invest NI CEO and EFDO must be informed that all approvals are in place prior to commencing the tender process (or signing an agreement with an EDO where procurement has not been required).

Where the EDO is to be selected in an open tender competition, the name of the successful bidder should be provided to the CEO and Permanent Secretary at the conclusion of the process, not for the purposes of authorisation, but rather for noting.

All submissions should take the following form:

1. Background
	* *Provide brief details of the programme that is to be delivered by the EDO.*
	* *Set out the reasons why an EDO is considered to be a more appropriate delivery vehicle than an in-house option.*
2. Details of the EDO
	* *Provide brief details of the EDO including the services that it will deliver and the means by which its services will be sourced (eg procurement via CPD).*
	* *Proposed Length of Contract.*
	* *Proposed Value of Contract.*
	* *Confirmation that due diligence will been undertaken on the EDO (to include reference to any previous use of the EDO).*
3. Oversight and Monitoring Arrangements
	* *Details of arrangements for overseeing and monitoring the work of the EDO including arrangements for vouching payments*
* *Access rights for staff including Internal Audit Service and agents appointed by DETI and its NDPBs to undertake EDO inspections.*
1. Recommendation
* *Set out the recommendation.*

**Introduction**

In respect of EDO relationships, tendering needs to be considered from four perspectives:

1. Under current guidance contained in Procurement Guidance Note 01/07 The Use of Grant for Procurement **(Available at:**[***DFP Procurement Guidance Notes Website***](http://www.dfpni.gov.uk/index/procurement-2/cpd/cpd-policy-and-legislation/content_-_cpd_-_policy_-_procurement_guidance_notes.htm)***)*** Invest NI must decide whether public procurement rules apply to the relationship being entered into.
2. documentation of the decision to undertake a single tender action/direct award contract process in respect of Programme Partnerships and Strategic Partnerships. This may include the situation where Invest NI is providing match funding to a Programme in that no other EDOs will be considered as potential delivery agents;
3. undertaking a competitive tender process to select a EDO; and
4. ensuring that contractual documentation contains appropriate clauses to require that the EDO to adhere to public sector procurement guidelines.

Please note the requirement for EDFO, CEO and Permanent Secretary Approval prior to tendering for an EDO delivered program (Section 7).

Where Invest NI will **contractually require** an external organisation to deliver a particular service provision, guidance states that public procurement rules must be applied. However, where it is felt certain tasks carried out by an external organisation may be valuable but are **not contractually required by Invest NI** the procurement rules may not be applicable. This could potentially be the case for Strategic or Programme Partnerships but [legal advice](#Contacts) should be sought as part of the approval process if there is any uncertainty, as a Letter of Offer may still represent a contractual agreement.

**Competitive tender process**

Central Procurement Directorate’s Procurement Guidance Note 04/12 – Procurement Control Limits sets out the expenditure thresholds for public sector procurement.

**(Available at:**[***DFP Procurement Guidance Notes Website***](http://www.dfpni.gov.uk/index/procurement-2/cpd/cpd-policy-and-legislation/content_-_cpd_-_policy_-_procurement_guidance_notes.htm) ***)***

Where an open tender is required guidance should be sought, in the first instance, from [The Invest NI Procurement Manager,](#Contacts) and from Central Procurement Directorate (CPD). In order to engage with CPD an approved business case and procurement specification will be required, guidance on which can be obtained from the Procurement Manager.

**Direct Award Contract/Single Tender Action**

Public Sector procurement guidance recommends that all procurement should be subject to competition except in the specific circumstances set out in the regulations where competition is not required or where there are convincing reasons to the contrary. Further details on the use of single tender actions can be found in CPD’s Procurement Guidance Note 03/11 ([***DFP Procurement Guidance Notes Website***](http://www.dfpni.gov.uk/index/procurement-2/cpd/cpd-policy-and-legislation/content_-_cpd_-_policy_-_procurement_guidance_notes.htm)***).***

In the circumstances where Invest NI is entering into a Programme Partnership or a Strategic Partnership it should satisfy itself that the proposed EDO is the only potential supplier of the service. This rationale must be documented and approved. In the circumstances where Invest NI cannot satisfy itself that a single point tender is appropriate then it should revert to a competitive tendering process. Single point tender approval requires sign off by the Executive Director of Finance and Operations with final approval by the Chief Executive.

**EDO compliance with Public Procurement**

One of the key principles of engagement with EDOs is “EDOs should comply with Public Procurement rules in respect of activities funded by Invest NI. If an EDO obtains the majority of its income from government sources, it should comply with Public Procurement rules in respect of all expenditure”.

To ensure compliance with this requirement Invest NI should ensure that all contractual documentation provides the EDO with guidance in respect of its procurement obligations. CPD can provide specific advice in this regard. A summary of current guidance is contained in Procurement Guidance Note 01/07 The Use of Grant for Procurement **(Available at:**[***DFP Procurement Guidance Notes Website***](http://www.dfpni.gov.uk/index/procurement-2/cpd/cpd-policy-and-legislation/content_-_cpd_-_policy_-_procurement_guidance_notes.htm) ***)***

**Pre-engagement due diligence**

One of the key principles of engaging with EDOs is “before entering into commitments with EDOs, Invest NI should perform due diligence to ensure that the EDO has appropriate and sufficient financial and other management controls necessary to safeguard public funds”.

Two template questionnaires have been prepared to assist with undertaking pre-engagement due diligence these are as follows:

1. Pre-engagement Due Diligence Checklist ([Appendix 6](#EDO_Due_Dil_Check)). This document will be completed by Invest NI staff and will incorporate information obtained from the EDO Due Diligence Questionnaire; and
2. EDO Due Diligence Questionnaire ([Appendix 7](#EDO_Due_Dil_Check_2)). This document will be prepared by EDO staff and the results will be fed into the Pre-engagement Due Diligence Checklist.

Where there has been no engagement with an existing EDO for a period of 2 years the EDO should be considered a new EDO and appropriate pre-engagement due diligence undertaken.

Proportionate pre-engagement due diligence should also be undertaken for existing EDO relationships in the following circumstances:

1. where a new contract to a value in excess of £500,000 is being awarded; or
2. where there is an ongoing relationship and a due diligence checklist has not been completed for a period of 3 years.

**Timing of due diligence**

The timing of the pre-engagement due diligence will depend on the nature of the project/programme/service being provided. The following principles should be used:

1. where a programme has been designed by Invest NI and is being put out to competitive tender the EDO Due Diligence Questionnaire and the Pre-Engagement Due Diligence Questionnaire should be incorporated within the tender process, either as part of the tender evaluation or once the highest scoring tender has been identified during the evaluation process. In both cases the inclusion of the pre-engagement due diligence process must be clear to all potential bidders at the start of the competition; and
2. where Invest NI is being invited to participate in a programme and there will, in effect be, a single tender action then both questionnaires should be completed early in the engagement cycle as the outcomes may influence future contract negotiations.

**Outputs from due diligence**

The Pre-Engagement Due Diligence Questionnaire requires all problem areas to be identified and requires a series of actions to be taken. The actions can be summarised as follows:

1. **Specialist advice to be sought from Invest NI Business Appraisal Executives.** This may be in a situation where the client executive is unsure about the financial position of the company and requires specialist input;
2. **Further information to be obtained.** There may be information obtained in the documents that require clarification;
3. **to be addressed by EDO prior to funding approval.** This may include issues such as accounts or annual returns not being filed. These matters can be addressed by the EDO directly to ensure compliance;
4. **to be addressed by contract control mechanism**. There will be situations where the Pre-Engagement Due Diligence Questionnaire has identified a matter that cannot be rectified. For example, an organisation may have a subsidiary that is in financial difficulty. In these circumstances, should Invest NI fund the organisation; then it should ensure, through the letter of offer, that its funds are protected from use by the subsidiary; and
5. **Do not fund.** There may be situations where the issues are of such a nature that there is a higher than acceptable risk to Invest NI and that the proposed funding cannot proceed.

The Pre-Engagement Due Diligence Questionnaire requires sign off by both the Client Executive and the client manager.

**Voluntary & Community Sector Organisations**

Where the provider is considered to be a member of the Voluntary & Community Sector consideration must be given to documentation included in the Government Funding Database known as the Funders Passport, Funders Passport Declaration and Policies & Procedures Declaration. These documents provide some insight to the governance arrangements of the organization and should be considered as part of the due diligence exercise. Where organisations are funded by other public bodies they will also have an FSCA (Financial Systems and Controls Assessment) rating of either ‘adequate’ or ‘robust’. Where it is robust an assessment has been completed by another funder and they are content that good governance arrangements are in place.

If a FSCA has not been completed the Sponsor Branch should liaise with DETI and the Voluntary & Community Unit of DSD to ensure one is carried out as soon as possible. Further detail is available in [DAO (DFP) 08/15: The Code of Practice for Reducing Bureaucracy in Grant Funding to the Voluntary and Community Sector](http://www.dfpni.gov.uk/index/finance/afmd/afmd-key-guidance/afmd-daos/daodfp0815att_v1.pdf).

**Introduction**

There may be different forms of contract depending on the nature of the funding provided. The form of contract will be one of the following which will generally be used in specific situations:

1. Letter of offer – used primarily for grants; and
2. Contract – may be used in a variety of circumstances

The format of the above contracts may differ however they all document the agreement between Invest NI and the EDO and how this is managed. In this regard, all contracts will be required to include certain elements.

Contractual documentation should be issued prior to the commencement of the period to which the funding relates.

**Required elements of contracts**

Contractual documentation can be drawn up by Invest NI’s legal department however a significant amount of input is required from the client executive to tailor this base documentation. The following information should be incorporated in all contractual documentation but more specific clauses may also be required depending on the partnership being entered into and the findings of the economic appraisal;

1. **the boundaries of the initiative** – the boundaries can be time, operational and financial depending on the nature of the funding;
2. **the expected outputs (from economic appraisal)** – these should be defined as SMART objectives (Specific, Measurable, Achievable, Realistic and Timebounded). The objectives should have been the subject of challenge during the economic appraisal process. Once targets have been defined these should be clearly linked to the maximum amount of assistance that can be claimed in the period. Mechanisms for measuring achievement of targets should be agreed.;
3. **the precise financial arrangements between the parties including if and how stage payments will be made** – in particular the arrangements should specify whether the payments are to be made on the basis of vouched and approved expenditure or whether they are to be based on the achievement of other targets e.g. number of seminars delivered. In all cases there will be a requirement to vouch outputs and/or expenditure (See para 10.3 to 10.4 for further information).
4. **eligible expenditure, agreed expenditure headings and agreed format for the presentation of claims** – this should be set out in the contract to enable monitoring and payment data to be collected in the correct format and expedite the claims process. Where claims are paid against non-monetary outputs this clause should detail the required information to be retained by the EDO to verify its output claims. Where applicable the requirement for Independent Accountant’s Report for all claims should be specifically included.
5. **the appropriate monitoring arrangements** – these should be developed following recommendations arising from the Economic Appraisal and must include the completion on a 6-monthly basis of the [EDO Assurance Statement](#Assurance_Statement).
6. **the management arrangements for the initiative where a number of organisations are acting in concert to deliver the initiative** - it is important that the responsibilities of each organisation are set out. In most cases in is desirable that a lead partner is identified that will take responsibility for ensuring that the other partner organisations fulfill their obligations;
7. **the right of redress in the event of failure by the EDO to deliver the initiative to Invest NI’s satisfaction** – this may include for example, the right to appoint another party to complete the contract, withdrawal of funding or clawback of funding. It should be noted that if payment triggers are set correctly then there should be little risk of any clawback being necessary;
8. **a defined exit arrangement** – this is particularly important where Invest NI is providing core funding to an organisation to enable it to get established with the understanding that it will develop alternative revenue streams in the future. There should be provision for Invest NI to exit at a particular point in time. This is less of an issue with timebounded programmes;
9. **a dispute resolution mechanism** – in most cases disputes will be resolved between the parties or they will revert to legal mechanisms;
10. **information security & ownership** – Invest NI should maintain ownership of all information provided to the EDO by Invest NI, clients seeking support and any information generated by the EDO in providing the agreed service. A requirement should also be placed upon the EDO to comply with Information Security legislation. For further guidance on data sharing or privacy contact the Invest NI Provacy Officer on privacy.officer@investni.com.
11. **access rights to EDOs books and records** – this is a standard clause that should be incorporated in all contracts; and
12. **particular responsibilities attaching to the provision of EU funding and public procurement** – if the Invest NI funding is emanating from EU sources there may be other, more stringent, requirements that need to be included with the contract to ensure that Invest NI is not breaching any EU regulations. In addition EDOs are required to comply with Public Procurement rules in respect of activities funded by Invest NI. Central Procurement Directorate has set out specific guidance in this regard which is contained in guidance note01/07 “The Use of Grant for Procurement” (Available at: [***DFP Procurement Guidance Notes Website***](http://www.dfpni.gov.uk/index/procurement-2/cpd/cpd-policy-and-legislation/content_-_cpd_-_policy_-_procurement_guidance_notes.htm)). This document provides guidance as to the appropriate level of compliance with public procurement regulations for different organisations.
13. **customer management** – EDO’s should ensure they have proportionate processes in place for seeking and management of feedback and complaints from their customers, including, for example, customer satisfaction.

Where possible standard CPD contract terms and conditions should be used as part of a standard procurement process, with additional clauses included as supplemental terms and conditions specific to the EDO being engaged. A standard set of supplemental terms and conditions which should be included as a minimum is included in Appendix 13.

**Joint funding**

Where there is joint funding of a programme Invest NI and the other funders should ensure that the contracts issued by the respective parties are in the same format and contain the same conditions.

DFP has produced a summary of best practice guidance in respect of joint funding of projects FD (DPF) 08/06 “[**Accountability for Joined Up Projects**](http://www.dfpni.gov.uk/index/finance/afmd/afmd-key-guidance/afmd-fds/fddfp0806.pdf)”.

In summary the guidance recommends the following:

1. where responsibility for overseeing and implementing policies and programmes lies with more than one body, there is a need for clear lines of accountability which provide transparency as to who is accountable for what and to whom. This is normally done in the form of a Memorandum of Understanding (MOU) to clarify responsibilities and accounting arrangements;
2. it is difficult to be prescriptive about the exact nature of joined up projects, and the circumstances where the issue of formal accountability must be addressed, but it is clear that the following factors are relevant:
	1. scale of project in monetary terms
	2. risk of project failure
	3. political sensitivities
	4. project arising from a specific Government strategy, and
	5. nature of organisation undertaking the project and track record.
3. in considering joined up projects, context is everything and we work on the basis of principles and judgement, not adherence to rigid rules. The PAC has made clear that its concern is less with the process of joint working than that it should deliver sustainable improvements in public services. Therefore, it is not always necessary to introduce new structures in taking forward joined up projects and existing arrangements often serve well. But thought should be given to the structures and new ones put in place if necessary.

Notwithstanding the above guidance Invest NI retains the responsibility for ensuring that its funds are used for the purposes intended and as such should maintain appropriate monitoring and control procedures to ensure that it has sufficient oversight of the EDO.

Where more than one body is providing funding to a third party the use of a Lead Verifier, as detailed in [DAO (DFP) 08/15 The Code of Practice for Reducing Bureaucracy in Grant Funding to the Voluntary and Community Sector](http://www.dfpni.gov.uk/index/finance/afmd/afmd-key-guidance/afmd-daos/daodfp0815att_v1.pdf) should also be considered.

**Discretion to Manage**

Where the External Delivery Organisation is seen as being part of the Voluntary & Community Sector, and where the funding being provided by Invest NI covers general operating costs, consideration should be given to structuring the contract/offer in such a way that allows the EDO to managed the grant in year. As they see fit.

**Introduction**

Payments should be made in accordance with the terms set out in the contractual documentation. Payments will be generally be made on the basis of either:

1. vouched and approved eligible expenditure; or
2. the achievement of particular targets that are linked to payment milestones.

There is a move away from linking payment to vouched and approved expenditure towards the achievement of specific targets. This aligns the payment mechanism with the reality of the programme expenditure – i.e. Invest NI is purchasing a range of defined outputs and as such should pay based on the achievement of these outputs rather than on the basis of expenditure that has been incurred. The competitive tender process and/or the economic appraisal process should provide Invest NI with sufficient comfort in respect of value for money without the requirement to vouch detailed expenditure.

**Vouching and approving principles**

The following paragraphs set out a framework to be used in assessing the mechanisms for vouching and approving expenditure:

1. where a payment under a contract is solely output driven (e.g. £50 per person trained) then the vouching should concentrate to checking underlying paperwork and activities to confirm that the number of people were actually trained. Notwithstanding, all contracts should give Invest NI the right to inspect underlying expenditure. Whether or not some expenditure is vouched will depend on the nature of the organisation, the outcome of due diligence, the nature of the project and the perceived risk of the project;
2. where payment is made either wholly or partly against vouched and approved expenditure then a level of vouching is required. Programme managers should adopt a risk based approach with the level of vouching being based on the nature of the organisation, the outcome of due diligence, the nature of the project and the perceived risk of the project. Where and organization is part of the Voluntary & Community Sector and is receiving grant support from more than one business area within Invest NI, consideration should be given to claims being vouched together or assurance taken from the vouch of one claim; and
3. where funding is being provided under ERDF, or other European funding, the level of vouching will be that required to fulfill ERDF requirements. It is not recommended that output driven contracts are awarded where ERDF funding is used given the ERDF requirement that payment is made against vouched and approved expenditure.

Programme managers can seek advice from Invest NI Financial Management Division in respect of the level of vouching required for particular projects.

**Advance payments**

The default position for all funding is that payment should be made in arrears. If payment is required in advance then these should be based on a clearly identified need, supported by cash flow projections or be in line with the requirements of [DAO (DFP) 08/15 The Code of Practice for Reducing Bureaucracy in Grant Funding to the Voluntary and Community Sector](http://www.dfpni.gov.uk/index/finance/afmd/afmd-key-guidance/afmd-daos/daodfp0815att_v1.pdf). The assessment of need should take into account the need for EDOs to hold reserves to secure their future viability. DFP has issued guidance on this matter “[***Guidance on Reserves held by Voluntary and Community Organisations***](http://www.dfpni.gov.uk/index/finance/afmd/afmd-finance/afmd-financial_reporting/daodfp1507attv3.pdf)”.

The requirement for advance payments should be highlighted within the casework submission.

Where payments are made in advance the client executive should ensure that expenditure is subsequently vouched to justify the advances made.

**Vouched and approved expenditure**

The process for approving a claim is as follows:

1. the EDO will submit a grant claim in the form set out in the contractual documentation which should be supported by original invoices;
2. the client executive will review the claim for completeness and review the contract requirements to ascertain whether all monitoring conditions have been met;
3. the client executive will review any monitoring information received to ascertain whether the programme is meeting its objectives;
4. the claim form and supporting documentation will be provided to the Grants Inspectorate who will carry out an on site inspection to confirm the accuracy of the claim;
5. the Grants Inspectorate will provide the client executive with a report certifying that the claim is in order or notifying the client executive of any discrepancies;
6. the client executive prepares the grant claim for approval;
7. the grant claim is approved by the relevant authority and a payment authorisation raised; and
8. the payment authorisation is sent to Finance for payment

**Achievement of targets**

The process for approving a claim is as follows:

1. the EDO will submit claim documentation in the form set out in the contractual documentation which will include supporting documentation to support its achievement of specific targets;
2. the client executive will review the claim documentation and undertake other review processes that are considered necessary to satisfy themselves that targets have been achieved. This may include on-site visits, review of supporting documentation etc;
3. the client executive will review the claim for completeness and review the contract requirements to ascertain whether all monitoring conditions have been met;
4. the client executive will review any monitoring information received to ascertain whether the programme is meeting its objectives;
5. the client executive prepares the grant claim for approval;
6. the grant claim is approved by the relevant authority and a payment authorisation raised; and
7. the payment authorisation is sent to Finance for payment.

The above process should be recorded and approved using the template [Project Monitoring Form](#Monitoring_Report).

**EU funding**

Invest NI is currently accessing structural funds under the EU Sustainable Competitiveness Programme 2007-13 (EUSCP), which is co-financed by the European Regional Development Fund (ERDF). The EUSCP programme supports regional strategy by promoting investment in research and technological development, enterprise and entrepreneurship in an overall context of sustainable development.

For the 2007 -13 programme Invest NI will drawdown ERDF monies under the following priorities:

1. Priority 1: Increasing Investment in R&D and Promoting Innovation; and
2. Priority 2: Promoting Enterprise and Entrepreneurship

Where ERDF funding is being accessed the payment process will be required to meet any European Commission rules in relation to, for example, project monitoring and the vouching of eligible expenditure. In these circumstances all expenditure will be required to be vouched and approved.

EDO programmes may be eligible for ERDF draw down and Executives should give consideration to their inclusion in Invest NI’s eligible expenditure. Guidance can be found at [www.investni.com/euscp](http://www.investni.com/euscp) and the EU team (Paul Gunn, EU Programmes Manager) should be consulted where it is proposed to include an EDO project for ERDF draw down.

The EU Structural Funds Programme, Investing for Growth and Jobs (IGJ) will commence on the 1st of January 2014 and will span the period 2014 – 2020. The priorities which Invest NI will be accessing funding under are:

1. Thematic Objective 1: Strengthening research, technological development and innovation;
2. Thematic Objective 3:Enhancing the competitiveness of SMEs,

Following consultation, the Operational Programme and budget allocation will be agreed by the European Commission in late 2013. Guidance will then be finalised and updated on the intranet. Deirdre Convery, EU Programmes Manager, should be consulted on any queries for the IGJ Programme.

**Authority levels**

The Oracle system is set up so as to include approval levels for GRNs being entered over a certain value. This will ensure that release of stage payments under an EDO arrangement or contract which has already been set up through a requisition/purchase order are also authorised at an appropriate level.

**Internal processing**

The internal process for raising appropriate purchase orders and approval of invoices is set out diagrammatically in [Appendix 10](#Payment_Process).

**Introduction**

Invest NI should monitor EDOs to ensure that it has adequate oversight of the EDOs activities to enable it to ensure that the EDO is meeting its obligations under the contractual arrangements and to identify and manage risks from a failure of the EDO to meet those obligations.

It is the responsibility of all client executive to monitor and inspect their Programmes. Monitoring is an ongoing process and can be best achieved where the client executive has a detailed knowledge of the EDO programme it is operating. This can be achieved through a process of formal and informal monitoring.

**Formal monitoring process**

The formal monitoring process can be set out as follows:

1. all contracts should contain a requirement on the EDO to provide reports on performance against the targets established and assurance of compliance with contractual/legislative requirements. In addition the contractual documentation should contain a requirement that the EDO maintains appropriate records to support the information contained in the report. For example, if the EDO is reporting the number of attendees at various courses it would expected to hold information on the names of the attendees and obtain assessment forms from the attendees. The Economic Appraisal will provide the basis for a monitoring and evaluation framework to be adhered to that should follow through into contract documentation;
2. the client executive should meet with the EDO to discuss the performance against target and seek explanations for excessive positive or negative variances. All meetings should be formally documented;
3. the client executive should review a sample of supporting documentation to satisfy themselves that the [monitoring report](#Monitoring_Report) (Appendix 9) has been properly prepared, and ensure the [EDO Assurance Statement](#Assurance_Statement) (Appendix 8) has been completed;
4. an action plan should be agreed to address areas of underperformance;
5. the client executive should consider the impact of the performance reports on the payment schedule;
6. for ‘robust rated VCS organisations monitoring should normally be completed no more than 6 monthly.

**Informal monitoring process**

Informal monitoring can play an important part in assessing the performance of the EDO. This may include the following:

1. regular calls to the EDO as the programme progresses;
2. ad hoc attendance at some of the programme events/courses;
3. contact with programme participants/ other organisations that have had experience of the programme; and
4. contact with other bodies who are funding the EDO.

**Monitoring information required**

The following types of monitoring information are required:

1. **Financial information** – annual accounts, budgets, management accounts, audit reports etc
2. **Non financial information** – board papers, board minutes, progress reports, annual reports etc;

The Economic Appraisal will set out monitoring indicators and information to be collected by the Programme Manager to enable a VFM assessment at evaluation stage. These arrangements should be clearly communicated to the delivery agent at the outset and set out in contract documentation.

Monitoring frameworks should be established to mirror as closely as possible the framework by which the EDO is monitored and controlled by its management and Board. This ensures that the EDO develops and maintains appropriate control frameworks whilst reducing the number of reports the EDO will specifically be required to produce for Invest NI.

The information required should be proportional to the scale of the project.

**Review of monitoring information**

The following matters need to be considered when reviewing monitoring information:

1. ensure that it is received on time;
2. it should be reviewed by personnel with the appropriate skills. For example, it may be appropriate for Invest NI Business Appraisal personnel to review certain financial information;
3. Invest NI should ensure that the information is meaningful and in line with the monitoring framework set out in the Economic Appraisal;
4. queries should be raised and additional information should be requested where necessary.

Monitoring will be most effective when the EDO recognises that its reports are being subjected to critical evaluation (and will inform appraisal of future phases) and that is not just a paper exercise.

**Independent Inspection Programme**

A risk based programme of inspections will be developed by the Business Performance, EU and Risk Management Division, in conjunction with Invest NI’s internal audit provider, to supplement ongoing monitoring arrangements and provide assurance to the Invest NI Board that good governance arrangements are in place for the management of the EDO and public funds.

These inspections will consist of two aspects:

1. EDO Inspection – assessing the governance, control and risk management arrangements in place within the external delivery organisation
2. Sponsor Control – assessing the governance, control and risk management arrangements in place for the management of the EDO by Invest NI (specifically the Group or Division charged with the day-to-day management of the relationship).

This should not be seen as a substitute for the ongoing oversight of the EDO relationship by the Client Executive.

**Introduction**

Evaluation is the feedback loop of the appraisal process i.e. confirming if we got what we expected/projected to get at appraisal stage. Proper evaluation examines the outturn of a policy, programme or project against what was expected and is designed to ensure that the lessons learned are fed back into the decision making process. This ensures that actions are continually refined to reflect what best achieves objectives.

The evaluation process follows a number of broad steps:

1. Clearly set out, in a Terms of Reference, the parameters of what is to be evaluated and the priorities for the evaluation. The terms of reference should reflect the purpose, objectives, nature and scale of that which is to be evaluated;
2. Appoint an evaluation team to conduct the evaluation in line with the Terms of Reference, and all national and regional government requirements and guidance;
3. Present the results and recommendations; and
4. Disseminate and use the results and recommendations.

The approval and contractual documentation should contain the requirement for a final evaluation and in some cases an interim evaluation.

The original Economic Appraisal will set out evaluation arrangements and proposed timings at the outset. These arrangements should be clearly communicated to the delivery agent at the outset and set out in contract documentation.

**Interim evaluation**

An interim evaluation is generally appropriate in the following circumstances;

1. where the programme is new and there is a degree of uncertainty regarding the ability of the EDO to achieve its targets;
2. there is uncertainty regarding the best way to deliver the programme; or
3. there is uncertainty over the benefits, impact or additionality associated with the programme.

An interim evaluation may be undertaken after say 1 year of a 3 year programme and can be used to (subject to DFP materiality guidance):

1. change the structure of the programme for the remaining period to reflect feedback on those areas that have been successful and those that have not;
2. curtail funding in circumstances where the programme has not, and is not likely to, achieve its targets;
3. amend the targets, up or down, to reflect the achievements to date.

The contractual documentation should include a condition that funding will only continue if there is a positive interim evaluation.

The terms of reference for an interim evaluation should be tailored to review only those areas of concern and will be less than those for a final evaluation.

**Final evaluation**

A final evaluation should be undertaken either before the end of the programme or after its finish. If there is a proposal to continue funding for a further period then the final evaluation should aim to be completed prior to the cessation of the funding period so as to enable the EDO to have continuity of funding. The results of a final evaluation should summarise the following:

1. The strategic context and rationale for the programme;
2. An assessment of the quality of the operation and delivery of the programme;
3. Whether the outturn differed from that foreseen in the appraisal, and reasons for any divergence;
4. The net impacts of the programme, both quantitative and qualitative, direct and indirect;
5. The return on investment and value for money of the programme; and
6. The implications for policy, the future of the programme and its management.

A mop up Post Project Evaluation (PPE) will be completed following project/programme completion to capture the projected benefits set out in the original Economic Appraisal and provide a final VFM assessment and conclusion.

**Responsibility**

It is the responsibility of the Sponsor Branch to arrange interim and final evaluations, in conjunction with the Invest NI Evaluation Team.

**Corporate Governance guidance**

One of the key principles of engagement is that Invest NI should provide relevant guidance to an external organisation on such matters as corporate governance, procurement, fraud policy etc. Invest NI has developed a Guide to Corporate Governance Best Practice ([Appendix 11](#Governance_Guidance)) which provides an overview of best practice in the above areas and has been designed to be provided to EDOs. A list of links to relevant corporate governance guidance can also be found on the last page of this document, the first of which must be adopted by all EDO’s (*Cabinet Office: Code of Conduct for Board Members of Public Bodies – June 2011*)

Depending on the size of the organisation and the nature of its relationship with Invest NI, Invest NI may also consider running appropriate training programmes on corporate governance.

**Representation on Boards of EDOs**

Invest NI should aim to remain independent from the EDO at all times. Invest NI has issued a guidance note “Representation on outside bodies – guidelines for staff”.

The guidance can be summarised as follows:

1. Invest NI staff will not normally be permitted to act as Directors or to undertake any other role which could involve the authorisation of expenditure on behalf of the body involved;
2. Invest NI recognises that there will be circumstances where staff are requested to represent Invest NI on outside bodies. Invest NI will consider each request on its merits and will get approval in advance setting out the terms under which the member of staff may operate;
3. formal approval for all such positions should be sought. A template approval form is contained within the above guidance;
4. Invest NI staff are not permitted to receive any remuneration in respect of these duties;
5. Invest NI staff will be at all times bound by the Code of Ethics contained in the Staff handbook and Code of Conduct.

It is important to note that any application for representation in any capacity with an existing EDO must receive the approval of your Executive Director, the Executive Director Human Resources and the EDO Sponsor Branch within Invest NI.

**Conflicts of interest**

A conflict of interest is any interest, financial or otherwise, direct or indirect, participation in any business, transaction or professional activity, or incurring of any obligation of any nature, which is, or appears to be in conflict with the proper discharge of any employee’s duties in the public interest.

It is essential that situations which may give rise to a potential conflict of interest are identified at an early stage and actions taken to avoid/manage them.

**Freedom of information**

The requirements of the Freedom of Information Act, as it applies to Invest NI, will also be applicable in relation to information held by any EDO that has been contracted by Invest NI to deliver a programme or service.

The EDO acting on behalf of Invest NI is responsible for maintaining its own written records and documentation in relation to all aspects of a programme’s delivery. Should an FoI request in relation to any aspect of the delivery of a Programme be received by Invest NI, then Invest NI will be required and entitled, under the FoI legislation, to access all relevant documentation from the EDO concerned.

**Trade/Sector Body External Delivery Organisations**

Where the proposed external delivery organisation is also a trade or sector body it is important to ensure no conflicts of interest exist between their activities and the work of Invest NI e.g. lobbying issues. Where there is uncertainty this must be included as a risk in the approval casework.

It is also important that, where an open tendering competition is being used to appoint a sector body, that the Invest NI strategy for the sector aligns with that of the body being appointed. Where the Invest NI strategy is the basis for the tender specification it should provide sufficient flexibility to allow the EDO to take the sector forward as it evolves and matures.

**Equality considerations**

Recent guidance which the Equality Commission and CPD has issued has stated that while Invest NI cannot transfer its Section 75 obligations onto its EDOs it needs to ensure through the development of equality conditions in its contract that this enables Invest NI to comply with our duties.

A screening form should be completed on all programmes before they are signed off as this will allow for any adverse impact to be highlighted. A [screening form](http://svrintranetapps/intranetapps/ininetdocmanager/uploads/docs/section_75_quarterly__screening_form.doc) can be found on the Invest NI intranet.

As well as the general equality conditions which should go into all contracts, specific conditions flagged up by the screening form should be incorporated which take account of equality training the EDO needs to undertake, and monitoring of the EDO against agreed conditions as well as the Section 75 monitoring we are requiring them to undertake on our behalf.

Internal processing

All EDOs will have their own folders established in the Meridio Customer File plan. These will then be subdivided into specific programmes and categories.

Each Programme will have the following containers:

1. Scoping/pre-engagement;
2. Appraisal;
3. Casework Submission;
4. Offers/contracts;
5. Claims;
6. Monitoring;
7. Payments;
8. Briefing; and
9. Correspondence.

It is the Programme Manager’s responsibility to ensure that all folders are kept up to date with all the relevant documentation.

|  |  |  |  |
| --- | --- | --- | --- |
| Name | Section/Area | Extension | Email |
| Carol Keery | General Process Guidance | 8771 | carol.keery@investni.com |
| David Roberts/Ruth Patton | Evaluation Guidance | 82518115 | david.roberts@investni.comruth.patton@investni.com |
| Conor Bell | Economic Appraisal | 8353 | conor.bell@investni.com |
| Jonny Shaw | Procurement Guidance | 8299 | jonny.shaw@investni.com |
| Carol Keery | Casework Guidance | 8771 | carol.keery@investni.com |
| Gillian Shaw | Legal Guidance | 8268 | gillian.shaw@investni.com |
| Privacy Officer | Information Privacy & Security | - | privacy.officer@investni.com |

**GUIDANCE ON CORPORATE GOVERNANCE**

Below is a list of extant corporate governance guidance of which EDO’s should be made aware. Please note **this is not an exhaustive list** and EDO’s are expected to ensure they operate in line with all guidance/legislation relevant to their own line of business or sector.

| **Relevant Guidance** | **Available at:** |
| --- | --- |
| *Cabinet Office: Code of Conduct for Board Members of Public Bodies*June 2011 | <http://www.bl.uk/aboutus/governance/blboard/BoardCodeofPractice2011.pdf> |
| *The UK Corporate Governance Code 2012* | <http://www.frc.org.uk/Our-Work/Publications/Corporate-Governance/UK-Corporate-Governance-Code-September-2012.aspx> |
| *Corporate governance in central government departments: Code of good practice NI* | <http://www.dfpni.gov.uk/index/finance/daodfp0613att.pdf> |
| *EU procurement guidance: Introduction to the EU procurement rules*June 2008 | [http://webarchive.nationalarchives.gov.uk](http://webarchive.nationalarchives.gov.uk/20100503135839/ogc.gov.uk/procurement_policy_and_application_of_eu_rules_guidance_on_the_uk_regulations.asp) |
| *Additional Procurement Guidance**NI Public Procurement Policy*August 2014 | <https://www.gov.uk/government/publications>[www.cpdni.gov.uk](http://www.cpdni.gov.uk)<http://www.dfpni.gov.uk/index/procurement-2/cpd/cpd-policy-and-legislation/ni-pp-policy/ni_public_procurement_policy_-_version_11_august_2014.pdf> |
| *Tackling Internal Fraud*Jan 2011*Regularity, Propriety, and Value for Money* | [http://webarchive.nationalarchives.gov.uk/20130129110402/http://www.hm-treasury.gov.uk/psr\_governancerisk\_index.htm](http://webarchive.nationalarchives.gov.uk/20130129110402/http%3A//www.hm-treasury.gov.uk/psr_governancerisk_index.htm) |
| *Audit & Risk Assurance Committee Handbook (NI)*March 2014 | <http://www.dfpni.gov.uk/index/finance/afmd/afmd-corporate-governance/afmd-audit_committees/daodfp0514attv2.pdf> |
| *Managing the Risk of Fraud*December 2011 | <http://www.dfpni.gov.uk/index/finance/afmd/afmd-key-guidance/afmd-daos/managing_risk_of_fraud_dec2011-2.pdf> |
| *The Orange Book Management of risk – principles and concepts* | <https://www.gov.uk/government/publications/orange-book> |
| *Northern Ireland Audit Office: Good Practice in Risk Management* | <http://www.niauditoffice.gov.uk/a-to-z.htm/report_good_prac_risk_management> |
| *Best Practice in Finance and Governance in the Voluntary and Community Sector* | [www.dsdni.gov.uk/finance\_and\_governance\_for\_vcu.pdf](http://www.dsdni.gov.uk/finance_and_governance_for_vcu.pdf) |
| *Data Protection Act 1998* | <http://www.legislation.gov.uk/ukpga/1998/29/contents> |
| *Information Commissioner’s Office Guidance* | <http://www.ico.org.uk/for_organisations> |

**Introduction**

Whereas most of the guidance within this document has been related to the engagement of external organisations in the third or private sectors, there may be occasions when services may be better delivered by another public sector organisation or non-departmental public body (NDPB).

In most cases these bodies will have accounting responsibility either to another Department within the NI Executive, or to national government so will already have well developed systems of assurance and governance in place. This does not, however, take away from the responsibility placed upon Invest NI to ensure the funds allocated to it are used correctly but it may allow for a different approach to monitoring over the course of the partnership.

With all funding decisions the level of risk can vary based on a large number of factors so any decision on the rigour of monitoring and inspection/evaluation should be subject to guidance from the Finance/Risk Management teams in advance of entering into any arrangements, contactable at the edo.guidance@investni.com email address, in conjunction with liaison with the Accounting Officer of the other public body.

Permanent Secretary Approval

As with any engagement of a third party in the delivery of services, approval should be sought from the Invest NI Accounting Officer, Executive Director of Finance and Operations and DETI Permanent Secretary at an early stage. Section 7 of this guidance document provides more detail on the format this should take.

Assurance Statement

It is preferred that assurance provided by the organisation’s own government Sponsor Branch be sought as evidence that good governance practices are in place and operating effectively, and that ultimate responsibility for the finances reside with the Departmental or Organisational Accounting Officer.

Where this cannot be provided an inspection programme may be required to provide the Sponsor Branch, and our own Accounting Officer, with assurance that our funds are being managed properly. The format of these inspections should be in line with those used for other types of External Delivery Organisation.

An assurance statement for completion by the proposed partner organisation’s Accounting Officer or Sponsor Branch is included in Appendix 12, enabling them to determine if they are willing to provide assurance or allow us to carry out inspections.

| **Category** | **Attributes** | **Examples** | **Issues** | **Current guidance** | **Form of contract** | **Monitoring and control** |
| --- | --- | --- | --- | --- | --- | --- |
| **Programme Delivery** | * Invest NI designed and controlled programme
* Part of Invest NI’s suite of programmes addressing needs of Invest NI’s client base (in narrow sense)
* Delivery of programme is undertaken by an external agent, chosen by public tender
* Often a private sector delivery agent
* No direct client contact for Invest NI
 | SEFP Jobs Fund (Ortus) | Procurement, VFM, form and content of contract, monitoring and controlCollection of feesExercise of discretion by Agent | EDO guidance | Contract in line with terms and conditions of agreed Casework Submission (based on CPD standard contract terms) | Clearly defined inputs and target outputsRegular monitoring by Client Executive backed up by a focused inspection processAssurance StatementPrompt evaluationPaid in arrears against vouched claims |
|  |  |  |  |  |  |  |
| **Programme Partnership** | * Externally designed and controlled programme
* Not part of Invest NI’s Business development Solutions but does address perceived needs of Invest NI’s client base (in broad sense)
* Often delivered by a Public Benefit Enterprise
 | Craft NI,BioBusiness | VFM, form and content of contract, monitoring and controlExercise of discretion by Agent | EDO guidance | Contract in line with terms and conditions of agreed Casework Submission (based on CPD standard contract terms)In some instances Funding agreement in line with terms and conditions of agreed Casework Submission | Clearly defined inputs and target outputsRegular monitoring by Client Executive backed up by a full inspection processPrompt evaluationAssurance StatementPaid in arrears against vouched claims |
|  |  |  |  |  |  |  |
| **Strategic Partnership** | * No specific programmes delivered from Invest NI funding
* Invest NI provides core funding as benefits perceived to be derived from the partnership for a variety of reasons
 | Momentum, HALO | VFM, form and content of contract, monitoring and control, reservesSome strategic partners may have specific programmes which fall into Programme Delivery or Programme Partnership categories | EDO guidance | Contract in line with terms and conditions of agreed Casework Submission (based on CPD standard contract terms)In some instances Funding agreement in line with terms and conditions of agreed Casework Submission | Clearly defined inputs and target outputsRegular monitoring by Client Executive backed up by a full inspection processPrompt evaluationFunded on a multi-year basis according to need and determined by an annual business plan appraisalMay require capital funding to create reserves |
|  |  |  |  |  |  |  |
| **Fund Management/Financial Contracted Service** | * Funded, wholly or partly, by Invest NI to provide finance for end clients
 | VC and loan funds | A range of technical and structural issues. Business Appraisal team must be involved | EDO guidance | Contract in line with terms and conditions of agreed Casework Submission (based on CPD standard contract terms) | Monitored by Client Executive with assistance by Business Appraisal TeamAll new proposals for funding to be subject to a business appraisalA full comprehensive inspection process |

**External Delivery Organisation**

**Preliminary Proposal Approval**

**Project Name:**

**Project Aim:**

**Project Overview:**

What is being offered?

Who will deliver?

Who are the clients?

Where will it be run?

When and over what period will it be offered?

**EDO Information:**

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Type of EDO** |  | **Programme Delivery** |  | **Programme Partnership** |  | **Strategic Partnership** |  | **Fund Manager/Financial** |
| **(from decision tree)** |  |  |  |  |  |  |  |  |

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **New EDO?** |  | **YES** |  |  | If YES: Approval will be required from Chief Executive and Permanent Secretary |
|  |  | **NO** |  |  | If NO: Due diligence must be carried out if over £500,000 is being awarded or if no due diligence has been done in the last 3 years |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Due Diligence****Required?** |  | **YES** |  | **Rationale:** |
|  |  | **NO** |  |

**Prior History of Engagement:**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Can programme be delivered by more than one potential EDO?** |  | **YES** |  |  | If YES: Contract should be tendered in line with public sector and EU procurement guidelines |
|  |  | **NO** |  |  | If NO: Direct Award Contract (or Single Tender Action) must be approved by Executive Director Finance & Operations, Chief Executive and Permanent Secretary. |

**Contribution to Invest NI Objectives:**

Detail Invest NI’s objectives and highlight contributions to those:

What impact will this have on other Invest NI divisions?

**Rationale for Programme:**

Is the programme new or a continuation?

Is the programme unique to Invest NI or have other economic development agencies run it?

What gaps does the project address?

How were these gaps identified?

What preliminary work has been undertaken to identify a need for the programme?

**Evaluation & Monitoring:**

What are the key milestones, outputs and impacts of the programme?

What are the proposals to monitor and evaluate the programme?

What is the exit strategy??

**Programme Costs:**

What are the programme costs?

What budget line will they come out of?

Will the programme be funded solely by Invest NI or will there be other income sources?

**Prepared By:**

**Approved By:**

**Approved By:**

Note:

Contracts valued up to £10,000 require Grade 7 or equivalent approval

Contracts valued above £10,000 require Director or equivalent approval

## Proposal for EDO Engagement

[Note that for proposals to cost up to £5000 this document also serves as the submission]

## Main Aim

## Key objectives

|  |  |  |
| --- | --- | --- |
| **#** | **Description** |  |
| 1 |  |  |
| 2 |  |  |
| 3 |  |  |

## Rationale (select one)

|  |  |
| --- | --- |
| **Corporate objective** | **X** |
| To promote innovation, stimulate higher levels of R&D and design and improve knowledge transfer. |  |
| To achieve higher levels of growth by existing businesses |  |
| To promote an enterprising culture and raise the overall level and quality of business starts |  |
| To attract high-quality knowledge-based investment from outside Northern Ireland |  |

## Justification

Justify the requirement for this program. E.g. Identify gaps in a current program or portfolio, or demonstrate uniqueness of program.

## Timescales

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| ProposedStart Date | ProposedEnd Date | Duration | Total Value | INI cost (£) | INI cont. (%) |
|  |  |  |  |  |  |

# Delivery

## Classification

|  |  |  |  |
| --- | --- | --- | --- |
| **Type** | **Description** | **Name** | **X** |
| 1 | Operating grant to EDO ( LoO) |  |  |
| 2 | Service purchased from EDO ((via tender and contract) |  |  |
|  |  |  |  |

## Mechanism

Describe how this program is to be delivered.

## Justification

Explain why this is the best way to deliver the program.

# Monitoring and evaluation

## Outcomes

|  |  |  |  |
| --- | --- | --- | --- |
| Key Dates | Outcome | Objective # |  |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |

## Evaluation framework

Insert the proposed evaluation framework.

# Summary of Costs

## Total costs of project

|  |  |
| --- | --- |
| **Task** | **Amount (£)** |
|  |  |
|  |  |
|  |  |
| Total |  |

## Sources of funds

|  |  |  |
| --- | --- | --- |
| **Source** | **Amount (£)** | **Cont. (%)** |
| ? |  |  |
|  |  |  |
| Invest NI |  |  |
| Total |  | 100 |

## Additional InvestNI resources

Proposed by: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Noted by: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Supported by: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_



**DIVISION/TEAM**

**Economic Appraisal Pro Forma**

**For Indirect Assistance to Business**

***\*\*\*Expenditures > £250k require Full “Green Book” Economic Appraisal\*\*\****

**Proposal Title:**

**Author:**

**Date:**

**Status:**

**To be approved by:**

**Contents List**

|  |  |  |
| --- | --- | --- |
|  |  | **Page** |
|  |  |  |
| Contents |  |
|  |  |  |
| Casework Delegation Level |  |
|  |  |  |
| Executive Summary |  |
|  |  |  |
| 1.0 | Strategic Context & Rationale |  |
|  |  |  |
| 2.0 | Need for Expenditure |  |
|  |  |  |
| 3.0 | Objectives |  |
|  |  |  |
| 4.0 | Options |  |
|  |  |  |
| 5.0 | Monetary Costs and Benefits of Options |  |
|  |  |  |
| 6.0 | Non-Monetary Costs and Benefits of Options |  |
|  |  |  |
| 7.0 | Risks and Uncertainties |  |
|  |  |  |
| 8.0 | Summary and Recommendations |  |
|  |  |  |
| 9.0 | Arrangements for Financing and Management |  |
|  |  |  |
| 10.0 | Monitoring and Evaluation |  |
|  |  |  |
| 11.0 | Prior and General Conditions |  |
|  |  |  |
| 12.0 | Declaration |  |
|  |  |  |
|  |  |  |
| APPENDICES |  |  |
|  |  |  |
| A | NI Practical Guide to the Green Book – Guidance on Appraisal and Evaluation of Small Expenditures |  |
|  |  |  |
| B | Economic Appraisal – Summary of Basic Steps |  |

**Casework Delegation Level**

External Approvals

Is DETI/DFP approval required?

Is Ministerial approval required?

Internal Approvals

|  |  |  |
| --- | --- | --- |
|  | Position | Name |
| Prepared by: |  |  |
| Noted by: |  |  |
| To be approved by: |  |  |

**EXECUTIVE SUMMARY**

***COMMENSURATE EFFORT SHOULD BE APPLIED WITHIN THIS PROFORMA, I.E.***

***PROPOSALS AT THE UPPER END OF THE EXPENDITURE SCALE SHOULD PROVIDE MORE DETAIL THAN THOSE AT THE LOWER END***

**1. Strategic Context & Rationale**

This section should identify the rationale for government intervention, which will be based on

either economic or distributional / equity objectives (e.g New TSN) or both. Reference to the

underlying policy or strategy should be made indicating how the project is expected to

contribute to the relevant strategic aims and objectives.

*Guidance: - HMT Green Book Chapters 3 & 4 and NI Preface Section 2.1*

*1.1 What is the* ***rationale*** *for the proposal?*

*1.2 Who are the intended beneficiaries of the proposal and what are the*

*mechanisms that will extend the benefits to them?*

*1.3 What are the broad benefits that will be achieved and how will the proposal, bring this about?*

*1.4 To what extent and how does the proposal fit with:*

* *Invest NI Corporate Plan objectives?*
* *Other relevant strategic aims and objectives of Invest NI or broader*

*economic development strategies (e.g. Accelerating Entrepreneurship*

*Strategy, Think Create, Innovate, West Belfast Economic Taskforce*

*Recommendations, New TSN & Equality Action Plans and for proposals*

*seeking EU funding identify consistency with relevant EU Structural Funds*

*Programmes, Priorities, Measures etc).*

* *Emphasis must be on justifying the initiative.*

**2. Establish the Need For Expenditure**

What is the expected demand for this proposal / service and what are the current deficiencies that require intervention? Additionality should be addressed i.e. would the project go ahead without assistance (whether at a different time / location or on a different scale)? The proposed assistance must be the minimum necessary. The applicant’s financial position and ability to fund The proposal from non-Government sources should be reviewed. Displacement should be considered i.e. the extent to which assistance leads to reductions in activity elsewhere.

*Guidance: - HMT Green Book Chapters 3 & 4 and NI Preface Section 2.2 & Section 4 (for*

*additionality).*

*2.1 What is the evidence of need or demand for this proposal? Evidence should*

*be specific and sourced.*

*2.2* ***Displacement*** *- Is the proposal unique to other services provided by Invest*

*NI or other Economic Development agents? YES/NO*

*If NO please specify and identify what gaps are addressed by this proposal?*

*2.3* ***Additionality*** *– Is the proposal fully additional?(i.e. would the proposal go*

*ahead without Invest NI’s intervention?) Emphasis must be on providing a*

*sufficient justification.*

*2.4 What would happen if the proposal is not funded?*

**3. Objectives**

SMART objectives (**S**pecific, **M**easurable, **A**greed, **R**ealistic & **T**ime Dependent) that address the identified need should be set. The relative priority of objectives should be indicated where appropriate. Provide sufficient detail to enable option generation and option performance assessment)

*Guidance: - HMT Green Book Chapter 4 and NI Preface Section 2.3*

*3.1 What are the objectives of the proposal?*

*3.2 Is the proposal State Aid compliant?*

**4. Identification and Description of Options** *(Not required for proposals where*

*expenditure will be less than £5,000).*

The options examined should include a status quo option (which sets out the current service levels and acts as a baseline) and a range of alternative options. An appropriate number of options should be selected for consideration and the grounds for the dismissal of options prior to this should be explicitly stated. The shortlist of options should ideally contain the status quo option and at least two alternatives. Options could include different scale / location, alternative service delivery etc. **Options should address the identified need.**

*Guidance: - HMT Green Book Chapter 5 and NI Preface Section 2.4*

4.1 Please describe the options considered to meet the objectives outlined in 3.1.

If certain options were dismissed prior to appraisal please state and explain

the reason why they were rejected.

Option 1 ‘Status Quo’

Option 2

Option 3

**5. Identify & Quantify the Monetary Costs & Benefits of Options** *(Where*

*value less than £5,000 only cost/benefit for proposal required).*

Clearly identify and quantify all the costs that are associated with each of the options under

consideration. If there are expected to be monetary benefits (e.g. revenues) these should be detailed also. Identify the phasing of costs and benefits over a suitable time period e.g. typically 3-5 years. Recurrent costs and benefits should be provided on an annual basis.

When the proposal involves assistance to the private sector, Third Party Organisations or EU funding is proposed it is necessary to make an assessment of the **cost-effectiveness** of the proposal. Reference to relevant ratios such as cost per job, Invest NI assistance to proposal costetc.

*Guidance: - HMT Green Book Chapter 5 & Annex 3 and NI Preface Section 2.5 & Section 4 (costeffectiveness).*

5.1 *Please provide details of the monetary costs and benefits of the options*

*identified.*

Option 1

Option 2

Option 3

5.2 ***Cost –Effectiveness –*** *Please provide details of relevant cost-effectiveness*

*measures.(e.g. cost per job, cost per participant, cost per loan, cost per*

*trainee place provided, ratio of Invest NI and total public assistance to the cost*

*of the proposal etc.)*

**6. Weigh Up Non Monetary Costs & Benefits (Including New TSN & Equality)** *(This section not required where value less than £5,000).*

Identify relevant non-monetary costs and benefits (both quantitative & qualitative). Quantify them

in suitable units where possible. Employ appropriate techniques to show how they compare under

the different options e.g “list & describe” in simpler cases; “impact statement” or “weighted scoring

method” in others. Each option may be scored against each objective

Consider **distributional issues** including New TSN & Equality. Explain assumptions clearly e.g.

weights and scores should be explained individually. A narrative interpretation of the results of

this analysis should be provided.

*Guidance: - HMT Green Book Annexes 2 & 5 and NI Preface Section 2.7 & Appendix 5.*

*6.1 Please provide details of the non-monetary costs and benefits for each of the*

*options identified. Draw comparisons, between the various options, of the*

*extent that the objectives outlined in 3.1 are addressed – these can be*

*presented in the impact statement below.*

Option 1

Option 2

Option 3

Option 4

*6.2 Are there any distributional issues (including New TSN & Equality) associated*

*with the proposal? YES/NO*

*If YES please outline the impact under each option - these should be*

*presented in the impact statement below.*

**IMPACT STATEMENT**

|  |  |  |  |
| --- | --- | --- | --- |
|  | *Option 1* | *Option 2* | *Option 3* |
| *New TSN Objective 1* |  |  |  |
| *Other Objective 1* |  |  |  |
| *Other Objective 2* |  |  |  |

**7. Appraise Risks & Uncertainties** *(This section not required where value less*

*than £5,000).*

The presence of risks and uncertainties e.g. risk of a cost overrun or reliance on key individuals, may influence the choice of option, therefore the implications of any significant risk or uncertainty must be thoroughly explored. Identify and quantify (if possible) the main risks and uncertainties associated with the proposal. Show how risks compare under the different options and what steps will be adopted to minimise any identifiable risks.

*Guidance: - HMT Green Book Chapter 5 & Annex 4 and NI Preface Section 2.8*

*7.1 Are there any risks or uncertainties associated with the proposal? YES/NO*

*7.2 If YES - Please give details of any risks and uncertainties and the*

*countermeasures that will be put in place to minimise their impact. Also*

*indicate for each option whether the level of risk is low, medium or high; this*

*will determine the overall level of risk for each option and enable a*

*comparison to be made.*

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| *Description of Risk* | *Option 1* | *Option 2* | *Option 3* | *Countermeasures* *(if appropriate)* |
| Risk 1 |  |  |  |  |
| Risk 2 |  |  |  |  |
| *Risk 3* |  |  |  |  |
| *Risk 4* |  |  |  |  |
| ***Assessment of Overall Risk****(low, medium, high)* |  |  |  |  |

**8. Summary & Recommendations** *(Where value less than £5,000 provide*

*information for proposal only –treat as “optional”.*

|  |
| --- |
| **Summary Table** |
|  | Option 1 | Option 2 | Option 3 |
| Total Monetary Benefits if any (£) |  |  |  |
| Total Monetary Costs |  |  |  |
| Total Cost of Proposal (£) |  |  |  |
| Non-Monetary Benefits /QualititativeImpact Ranking *(if appropriate)* |  |  |  |
| New TSN/ Equality Impact Ranking *(if appropriate) neutral / positive / negative* |  |  |  |
| Risk Assessment (low, med, high) |  |  |  |

*8.1 Identify* *the preferred option and briefly explain why it was selected*

**9. Assess Arrangements for Financing and Management**

**Finance**

9.1 *Provide details of the proposed sources of funding (and how this funding will*

*be phased over time) in the Table below:*

|  |  |  |
| --- | --- | --- |
| **Funder** | **Contribution** | **Secure / Awaiting Reply** |
|  |  |  |

*9.2 Payment arrangements including in the case of advances or interim payments*

*the reason for the type of payment and key milestones or triggers.*

**Management Considerations**

*9.3 Outline the role of Invest NI within the proposal.*

*9.4 Outline the roles of any other parties (e.g Third Party Organisations) within the proposal. Identify the key personnel involved and outline their relevant experience.*

*9.5 (Expenditures > £50k) Please set out the management considerations that*

*need to be taken into account if the anticipated benefits for this project /*

*programme are to be realised including details of proposal personnel,*

*procurement, timetable, staffing issues etc.*

*9.6 What are the implementation targets? (Include milestones, dates, payment*

*schedules etc)*

**Viability** *(Only required where Invest NI is proposing to provide core funding)*

When the proposal involves assistance to the private sector, Third Party Organisations or EU funding it is necessary to make an assessment of the viability of the proposal i.e examine cash flows, management & financial arrangements to ensure that funding is not wasted on proposals that will fail prematurely.

*9.7 Following the financial assessment and managerial considerations is the*

*preferred option deemed to be viable? If not explain why not and address*

*viability concerns and / or revert to alternative options.*

*9.8 Where funding is granted for a limited period, consideration should be given to*

*a suitable ‘exit strategy’. This should include assumptions about subsequent*

*funding. Please provide details below where appropriate. (No exit strategy*

*required for one-off expenditures).*

**10 Monitoring & Evaluation**

*10.1 Who will be responsible for monitoring and evaluation (the organisation, post &*

*individual)?*

*10.2 What outputs & outcomes will be monitored and evaluated, and how? This will*

*include information on: -*

* *Definition & timing of planned outcomes*
* *Definition & timing of planned quantified outputs*
* *Definition & timing of planned qualitative outputs*

*10.3 The timing of evaluations should be clearly specified*

*10.4 How will the results be disseminated and who will be the target audience?*

**11 Prior Conditions**

*11.1*

*11.2* **General Conditions**

**12 DECLARATION**

*12.1*

Signed: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ Date: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Position: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

**APPENDIX A**

**APPRAISAL AND EVALUATION OF SMALL EXPENDITURES**

**Introduction**

A1.1 Deciding on the right amount of effort to devote to an appraisal or an evaluation is largely a matter for case by case judgement. The decision should be based on for example, the experience gained over time through undertaking other appraisals and evaluations of similar scale and type. It is recognised that those undertaking appraisals and evaluations may sometimes find it difficult to judge what the appropriate effort should be, particularly where small expenditures are concerned. This Appendix seeks to give some practical assistance on the subject. Although it is couched largely in terms of appraisal, the principles generally apply also to evaluation.

A1.2 This guidance refers *broadly* to proposals involving public expenditures of less than £250,000 in total. Where financial assistance is in view, it may be taken to refer to total financial assistance (including, for example, all sources of PE, EU and IFI funding) of up to £250k over the whole life of the project. However, the £250,000 figure is indicative, and the need for judgement is required whatever the expenditure level.

**The Principle of ‘Proportionate Effort'**

A1.3 Appraisals use up resources. It is therefore important to judge the level of input appropriate to any particular appraisal. The general rule is that the resources to be devoted to an appraisal should be proportionate with the scale and importance of the associated objectives and resource consequences.

A1.4 The effort that should go into an appraisal and the detail to be considered are a matter of judgement. When the right questions are asked the appropriate effort is often easy to see. Small expenditures generally justify less detailed appraisal than large expenditures, but small items can add up to substantial totals, and small expenditures can have big effects, and the principles of appraisal still apply. These same principles apply also to evaluation.

A1.5 In deciding the amount of effort required for an appraisal, it is appropriate to consider not only the costs and benefits to the public sector, but also those to the other sectors of the economy, since appraisal is about encouraging the best use of the nation's resources as a whole. The importance of a project to the national economy may be disproportionate to the public sector costs and benefits arising. For example, a small public grant to a private firm or voluntary body may represent only a small proportion of the total resource cost of the project; or a small pilot project may be undertaken in anticipation of a major new programme

**The Steps of Appraisal**

A1.6 The key steps of defining needs and objectives, identifying alternative options, and assessing their costs and benefits should always be undertaken, no matter how small the proposed expenditure involved. The reason for insisting upon this is that they represent a *way of thinking* which is indispensable.

A1.7 However, while these steps are always to be followed, discretion may be exercised on the amount of effort required on each of them. For example, it may be unnecessary to spend much time or effort on defining needs and objectives when the concern is simply to replenish stationery and other basic office supplies.

A1.8 It may not always be appropriate to calculate net present values for the smallest of proposed expenditures, particularly where there are no significant recurrent costs or benefits. The other steps of appraisal, such as assessing risk and uncertainty and post project evaluation, should usually be considered even on relatively small expenditure proposals. However, in general there is less likely to be a need for detailed analysis under these steps for small expenditures than for larger expenditures. For instance, although the use of sensitivity analysis is useful for most proposals, there may be no need for it in the case of the smallest expenditures.

A1.9 There is thus a great deal of flexibility in applying appraisal, particularly where small sums are involved. The use of appraisal principles to think through expenditure proposals represents a common sense approach which need not involve a lot of unhelpful bureaucracy.

**Costs of Appraisal**

A1.10 It is impossible to provide a definitive norm in cost terms for the effort to be devoted to small appraisals, because the circumstances may vary widely. Nevertheless, the following should act as a rough guide. The cost of the resources devoted to appraisal should normally be expected to be up to 2% of the value of the public grant or expenditure under consideration. Where the cost significantly exceeds this level, say where it is 5% or more of the relevant value, the question of disproportionate effort may arise.

A1.11 In setting out this norm, it is emphasised that it represents a broad guideline rather than a rigid rule. There are likely to be many cases where appraisal will cost substantially less than 2% of the relevant expenditure, for instance, in simple decisions where the objectives are obvious, the options are very restricted and the costs, benefits and other factors are particularly transparent.

A1.12 More rarely, there may also be circumstances to justify committing larger costs to appraisal where, for example, the expenditure in view will have a disproportionate impact on the economy or where it will affect a politically or socially important issue.

A1.13 At the smallest end of the spectrum, involving expenditure of less than £10,000, appraisal should often require no more than one man-day of an experienced appraiser's time. However, different circumstances may justify more or less input.

**Documentation**

A1.14 Documentation requirements will vary according to the size or importance of the appraisal in hand. Whether the proposed expenditure is small or large, it is wise to document each step of the appraisal process as and when it occurs, rather than to defer all the writing up to a later stage.

A1.15 Smaller scale appraisals should generally be documented in a step-by-step record, but need not meet the full requirements demanded of large submissions. For example, while risks and uncertainties and the need for post project evaluation should generally be considered, they may not require substantial documentation in small scale appraisals where these factors are considered unimportant. An appraisal concerning a small purchase may deserve a record extending to only a few pages. However, the key steps referred to at paragraph 4 should generally be recorded even in small expenditure appraisals.

**Pro Forma Documentation**

A1.16 The use of standard *'pro forma' documentation* can be helpful for appraising small expenditure proposals. A 'pro forma' approach is very useful where there are a substantial number of small appraisals with similar characteristics. ‘Economic Appraisal: The Basic Steps’ (see pages 9 & 10 above) serves as a summary of the kind of issues that should generally be addressed in a pro forma, but clearly there is a need to tailor forms specifically to suit particular programmes and projects. For example, the appraisal of small grants can be facilitated by designing application forms so that they provide the information that funding bodies need to appraise them. (See 4.1.11-13 above for elaboration).

A1.17 The pro forma approach has been applied in practice to small projects in numerous areas, and Departmental economists can assist with their design.

**Evaluation of Representative Samples**

A1.18 It would be impractical and of limited use to conduct an ex post evaluation of every small expenditure. Where an activity consists of a large number of small scale expenditures it will normally be appropriate to select a representative sample for evaluation.

**Expert Advice**

A1.19 There remains scope for case-by-case judgement on the issues addressed in this Appendix. Departments should make the most of the economic expertise available to them in arriving at the appropriate decisions. For example, Departmental economists can help design relevant pro forma documentation where this is considered appropriate, and will provide general advice on the effort appropriate to individual cases.

**APPENDIX B**

**ECONOMIC APPRAISAL: SUMMARY OF BASIC STEPS**

|  |  |  |
| --- | --- | --- |
| ***STEP*** | ***MAIN PROCEDURES IN BRIEF*** | ***GUIDANCE*** |
| **1. EXPLAIN THE STRATEGIC CONTEXT** | * Refer to underlying policy or strategy, e.g. policy statements, statutory requirements, or business plans.
* Indicate how the proposal is expected to contribute to the relevant strategic aims and objectives.
 | NI Practical Guide section 2.1 Green Book chapters 3 & 4  |
| **2. ESTABLISH THE NEED FOR EXPENDITURE**  | * Establish the need for expenditure by:-
	+ analysing the expected demand for services; and
	+ identifying deficiencies in current service provision.
* Justify and quantify the proposed level of service provision over the appraisal period.

*Where funding the non-Govt sectors is in view:-*Assess **Additionality** i.e. establish that the proposed assistance is the minimum necessary. | NI Practical Guide section 2.2Green Book chapters 3 & 4NI Practical Guide section 4.3 |
| **3. DEFINE THE OBJECTIVES AND CONSTRAINTS** | * Define the expected outcomes and outputs.
* Specify targets that are SMART i.e. **S**pecific **M**easurable
* **A**chievable **R**elevant and **T**ime-dependent.
* Include implementation targets e.g. dates, milestones.
* State the key constraints on the project, e.g. technical, financial, legal, timing etc.
* Indicate the relative priority of individual objectives or elements of the proposals
* Provide sufficient detail to enable option generation and option performance assessment.
 | NI Practical Guide section 2.3Green Book chapter 4 |
| **4. IDENTIFY & DESCRIBE THE OPTIONS** | * Identify and describe a baseline option, usually the status quo, and a suitably wide range of alternative options.
* Consider variations in scale, quality, technique, location, timing and funding method.
* Examine alternative procurement options including appropriate consideration of a PPP solution.
* Choose a suitable number of options for full appraisal.
* Where some are rejected before full appraisal, explain reasons for rejection.
 | NI Practical Guide section 2.4Green Book chapters 5 |

|  |  |  |
| --- | --- | --- |
| **5. IDENTIFY & QUANTIFY THE MONETARY COSTS AND BENEFITS OF OPTIONS** | * Detail capital costs, including any refurbishment costs, andannual recurrent costs and benefits of all options.
* Express costings in total rather than incremental terms, to expose full resource consequences.
* Include opportunity costs and residual values for all assets employed, whether already owned or not.
* Assess displacement, and adjust costings accordingly.
* Adjust for inflation and (where relevant) tax differences.
* Where cost savings or efficiency improvements are projected, indicate whether they will represent financial savings or redeployment of resources.
* Consider costs and benefits to other parts of the public and private sectors.

„ *Where funding the non-Govt sector is in view:-*Assess **Cost-Effectiveness** by reference to relevant ratios such as cost per job, public assistance to project cost, etc. | NI Practical Guide section 2.5Green Book chapter 5 and Annex 3HMT supplementary guidance on the taxation of PFI and the public sector comparatorNI Practical Guide section 4.4  |
| **6. APPRAISE RISKS AND ADJUST FOR OPTIMISM BIAS** | * Prepare a risk log identifying and quantifying the main risks associated with the proposal.
* Consider how risks compare under the different options.
* Adjust costs, benefits and timing assumptions for optimism bias.
* Develop suitable risk management and risk reduction strategies.
 | NI Practical Guide section 2.6Green Book chapter 5 and Annex 4HMT supplementary guidance on the treatment of optimism bias |
| **7. WEIGH UP NON MONETARY COST & BENEFITS (INCLUDING NEW TSN & EQUALITY)** | * Identify relevant non-monetary costs and benefits.
* Quantify them in suitable units where possible.
* Employ appropriate technique to show how they compare under the different options e.g. “list and describe” in simpler cases; "impact statement" or "weighted scoring method" in others.
* Consider distributional issues incl. New TSN & Equality.
* Explain assumptions clearly e.g. weights and scores should be explained individually.
* Interpret the results of the non-monetary analysis.
 | NI Practical Guide section 2.7Green Book Annexes 2 & 5 |

|  |  |  |
| --- | --- | --- |
| **8. CALCULATE NET PRESENT VALUES (NPVs) AND ASSESS UNCERTAINTIES** | * Identify phasing of monetary costs and benefits over suitable time period, adjusted for inflation, optimism bias and (where relevant) displacement and tax differences.
* Calculate NPV (or NPC) for each option, using correct discount rate.
* Include spreadsheets detailing the calculations, including disaggregation of cost/benefit items.
* Show, for each year, the discount factors used, the total NPV for the year, and the cumulative NPV to that year.
* Identify the price basis and base year for discounting.
* Test and interpret the sensitivity of the NPVs (or NPCs) to changes in important assumptions, and explain choice of variations covered.
* Interpret the results e.g. estimate the probability of various possible outcomes and implications for option ranking.
* Provide sufficient detail to enable checking of calculations.
 | NI Practical Guide section 2.8Green Book chapter 5 and Annex 6 |
| **9. ASSESS ARRANGEMENTS FOR FINANCING, MANAGEMENT, PROCUREMENT, MARKETING, MONITORING AND EX POST EVALUATION** | * *Financing*: Include budget, cash flow and funding statements, phased over time.
* *Management*: Give details of proposed personnel, procurement method, timetable, benefits realisation plan, accommodation needs, staffing issues etc.
* *Marketing*: Provide market assessment and marketing plan as appropriate
* *Monitoring*: Indicate how the proposed option will be monitored during and after implementation.
* *Evaluation*: Record pre-implementation levels of resource use and service provision. Indicate factors to be evaluated, when, how and by whom.

„ *Where funding the non-Govt sector is in view:-*Assess **Viability** i.e. examine cash flows, management & financial arrangements to ensure that *funding* is not wasted on proposals that will fail prematurely. | NI Practical Guide sections 2.9, 10 & 11Green Book chapters 6 & 7NI Practical Guide section 4.5 |

|  |  |  |
| --- | --- | --- |
| **10. ASSESS THE BALANCE BETWEEN THE OPTIONS AND PRESENT THE RESULTS & CONCLUSIONS** | * Write up the steps of the appraisal in the order shown here.
* Give details of assumptions and calculations, using appropriate appendices.
* Include summary of main results (i.e. NPVs/NPCs, unquantifiables and uncertainties) for each option.
* Draw out the balance of advantage among options, assess VFM and affordability, and record conclusions and recommendations.
 | NI Practical Guide section 2.10Green Book chapter 6 |



EDO SUBMISSION TO

[Invest NI Delegated Approval Authority]

On Behalf of

[Client Name & Reference]

Date:

**By:** [Client Executive

Team

 Division]

 **Recommended Max Pages**

####  [Fly Sheet](#FlySheet) 1

**1** [**Project Details & Proposed Financial Assistance**](#ProjectDetails) **5**

1.1 [Project Definition](#ProjectDefinition)

1.2 [Casework Recommendation](#CaseworkRecommendation)

1.3 [Details of Company and Current Financial Position](#DetailsofCompany)

1.4 [Assistance Proposed](#AssistanceProposed)

1.6 [Assessment of the Project](#AssessmentofProject)

1.6.1 Delivery Mechanism

1.6.2 Value for money

1.6.3 Additionality

1.6.5 [Risks](#AssessmentRisks)

1.7 [Control Calculations](#ControlCalculation)

1.8 [Other Assistance Proposed by Invest NI / Future Work with Invest NI](#OtherAssistance)

1.9 Monitoring and evaluation

**2 ECONOMIC** [**Appraisal Conclusions**](#Section2AppraisalConclusions) **2**

2.1 Strategic context

2.2 Identification of need

2.3 Summary of options and selection of preferred option

2.4 Overall conclusions

**3 PRE – ENGAGEMENT DUE DILIGENCE**

3.1 Summary of work

3.2 Key risks and actions to mitigate

3.3 Overall conclusions and recommendations

**4** [**Conditions & Monitoring**](#ConditionsMonitoring) **2**

4.1 [Pre-Conditions](#PreConditions)

4.2 [General Conditions](#GeneralConditions)

4.3 [Monitoring Requirements / SMART](#Monitoring) objectives

**5** [**Casework Processing & Submission Signatures**](#Section4CaseworkProcessing) **1**

5.1 [Casework Timeline](#Section4CaseworkTimeline)

5.2 [Comments on Time Taken to Process](#Section4CaseworkTimetoProcess)

5.3 [Casework Submission Signatures](#Section4CaseworkSignatures)

**6** [**Approval Record**](#Section5ApprovalRecord) **1**

 **Appendices**

A Independent Appraisal Summary /

 Client Executive Appraisal

|  |
| --- |
| FLY SHEET |
| Mobile / Non-Mobile (Delete as Appropriate) |
| **Name of Client** |  | **Co. Ref. No.**  |  |
| **Trading Entity:**  | Sole Trader/Partnership/ Ltd Co. | **District Council:** |  |
| **Country of Ownership:** |  | **Parl. Consty:** |  |
| **Location of Project:** |  |
| **NTSN Area:** | Yes/ Adjacent to/ No  (Delete as appropriate) NB. *Adjacent to* relates to wards. |
| **Factory/ Premises** | Own/ Invest NI/ Other (Please specify) |
| **Activity** |  |
| **Sector:** |  | **SIC Code:** |  |
| **Project:**(Delete as appropriate) | 1. First-time Investment by an overseas-owned company
2. Re-investment by an existing overseas-owned company
3. Re-investment by a locally-owned company
4. Start-up by local company

E. Pre-Start |
| **CONTRIBUTION TO INVEST NI OBJECTIVES (Delete as appropriate)** |
|  Promotes Entrepreneurship | Promotes Innovation | Promotes Internationalisation |
|  |
| **FINANCIAL ASSISTANCE PROPOSED** | **ELIGIBLE PROJECT COSTS** |
| **Capital Grant** | **£** |  | **£** |
| - |  | - CAPEX Buildings |  |
| - |  | - PME |  |
| **Revenue Grant** |  | -  |  |
| - |  | - Working Capital  |  |
| **-** |  | - Incremental Revenue Expenditure |  |
| **Grant Total** |  | - Exceptional Items |  |
|  |  |  |  |
| Loan |  | **TOTAL ELIGIBLE PROJECT COSTS** |  |
|  |  | Invest NI % of Eligible Project Cost | **%** |
| Share Capital |  |  |  |
|  |  | Total Investment Costs |  |
| **Total Assistance** (this project) |  | Invest NI % of Total Investment Costs | **%** |
| Aggregate Assistance over the last 3 years (inc. current project): **£** |
|  |
| **FUNDING CONTROLS (complete as appropriate)** |
| **GGE:** | % | **SFA Grant / Loan / Equity Cost per Job** | £ |
|  |
| **EMPLOYMENT** |
| Target Employment per previous Letter of Offer / Financial Assistance Agreement: |  |
| Current Employment: |  |
| Base Employment for this project: |  |
| New jobs arising from this project: |  |
| Number of base employment jobs to be safeguarded by this project: |  |
| Target employment at end of project: |  |
|  |
| **INVEST NI DELEGATED APPROVAL AUTHORITY (Delete as appropriate)** |
| Client Executive, Client Manager, Director, Managing Director, Executive / Board Casework Committee |
|  |
| **DFP / MINISTERIAL / TREASURY / EUROPEAN COMMISSION APPROVAL** |
| DFP approval required? | Yes / No / N/A | HM Treasury approval required? | Yes / No / N/A |
| Minister’s approval required? | Yes / No / N/A | EU Commission approval required? | Yes / No / N/A |
|  |
| **APPRAISAL TYPE (Delete as appropriate)** | **POST PROJECT EVALUATON** |
| Commercial / Economic | PPE Date: |
| **CLIENT DATABASES** |
| Have Client Databases and WIP been updated? | Yes/ No/ N/A |
| **SECURITY** (Please delete as appropriate) |
| Concerns over cover for: | Loans: Yes / No / N/A  | Property: Yes / No / N/A |

**SECTION 1 – PROJECT DETAILS & PROPOSED FINANCIAL ASSISTANCE**

* 1. **Project Definition**

|  |
| --- |
| * Detailed definition of the project to be supported under this submission
* Main objectives within the company’s business or project plan
* How the project arose & its fit with Invest NI’s strategic aims
 |

* 1. **Casework Recommendation**

|  |
| --- |
| * ***A concise rationale as to why Invest NI should support the project***
 |

* 1. **Details of Company and Current Financial Position**

|  |
| --- |
| * ***Company activity and current employment***
* ***Most recent annual turnover, profit before tax and net assets***
* ***Projects assisted by Invest NI in the last 5 years***
 |

* 1. **Assistance Proposed**

|  |
| --- |
| * ***Details of Financial Assistance proposed***
* ***How the proposed structure (form and amount) was determined.***
* How the financial support addresses Invest NI’s strategic objectives:
* ***How it will it be earned by the organisation and over what period***
 |

* 1. **Assessment of the Project**
		1. Delivery mechanism

|  |
| --- |
| * Is the proposed delivery mechanism the most appropriate?
* What alternatives have been considered?
* Is the organisation the only organisation that could deliver the programme
 |

* + 1. Value for Money

|  |
| --- |
| * Was the Programme subject to competitive tender;
* If it was a single point tender outline
	+ Rationale for single point tender;

How value for money has been ensured |

* + 1. Additionality

|  |
| --- |
| Additionality * + What will Invest NI support deliver that would not otherwise happen?
	+ Why does the Client consider that Invest NI support is required and are their arguments credible?
	+ What contribution is the Client making to the project’s costs?
	+ What private or other sources of finance have been secured?
	+ What have not been secured & why not?
	+ Are funds available through a group structure or other business interests?
	+ What would be the effect of not providing Invest NI assistance?
 |

* + 1. Risks

|  |
| --- |
| Consider:* + Financial risks
	+ Pre-engagement due diligence issues
	+ Economic appraisal issues
	+ Management issues
	+ Reputational issues
	+ Client & Invest NI action to mitigate key risks
 |

* 1. **Control Calculations**

|  |
| --- |
| * ***Tabulate the relevant control calculations and comment on any which are outside the norm***
 |

* 1. **Other Assistance Proposed by Invest NI / Future Work with Invest NI**

|  |
| --- |
| * + ***Other Financial / Non-Financial Assistance currently proposed or likely to be considered in the next 12 to 24 months***
	+ ***Any Client Team issues***
 |

**1.9 Monitoring and evaluation**

|  |
| --- |
| * + ***Outline proposed monitoring and evaluation framework***
 |

**SECTION 2 – ECONOMIC APPRAISAL CONCLUSIONS**

* 1. **Strategic context**
	2. **Identification of Need**
	3. **Summary of options and selection of preferred option**
	4. **Overall Conclusions and recommendations**

**SECTION 3– PRE –ENGAGEMENT DUE DILIGENCE CONCLUSIONS**

* 1. **Summary of work**
	2. **Key risks and actions to mitigate**
	3. **Overall Conclusions and recommendations**

**SECTION 4 - Conditions and Monitoring**

* 1. **Pre-Conditions**
	2. **General Conditions**
	3. **Monitoring Requirements / SMART objectives**

**SECTION 5 – CASEWORK Processing & SUBMMISSION SIGNATURES**

**5.1** **Casework Timeline**

|  |  |  |
| --- | --- | --- |
| A | Situational Analysis / Business Plan Expected |  |
| B | Acceptable Business / Project Plan received |  |
| C | Plan Accepted by Client Executive / CFAAD  |  |
| D | Appraisal complete  |  |
| E | Casework Submitted for Approval |  |
|  | **Total Controllable Days** |  |

* 1. **Comments on Time Taken to Process**
	2. **Casework Submission Signatures**

|  |
| --- |
| * ***Delete or Add Signatures as appropriate***
 |

Submitted by:

 [Name]

 Client Officer / Executive / Manager

Noted:

 [Name]

 Appraisal Executive (if appropriate)

 [Name]

 [Title]

 Date: / /

**SECTION 5 - APPROVAL RECORD**

**MOBILE / NON-MOBILE CASE** *(Delete as appropriate)*

**Client:**

**Record of Approval to Assist given by:** (delete as appropriate)

Board Casework Committee (BCC)

Executive Casework Committee (ECC)

Managing Director

Director

Client Manager (or equivalent)

Client Executive (or equivalent)

**Details of Assistance or Investment**

|  |
| --- |
| **£**  |
| **Grant** | Revenue Grant (specify) | * Trigger / Performance Based
* Employment
* Marketing
* MIS
* CDP
* Compete
 |  |
|  | Capital Grant | * Buildings
* PME
 |  |
|  |
| **Equity** | * Ordinary Shares
* Preference Shares
 |  |
|  |
| **Loan**    | * Secured
* Unsecured
* Loan Guarantee
 |  |
| **Total Assistance** |  |

Details of the assistance and associated conditions and monitoring arrangements are given in Sections 1.4 and 3 of the Casework Submission.

**Amendments to and/or additional conditions**:-

**Approved:** (Chair of Casework Committee if appropriate)

 [Signature]

 [Name in Print]

 / /

 [Date of Approval]

|  |  |  |
| --- | --- | --- |
| SECTION |  | Page(s) |
|  |  |  |
| I | EDO background | 1 – 2 |
|  |  |  |
| II | Financial position  | 3 |
|  |  |  |
| III | Previous funding | 4 – 6  |
|  |  |  |
| IV | Proposed funding  | 7 |
|  |  |  |
| V | Internal controls | 8 |
|  |  |  |
| VI | Conclusion | 9 – 10 |
|  |  |  |
| **APPENDIX** |  |  |
|  |  |  |
| A | User notes | 11 - 13  |
|  |  |  |
|  |  |  |
|  |  |  |

This document has been prepared by Invest NI to enable it to obtain an overview of the corporate governance and internal control frameworks established by organisations which it may fund.

Where there is joint funding of a project it is considered best practice that the major funder take the lead in undertaking the due diligence process.

This document has been developed to assess a wide range of organisations and as such there may be a number of areas which may not be applicable to certain organisations. As with all appraisal the principle of commensurate effort should be adopted with the level of detail reflecting the level of funding, the nature of the activities being funded and the degree of risk in the project.

The information provided within this document will be used by Invest NI as part of its appraisal process for funding.

This document should be completed by personnel with the appropriate level of skill and knowledge.

This document should be completed in parallel with the EDO Due Diligence Questionnaire and should incorporate information obtained from that checklist.

Background

1. Name \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

 Address: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

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Tel No: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Key contact: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Background search

*Undertake a review of the EDO website*

1. Is the website current? (Please circle).

|  |  |
| --- | --- |
| Yes | No |

1. Does the information contained on the website correspond with your understanding of the EDO? (Please circle).

|  |  |
| --- | --- |
| Yes | No |

1. If no, please set out reasons below:

 \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

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*Undertake an internet search of the EDO using a search engine such as Google*

1. Does the internet search reveal any information that would be relevant when considering whether to fund the EDO? (Please circle).

|  |  |
| --- | --- |
| Yes | No |

1. If yes, please set out reasons below:

 \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

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1. Does the EDO have links with other organisations that you were not aware of? (Please circle).

|  |  |
| --- | --- |
| Yes | No |

1. If yes, please state below:

 \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

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*Obtain a copy of the last annual return*

1. What was the date of the last annual return?

|  |
| --- |
|  |

1. Was the annual return filed on time? (Please circle).

|  |  |
| --- | --- |
| Yes | No |

1. Do the recorded directors correspond with information provided by the EDO? (Please circle).

|  |  |
| --- | --- |
| Yes | No |

Obtain a copy of the last 3 years’ annual accounts either from the EDO or via the Register of Companies.

1. Are the accounts audited? (Please circle).

|  |  |  |
| --- | --- | --- |
| Yes | No | Not Applicable  |

1. Does the audit report contain any qualifications? (Please circle).

|  |  |  |
| --- | --- | --- |
| Yes | No | Not Applicable  |

1. If yes to 2.2 above, please note these qualifications:

 \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

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 \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

1. Do the accounts show the EDO to be profitable? (Please circle).

|  |  |  |
| --- | --- | --- |
| Yes | No | Not Applicable  |

1. Does the EDO have excess of assets over liabilities? (Please circle).

|  |  |  |
| --- | --- | --- |
| Yes | No | Not Applicable  |

If the answer to either 4 or 5 is No, then advice should be sought from CFAAD

1. How long after the year end were the accounts signed by the Directors?

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ months

1. How long after the year end were the accounts filed with the Registrar of Companies?

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ months

1. Do the annual accounts contain any unusual notes or disclosures?

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1. If the EDO is a charity, are the accounts prepared in accordance with the Charity Statement of Recommended Practice (SORP)? (Please circle).

|  |  |  |
| --- | --- | --- |
| Yes | No | Not Applicable  |

Previous Invest Northern Ireland funding

1. Identify previous Invest NI funding from the completed EDO Due Diligence Questionnaire.

Make contact with each responsible department to obtain the following information

1. Was the funded project successful? (Please circle).

|  |  |  |
| --- | --- | --- |
| Yes | No | Partial  |

1. Please provide details:

 \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

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1. Did the funded project achieve its targets? (Please circle).

|  |  |  |
| --- | --- | --- |
| Yes | No | Partial  |

1. Please provide details:

 \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

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1. Did the EDO comply with the terms and conditions of its letter of offer? (Please circle).

|  |  |  |
| --- | --- | --- |
| Yes | No | Partial  |

1. Are there any reasons why funding should not be provided to the EDO?

 \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

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Contact the claims inspectorate to obtain the following information

1. Were claims generally well prepared? (Please circle).

|  |  |
| --- | --- |
| Yes | No |

1. Were claims submitted on time? (Please circle).

|  |  |
| --- | --- |
| Yes | No |

1. Did Invest NI have to make any material adjustments to the claims?

 \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

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Previous non-Invest NI funding

1. Identify previous non-Invest NI funding from the completed EDO Due Diligence Questionnaire. Contact each of the funders identified as having provided material amounts of funding to the EDO over the last five years.
2. Was the funded project successful? (Please circle).

|  |  |  |
| --- | --- | --- |
| Yes | No | Partial  |

1. Please provide details:

 \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

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1. Were claims generally well prepared? (Please circle).

|  |  |
| --- | --- |
| Yes | No |

1. Please provide details:

 \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

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Audit inspections

1. Identify any audit inspections from the completed EDO Due Diligence Questionnaire.

Contact each of the organisations responsible for undertaking the above checks and obtain the following information

1. Did the inspection highlight any areas of concern?

 \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

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1. Were any material adjustments made to claims as a result of the above areas of concern?

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1. Did the EDO resolve outstanding issues to the satisfaction of the inspection?

|  |  |
| --- | --- |
| Yes | No |

1. Are there any reasons why the EDO should not receive future funding?

 \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

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Obtain a copy of the business plan / funding application

1. Is the funding application well prepared? (Please circle).

|  |  |
| --- | --- |
| Yes | No |

1. Is the funding application prepared in the format requested? (Please circle).

|  |  |
| --- | --- |
| Yes | No |

1. Does the funding application set out the proposed sources of funding and the proposed applications?

|  |  |
| --- | --- |
| Yes | No |

1. What proportion of the EDO’s total income will the proposed funding represent?

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ %

1. Will the EDO be dependent on the proposed funding to continue in existence? (Please circle).

|  |  |
| --- | --- |
| Yes | No |

1. Who are the co-funders to the project?

 \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

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Organisational and management information checklist

1. Ensure that the EDO Due Diligence Questionnaire is completed by the EDO. This should be reviewed for completeness and reasons for any omissions identified.

Summarise any adverse answers from each of the individual sections and set out how these issues can be addressed.

1. For the purposes of the pre engagement due diligence, the project action should fall into the following categories:
2. specialist advice to be sought from CFAAD;
3. further information to be obtained;
4. to be addressed by economic appraisal;
5. to be addressed by EDO prior to funding approval;
6. to be addressed via a letter of offer control mechanism; and
7. do not fund.

|  |  |  |
| --- | --- | --- |
| **Background**  | **Proposed action** | **Action by** |
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| **Financial position** | **Proposed action** | **Action by** |
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| --- | --- | --- |
| **Previous funding**  | **Proposed action** | **Action by** |
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| --- | --- | --- |
| **Proposed funding**  | **Proposed action** | **Action by** |
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| --- | --- | --- |
| **Internal controls**  | **Proposed action** | **Action by** |
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Signed: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

 Client executive

Signed: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

 Client manager

Background

1. The purpose of the background section is to provide an overview of the EDO, its relative size and history of receiving public sector funding.

*Background search*

1. The background search is a useful tool to provide a broader picture of the organisation. Its purpose is to pull out any information that may be relevant in considering whether to provide funding to an organisation. For example, a google search may reveal that there has been evidence of fraud in a EDO, or the EDO may be linked, say through common directors, with another body of which Invest NI has had a negative experience. These facts may be relevant at a later stage.

*Annual return*

1. Corporate bodies are required to submit an annual return to the Registrar of Companies each year. The EDO will be required to submit the return within one month of the date specified by the Registrar (normally the anniversary of the date of incorporation). The annual return can be obtained directly from the EDO or from the Registrar of Companies website (fee of £1.00). The annual return will record the owners of the organisation and list the directors. The annual return should correspond with your other knowledge of the organisation.

Financial position

1. Copies of the last three years accounts should be obtained either directly from the EDO or from the Registrar of Companies (fee of £1.00). It is preferable to obtain these from the EDO as the Registrar of Companies may only have abbreviated accounts.

*Audit reports*

1. Not all EDOs will require an audit. This will depend on the size and structure of the organisation. Accounts that have been audited carry more weight than those that have not. Audited accounts require the completion of an audit report which will state that the accounts show a true and fair view of the activities of the organisation and of the balance sheet at the year end. An audit report qualification may state that the auditors either disagree or have been unable to form an opinion in respect of one or more matters in the accounts. Any audit qualifications should be discussed with CFAAD to ascertain their significance.

*Financial position*

1. The financial position should be reviewed in two basic areas:
	1. Is the EDO profitable? It is essential that EDO’s are profitable over the medium term to enable them to continue in existence; and
	2. Is the EDO solvent? This can be ascertained from the balance sheet where the EDO should have an excess of assets over liabilities.
2. If there is any doubt regarding the financial position of the EDO advice should be sought from CFAAD.

*Accounts*

1. Accounts for corporate bodies are required to be filed with 10 months of the year end. The accounts may be signed prior to this date but not lodged with the Registrar of Companies. A EDO that prepares its accounts soon after its year end is more likely to have better financial systems in place that one that does not prepare its accounts until much later.
2. The accounts should be read to see if they contain any unusual notes. These will be notes that may, for example, refer to the settlement of a dispute, legal action etc.
3. Charities are required to prepare accounts in accordance with the Statement of Recommended Practice (“SORP”). The accounts will state if they are prepared in accordance with the SORP. Charities that comply with this requirement are more likely to be implementing best practice in other areas that those that do not.

Previous funding

1. The EDOs management of previous funding is a key element of assessing its ability to manage the proposed funding. All previous funders (of material amounts) should be contacted (by e-mail or verbally) to obtain their views on the EDO and their management of the funds.

Internal audit

1. Many EDOs may have been the subject of Internal Audit or EU funding inspections. INI should contact the organisations responsible for these reviews to ascertain whether there were any issues arising and whether the issues have been dealt with to their satisfaction.

Proposed funding

1. The current application for funding should be reviewed. The following points should be considered:
	1. How well is the application prepared? An application that is well prepared and thought out will better reflect the EDO’s ability to deliver the project than one which has been pulled together in an ad-hoc fashion;
	2. What proportion of the EDO funding does the current proposal represent? It is essential that Invest NI are aware of circumstances where the EDO will become dependent on it to continue in existence; and
	3. Who are the co-funders of the project? These funders should be contacted and relevant information shared.

Internal controls

1. The Internal Control checklist provides an overview of the basic controls that should be present in every EDO. This should be completed through discussion with appropriate personnel within the EDO. This may require a face-to-face meeting or may be completed via telephone interview.
2. Additional information should be provided were appropriate to enable a fuller picture of the EDO’s control environment to be established.

Conclusion

1. The conclusion section draws together all of the issues of concern raised in the previous sections. The points of concern in the previous sections should be noted in each category and the proposed action noted. The proposed action falls into six categories:
	1. **Specialist advice from the Business Appraisal Team**. This may be appropriate where there are concerns regarding the financial position of the EDO or where there are complex financial arrangements in place;
	2. **Further information to be obtained**. This will be appropriate where there are certain areas where information is not available at the present time;
	3. **To be addressed by economic appraisal**. This will be appropriate where there are concerns about particular aspects of the project or EDO that require a more rigorous review. These issues should be included within tailored terms of reference for an economic appraisal;
	4. **To be addressed by EDO prior to funding approval**. This may relate to issues, such as, the preparation of accounts where the EDO is effectively not complying with best practice but can rectify the position prior to funding approval. This may also include the establishment of a formal board structure etc;
	5. **To be addressed via a letter of offer control mechanism**. The EDO may not be complying with best practice in a number of areas, for example, not holding regular board meetings. This can be controlled by including a condition within a letter of offer that requires the EDO to supply copies of board minutes to Invest NI; and
	6. **Do not fund**. This relates to issues of such a magnitude that a decision not to fund can be taken immediately. An example would be evidence of wide ranging fraud.
2. The overall assessment should be signed by the person undertaking the due diligence and counter-signed by an appropriate superior as approval.

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| SECTION |  | Page(s) |
|  |  |  |
| I | EDO background | 1 – 2 |
|  |  |  |
| II | Previous funding  | 3 |
|  |  |  |
| III | Internal controls | 4 – 8 |
|  |  |  |
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This document has been prepared by Invest NI to enable it to obtain an overview of the corporate governance and internal control frameworks established by organisations which it may fund. The document has been prepared to assess a wide range of organisations and as such there may be a number of areas which may not be applicable to certain organisations.

The information provided within this document will be used by Invest NI as part of its appraisal process for funding.

This document should be completed by personnel with the appropriate level of skill and knowledge.

Background

1. Name \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

 Address: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

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Tel No: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Key contact: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

General

1. What is the corporate structure of the organisation?

|  |  |
| --- | --- |
|  | Please tick as appropriate |
| Sole trader |  |
| Partnership |  |
| Company limited by shares |  |
| Company limited by guarantee  |  |
| Other  |  |

1. What is the approximate income of the EDO?

|  |
| --- |
|  |

1. Approximately how many employees does the EDO have?

|  |
| --- |
|  |

1. Approximately how long has the organisation been in existence?

|  |
| --- |
|  |

1. Has the EDO received finding from other public sector bodies in the past 5 years? (Please circle).

|  |  |
| --- | --- |
| Yes | No |

1. If Yes to 1.17 above, please list these bodies below:

 \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

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1. List the directors of the EDO:

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Previous Invest Northern Ireland funding

1. List any funding received from Invest NI over the last five years:

|  |  |  |  |
| --- | --- | --- | --- |
| **Date** | **Project** | **£** | **Invest NI Department** |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |

Has the EDO had any of the following in the last five years

1. Internal audit inspections undertaken either on behalf of a government department or internally? (Please circle).

|  |  |
| --- | --- |
| Yes | No |

1. Article 4 checks? (Please circle).

|  |  |
| --- | --- |
| Yes | No |

1. Article 10 checks. (Please circle).

|  |  |
| --- | --- |
| Yes | No |

1. Did the inspections highlight any areas of concern?

 \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

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 \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

 \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

1. Were any material adjustments made to claims as a result of the above areas of concern?

 \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

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1. Were all matters resolved to the satisfaction of the inspection team?

|  |  |
| --- | --- |
| Yes | No |

Organisational and management information checklist

1. This internal control checklist should be completed by appropriate personnel within the EDO.

*Project management/delivery*

|  |  |  |  |
| --- | --- | --- | --- |
|  |  |  |  |
|  | **Yes** | **No** | **Comments** |
|  |  |  |  |
| Has the organisation established SMART (Specific, Measurable, Achievable, Realistic and Time bounded) objectives for the project? |  |  |  |
|  |  |  |  |
| Does the organisation have in place adequate arrangements to manage and deliver the project? |  |  |  |
| Is the project being managed internally or will external resources be required? |  |  |  |
| Does the organisation have adequate plans in place to monitor and evaluate the project? (N.B. please provide some comments / evidence on this) |  |  |  |
|  |  |  |  |
| Is there a monitoring system in place to record, confirm and analyse outputs? |  |  |  |
|  |  |  |  |

*Document retention*

|  |  |  |  |
| --- | --- | --- | --- |
|  |  |  |  |
|  | **Yes** | **No** | **Comments** |
|  |  |  |  |
| Is the organisation aware that they are required to retain all documentation relating to the project for 7 years from receipt of the final payment to comply with relevant UK and EU legislation? |  |  |  |
|  |  |  |  |
| Does the organisation have documented procedures in place to advise staff of this requirement? |  |  |  |
|  |  |  |  |
| Does the organisation have adequate storage in place to do this? |  |  |  |
|  |  |  |  |

*Staffing*

|  |  |  |  |
| --- | --- | --- | --- |
|  |  |  |  |
|  | **Yes** | **No** | **Comments** |
|  |  |  |  |
| Do job descriptions exist for staff? |  |  |  |
|  |  |  |  |
| Does the organisation have a staff appraisal system in place? |  |  |  |
|  |  |  |  |
| Do payroll records exist for the members of staff included in the funding bid? |  |  |  |
|  |  |  |  |
| Is there any other proof that these employees exist — i.e. are timesheets available or is there any other documentary proof? |  |  |  |
|  |  |  |  |
| Are timesheets completed for staff who are part funded under the project? |  |  |  |
| Does the organisation meet its statutory employment obligations? |  |  |  |
| Does the organisation retain records in respect of sub-contractors used? |  |  |  |
|  |  |  |  |

Financial Control

*Overall Financial Control*

|  |  |  |  |
| --- | --- | --- | --- |
|  |  |  |  |
|  | **Yes** | **No** | **Comment** |
|  |  |  |  |
| Does the organisation / project have written and approved procedures setting out internal controls? |  |  |  |
|  |  |  |  |
| Are the internal control measures subject to regular monitoring by the Management Committee? |  |  |  |
|  |  |  |  |
| Is there a separation of key financial duties — i.e. checking and payments; order and receipt of goods and services? |  |  |  |
|  |  |  |  |
| Does the organisation have audited accounts? |  |  |  |
| Does the organisation produce regular management accounts? |  |  |  |
|  |  |  |  |

*Bank accounts / Financial records*

|  |  |  |  |
| --- | --- | --- | --- |
|  |  |  |  |
|  | **Yes** | **No** | **Comments** |
|  |  |  |  |
| Does the organisation have a separate current A/C for the project or will it have one by the time the CORE grant is paid? |  |  |  |
|  |  |  |  |
| Record details of bank accounts (Sort code/account no.) relevant to the project. |  |  |  |
|  |  |  |  |
| Are any other bank accounts in operation?Record the account numbers of all accounts held by the organisation. |  |  |  |
|  |  |  |  |
| Is the bank mandate approved and minuted by the Management Committee? |  |  |  |
|  |  |  |  |
| Does the organisation maintain an Income & Expenditure Ledger and Cheque Journal? |  |  |  |
|  |  |  |  |
| Do the accounting records allow for easy identification of grant expenditure? |  |  |  |
|  |  |  |  |

*Custody of funds and authorisation*

|  |  |  |  |
| --- | --- | --- | --- |
|  |  |  |  |
|  | **Yes** | **No** | **Comments** |
|  |  |  |  |
| Are bank statements received monthly, retained and filed in statement number order? |  |  |  |
|  |  |  |  |
| Is monthly bank reconciliation carried out? (By whom?) |  |  |  |
|  |  |  |  |
| Who are the authorised signatories and are they at the appropriate level in the organisation? |  |  |  |
|  |  |  |  |
| Do all cheques require 2 signatures? |  |  |  |
|  |  |  |  |
| Are all cheques (with the exception of salaries/wages and travelling expenses) crossed before issue? |  |  |  |
|  |  |  |  |
| Do signatories see original supporting documentation before signing a cheque and do they mark/initial invoices as paid? |  |  |  |
|  |  |  |  |
| Are cheque books kept physically secure? |  |  |  |
|  |  |  |  |
| Are cancelled cheques retained (& kept separate from the cheque book)? |  |  |  |
|  |  |  |  |

*Invoices*

|  |  |  |  |
| --- | --- | --- | --- |
|  |  |  |  |
|  | **Yes** | **No** | **Comment** |
|  |  |  |  |
| Is there a system for handling payment of invoices and maintaining good records -i.e. can payments be traced from invoice to cheque journal to statement?  |  |  |  |
|  |  |  |  |
| Are all invoices/bills original and on headed paper? |  |  |  |
|  |  |  |  |
| Are invoices fully detailed and validated? |  |  |  |
|  |  |  |  |
| Are invoices reconciled to goods received, purchasing orders etc? |  |  |  |
|  |  |  |  |
| Are invoices/bills endorsed, marked with date of payment and relevant cheque number and filed in cheque no. order? |  |  |  |
|  |  |  |  |

*Payments*

|  |  |  |  |
| --- | --- | --- | --- |
|  |  |  |  |
|  | **Yes** | **No** | **Comments** |
|  |  |  |  |
| Are cash payments only made when there is no practical alternative? |  |  |  |
|  |  |  |  |
| Who within the organisation has payment authority? |  |  |  |
|  |  |  |  |
| Are there delegated levels of approval? |  |  |  |
|  |  |  |  |

*Budget monitoring*

|  |  |  |  |
| --- | --- | --- | --- |
|  | **Yes** | **No** | **Comments** |
|  |  |  |  |
| Is there a system in place to monitor budget spend? |  |  |  |
|  |  |  |  |
| How often is budget spend monitored? |  |  |  |
|  |  |  |  |
| Are variances documented? |  |  |  |
|  |  |  |  |
| Are budget reports reviewed by the management committee? |  |  |  |
|  |  |  |  |

*Payroll*

|  |  |  |  |
| --- | --- | --- | --- |
|  |  |  |  |
|  | **Yes** | **No** | **Comments** |
|  |  |  |  |
| Does the organisation operate a computer-based payroll system? |  |  |  |
|  |  |  |  |
| Are National Insurance and PAYE payments made by the due date? |  |  |  |
|  |  |  |  |
| Has this been verified by reference to the receipt book? |  |  |  |
|  |  |  |  |
| Are all payments made by cheque or credit transfer? |  |  |  |
|  |  |  |  |

*Travel and subsistence / childcare expenses*

|  |  |  |  |
| --- | --- | --- | --- |
|  |  |  |  |
|  | **Yes** | **No** | **Comments** |
|  |  |  |  |
| Is the organisation’s policy on expenses set out in writing - including agreed rates? |  |  |  |
|  |  |  |  |
| Payments should be made in arrears and receipts included — is this the case? |  |  |  |
|  |  |  |  |

*Insurance*

|  |  |  |  |
| --- | --- | --- | --- |
|  |  |  |  |
|  | **Yes** | **No** | **Comments** |
|  |  |  |  |
| Does the organisation have adequate insurance cover in place to cover employer and public liabilities? |  |  |  |
|  |  |  |  |

*Security*

|  |  |  |  |
| --- | --- | --- | --- |
|  | **Yes** | **No** | **Comments** |
|  |  |  |  |
| Is an asset register maintained? |  |  |  |
|  |  |  |  |

*Procurement*

|  |  |  |  |
| --- | --- | --- | --- |
|  | **Yes** | **No** | **Comments** |
| Does the organisation have written procurement procedures which comply public sector procurement guidance? |  |  |  |

**Invest Northern Ireland External Delivery Organisation Assurance Statement**

1. **Assurance Statement & Signatures**
2. Internal Control covers the policies, processes, tasks, behaviours and other aspects of an organisation’s activities which derive from management action (rather than being imposed externally) and which are designed to:
* Facilitate the achievement of objectives;
* Ensure effective and efficient operation;
* Protect and safeguard public funds and assets; and
* Ensure compliance with legislation and other regulations.
	1. The system of internal control is designed to manage rather than eliminate the risk of failure to achieve policies, aims and objectives. It can therefore only provide reasonable (and not absolute) assurance regarding its effectiveness.
	2. The Directors and I acknowledge that we are personally responsible for developing and maintaining effective internal control within our organisation. We are also responsible for reviewing the effectiveness of the system of internal control. Our review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the executive managers who have responsibility for the development and maintenance of the internal control framework, and comments made by external auditors in their management letters and other reports.
	3. We confirm that:
* We are aware of the requirements of internal control and the development of systems to manage and control risk;
* We have complied with public procurement policies and procedures;
* We have complied with information security legislation;
* Throughout the quarter, internal control has been adequate, except for the areas noted above; and
* We are not aware of any significant weaknesses in control or of any irregularities in accounting practice which need to be drawn to your attention, except as noted below.

**Significant Weaknesses, Irregularities or Issues (e.g. suspected fraud, misuse of information/funds etc.)**

**[Please enter issues here]**

**Signed on behalf of EDO:**

**Signed on behalf of EDO:**

**Signed on behalf of EDO:**

|  |
| --- |
| **PROJECT MONITORING REPORT** |

|  |  |
| --- | --- |
| **DATE** |  |
| **EDO** |  |
| **NAME OF PROJECT** |  |
| **CONTRACT OR LoO REF AND DATE** |  |
| **TOTAL CONTRACT VALUE** | £ |
| **AMOUNT PAID TO DATE** | £ |
| **AMOUNT OF INVOICE** |  |
| **PERIOD THIS CLAIM RELATES TO** |  |
| **EVIDENCE OF SPEND TO COVER THIS AMOUNT?** |  |
|  |
| **Outline targets / milestones relating to above period (as per contract or LoO) against actual performance** |
| Target / Milestone | Actual | SatisfactoryYes / No |
| Comment on variances: |
| ***Complete this section only if applicable*****Project Costs for the period against projected costs** |
| Projected Costs | Actual Costs | SatisfactoryYes / No |
| Comment on variances: |
|  |
| Additional information relating to the project to note: |
|  |
| Amount of payment approved | £ |
| Balance of Contract | £ |
| Next installments |  |

**COMPLETED BY:**

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ DATE: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

SIGNED

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

PRINT NAME

**NOTED BY:**

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ DATE: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

SIGNED

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

PRINT NAME



Invest Northern Ireland

External Delivery Organisations

Summary of corporate governance best practice guidance

August 2013

|  |  |  |
| --- | --- | --- |
|  |  |  |
| SECTION |  | Page(s) |
|  |  |  |
|  |  |  |
| I | Background | 1  |
|  |  |  |
| II | Corporate governance | 2 – 11  |
|  |  |  |
|  | The UK Corporate Governance Code |  |
|  |  |  |
|  | Cabinet Office: Guidance on Codes of Practice for Board Members of Public Bodies |  |
|  |  |  |
|  | Corporate Governance in Central Government Departments: Code of good practice NI (2013 Code) |  |
|  |  |  |
|  | Audit & Risk Assurance Committee Handbook (2013) |  |
|  |  |  |
|  | Regularity, propriety and value for money |  |
|  |  |  |
|  |  |  |
| III | Internal control and risk management frameworks | 12 – 19  |
|  |  |  |
|  | The Orange Book (management of risk) |  |
|  |  |  |
|  | Managing the risk of fraud NI (Dec 2011) |  |
|  |  |  |
|  |  |  |
| IV | Procurement | 20 – 22  |
|  |  |  |
|  | CPD procurement guidance |  |
|  |  |  |
|  | Office of the Government and guidance |  |
|  |  |  |
| **APPENDIX** |  |  |
|  |  |  |
| A | Minimum corporate governance requirements for a small EDO | 23 – 24 |
|  |  |  |
| B | Minimum corporate governance requirements for a medium EDO | 25 |
|  |  |  |
| C | Minimum corporate governance requirements for a large EDO | 26 - 27 |
|  |  |  |

1. This document has been prepared to assist Invest Northern Ireland staff and External Delivery Organisations (“EDO”) representatives to assess the requirement to comply with best practice guidance in the following areas:
2. corporate governance;
3. internal control and risk management frameworks; and
4. procurement.
5. The document provides a guide to the principles involved in each area. However, by its nature it cannot provide definitive answers to every scenario. The following overriding principle should be used:

*“EDOs should have levels of corporate governance standards, internal control frameworks and financial management procedures that are commensurate with that expected of an organisation dealing with public funds”.*

1. If in doubt regarding any aspect of this guidance the user should refer to the base documentation and/or seek additional help from appropriately qualified personnel.
2. Each of the documents referred to in this document has been written in its own context and at first sight may appear not to be applicable to individual EDOs. The reader should be aware that it is the principles contained in these documents that is important and that these should be applied to individual circumstances, modified as necessary.
3. The application of the guidance to individual EDOs should be proportional to the size of the EDO. This document considers the application of the relevant guidance to small, medium and large EDOs.
4. The following criterion might be used as a guide to the category that the EDO falls into:

|  |  |  |  |
| --- | --- | --- | --- |
|  | **Small** | **Medium** | **Large** |
| Employees | Less than 10 | 10 – 50 | Over 50 |
| Total income | <£500,000 | £500,000 - £5,000,000 | Over £5,000,000 |
| Invest NI funding | <£300,000 | £300,000 - £1,000,000 | Over £1,000,000 |

1. ***Appendices A, B and C*** set out the minimum corporate governance/internal control requirements for small, medium and large EDOs. It should be noted that these tables provide the minimum requirement for each category and that compliance with best practice in all areas is generally recommended.

Further guidance

1. The Department for Social Development (“DSD”) has prepared a useful document entitled “Best Practice in Finance and Governance in the Voluntary and Community Sector” which sets out in plain terms best practice in a number of key areas. The document is available at [www.dsdni.gov.uk/finance\_and\_governance\_for\_vcu.pdf.](http://www.dsdni.gov.uk/finance_and_governance_for_vcu.pdf)

Background

1. Corporate Governance may be described as:

*“The way in which organisations are directed and controlled. It defines the distribution of rights and responsibilities among the different shareholders and participants in the organisation, determines the rules and procedures for making decisions on corporate affairs including the process through which the organisation’s objectives are set, and provides the means of attaining those objectives and monitoring performance”*

1. This statement encompasses the need to have structures in place to ensure that organisation has defined:
2. its responsibilities;
3. its objectives; and
4. the risks that it faces.
5. The corporate governance structures within each EDO should be appropriate to the individual circumstances of the EDO.
6. This section considers the following best practice guidance:
	1. The UK Corporate Governance Code;
	2. Cabinet Office : Guidance on Codes of Practice for Board Members of Public Bodies:
	3. Corporate Governance in Central Government Departments: Code of good practice NI (2013 Code);
	4. The Audit Committee Handbook (2013); and
	5. Regularity, Propriety and Value for Money.

The UK Corporate Governance

Overview

1. The development of the UK Corporate Governance Code (the “Code”) followed in the wake of a number of high profile financial scandals such as the collapse of the Maxwell empire. The Code was primarily developed to apply to listed companies, however, the principles which it sets out are appropriate for smaller organisations.
2. It is the amalgamation of a series of best practice reports produced over a number of years.

Key themes

*Board composition and development*

* **The Board** - Every company should be headed by an effective board which is collectively responsible for the long-term success of the company;
* **Chairman and Chief Executive** - there should be a clear division of responsibilities at the head of the company between the running of the board and the executive responsibility for the running of the company’s business. No one individual should have unfettered powers of decision;
* **Board balance and independence** - The board and its committees should have the appropriate balance of skills, experience, independence and knowledge of the company to enable them to discharge their respective duties and responsibilities effectively;
* **Appointments to the Board** - there should be a formal, rigorous and transparent procedure for the appointment of new directors to the board;
* **Information and professional development** - the board should be supplied in a timely manner with information in a form and of a quality appropriate to enable it to discharge its duties. All directors should receive induction on joining the board and should regularly update and refresh their skills and knowledge;
* **Performance evaluation** - the board should undertake a formal and rigorous annual evaluation of its own performance and that of its committees and individual directors; and
* **Re-election** - all directors should be submitted for re-election at regular intervals, subject to continued satisfactory performance. The board should ensure planned and progressive refreshing of the board.

*Remuneration*

1. Levels of remuneration should be sufficient to attract, retain and motivate directors of the quality required to run the company successfully, but a company should avoid paying more than is necessary for this purpose. A significant proportion of executive directors’ remuneration should be structured so as to link rewards to corporate and individual performance..
2. There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual directors. No director should be involved in deciding his or her own remuneration.

*Accountability and audit*

1. **Financial reporting** - the board should present a balanced and understandable assessment of the company’s position and prospects.
2. **Internal control** - The board is responsible for determining the nature and extent of the significant risks it is willing to take in achieving its strategic objectives. The board should maintain sound risk management and internal control systems.
3. **Audit Committee and Auditors** - The board should establish formal and transparent arrangements for considering how they should apply the corporate reporting, risk management and internal control principles and for maintaining an appropriate relationship with the company’s auditors..

*Relations with Shareholders*

1. There should be a dialogue with shareholders based on the mutual understanding of objectives. The board as a whole has responsibility for ensuring that a satisfactory dialogue with shareholders takes place.
2. The board should use the AGM to communicate with investors and to encourage their participation.
3. Additional guidance on enhancing the quality of engagement between institutional investors and companies to help improve long-term returns to shareholders and the efficient exercise of governance responsibilities can also be found in The UK Stewardship Code.

Links

1. The full document is accessible at <http://www.frc.org.uk/Our-Work/Codes-Standards/Corporate-governance.aspx>
2. The UK Stewardship Code is accessible at <http://www.frc.org.uk/Our-Work/Codes-Standards/Corporate-governance/UK-Stewardship-Code.aspx>

Application to EDOs

|  |  |  |  |
| --- | --- | --- | --- |
|  | **Small EDO** | **Medium EDO** | **Large EDO** |
| Board composition | Compliance with principles is recommended, however, some areas would not be appropriate due to size of organisation. | As far as practicable, full compliance recommended. | Full compliance essential. |
| Remuneration | Full compliance recommended. | Full compliance recommended. | Full compliance essential. |
| Accountability and audit | Audit Committee not considered necessary but compliance with other aspects recommended. | Full compliance recommended. | Full compliance essential. |
| Relationship with shareholders | Compliance recommended. | Full compliance essential. | Full compliance essential. |

Cabinet Office: Guidance on Codes of Practice for Board Members of Public Bodies

Overview

1. This guidance describes a model code of practice for board members of NDPB’s and similar organisations. It provides a framework which the public bodies concerned should use with any modifications that may be necessary and that are agreed with their sponsor department to take account of their own characteristics and circumstances.
2. Each EDO should be required by Invest NI to adopt and implement this guidance.

Key themes

*Public Service Values*

1. All those employed by, or responsible for the governance of, EDOs should be expected to comply with the Seven Principles of Public Life (the Nolan principles). These are set out in paragraph 2.38.

*Relationships*

* **Relationships with the sponsor department** - the Minister of the Department is answerable to Parliament for the policies and performance of all public bodies sponsored by the department including their use of resources and policy framework within which they operate. Roles and responsibilities should be set out in a Framework document, Management Statement or Memorandum of Understanding. In the case of grant-in aid bodies this information should be supplemented by a Financial Memorandum specifying the terms on which the body receives and spends its funds;
* **Role of the Chair** - providing effective strategic leadership on board strategy for discharging its statutory duties, encouraging high standards of propriety and effective and efficient use of staff and resources throughout the organisation, representing views of the board to the general public, and assessing individual board performance;
* **Corporate responsibilities of board members** - members of the board have corporate responsibility for ensuring the public body complies with any statutory or administrative requirements for the use of public bodies;
* **Strategic planning and control** - main task of the board is the oversight and production of a corporate plan. Preparing a strategic plan provides an opportunity to agree with the Minister responsible the policy and resources framework within which the body will discharge its duties and for determining the key strategic objectives and targets. Such targets include financial performance, operational effectiveness and efficiency and quality of service it provides;
* **Delegation** - specific matters may be delegated by the board to individual members or committees;
* **Responsibilities of individual board members** - should be aware of the wider responsibilities as members of the board and follow the Nolan principles of public life;
* **Conflicts of interest** - personal and business interests should be declared, rules of conduct should be drawn up in conjunction with the sponsor department, the organisation should maintain a register of interests that lists direct and indirect pecuniary interests which members of the public might reasonably think could influences the board members judgement, and the register should be open to the public;
* **Personal liability and board members** - in exceptional circumstances proceedings could be brought against the chair or individual board members. In the case of a board incorporated under the Companies Act or Companies Order (Northern Ireland) order an individual board member will be subject to the duties of directors under company law;
* **Openness and responsiveness** - conduct all dealings with public in an open and responsible way e.g. publicly available annual reports, hold open meetings and release summary reports of meetings;
* **Accountability for public funds** – the board is responsible for safeguarding public funds and ensuring economic, efficient and effective use of funds. Give full regard to the relevant statutory provisions relevant to guidance in Government Accounting;
* **Annual reports and accounts** - as part of its responsibly for the stewardship of public funds the board must produce a full statement of the use of such resources in its annual reports and accounts. Accounts should be prepared in accordance with the accounts direction issued by the sponsor department. The annual report should include a full description of the board’s activities, the extent of the key strategic objectives and performance targets, current board members of the board and remuneration details;
* **Role of the chief executive** - responsible for the overall organisation, management and staffing. In non-departmental pubic bodies the Chief Executive will be designated as the Accounting Officer; and
* **Audit committees** - unless agreed otherwise with the sponsor department all public bodies should establish an audit committee as a sub-committee of the board.

Application to EDOs

|  |  |  |  |
| --- | --- | --- | --- |
|  | **Small EDO** | **Medium EDO** | **Large EDO** |
| Relationships with the sponsor department | Relationship with funder to be documented. | Compliance recommended. | Full compliance required. |
| Role of the Chair | Compliance required. | Compliance required. | Full compliance required. |
| Corporate responsibilities of board members | Compliance required. | Compliance required. | Full compliance required. |
| Strategic planning and control | To be considered at a high level by the Board. | Compliance recommended. | Full compliance required. |
| Delegation | If appropriate. | Compliance recommended. | Full compliance required. |
| Responsibilities of individual board members | Compliance required. | Compliance required. | Full compliance required. |
| Conflicts of interest | Compliance required. | Compliance required. | Full compliance required. |
| Personal liability and board members | Compliance required. | Compliance required. | Full compliance required. |
| Openness and responsiveness | Compliance required. | Compliance required. | Full compliance required. |
| Accountability for public funds | Compliance required. | Compliance recommended. | Full compliance required. |
| Annual reports and accounts | Full statement of source and use of funds required. | Compliance recommended. | Full compliance required. |
| Role of the chief executive | Compliance required. | Compliance required. | Full compliance required. |
| Audit committees | Not required. | Compliance recommended. | Full compliance required. |

Corporate Governance Central Government Departments: Code of good practice NI (2013 Code)

Overview

1. This Code draws on best corporate governance practice in the public, private and charity sectors by: reinforcing the importance of corporate governance as a pre-requisite to achieving good financial management; reflecting changes in governance best practice, including increased emphasis on good leadership (often referred to as ‘tone from the top’); and, promoting better governance arrangements within departmental families.

Key themes

*Accountability*

1. The Minister in charge of the department is responsible and answerable to the Assembly for the exercise of the powers on which the administration of that department depends. He or she has a duty to the Assembly to account, and to be held to account, for all the policies, decisions and actions of the department, including its Arms Length Bodies (ALBs).
2. The departmental/ALB AO is personally responsible and accountable to the Minister for the organisation and quality of management in the department/ALB, including its use of public money and the stewardship of its assets.;

*Role of The Board*

1. The Board should operate collectively, concentrating on advising on strategic and operational issues affecting the department’s performance as well as scrutinising and challenging departmental policies and performance, with a view to the long-term health and success of the department.
2. The Board forms the collective strategic and operational leadership of the department, bringing together its senior officials with non-executives from outside government, helping the department to operate in a business-like manner. The Board’s role should include appropriate oversight of sponsored bodies.
3. The Board does not decide policy or exercise the powers of the Ministers. The department’s policy is decided by Ministers on advice from officials. The Board advises on the operational implications and effectiveness of policy proposals..

*Skills*

1. Boards require a balance of skills and experience to direct the business of the organisation.

*Independent non-executives*

1. Needs to provide a balance to support executive members and constructively challenge their role.

*Board Effectiveness*

1. The Board should ensure that arrangements are in place to enable it to discharge its responsibilities effectively.

*Risk Management*

1. The Board should ensure that there are effective arrangements for governance, risk management and internal control for the whole departmental family. Advice about and scrutiny of key risks is a matter for the Board, not a committee.
2. The Board should be supported by and Audit & Risk assurance Committee, and internal audit service and sponsor teams for key ALBs

***Arms Length Bodies***

1. Where part of the business of the department is conducted with and through ALBs1, the department’s Board should ensure that there are robust governance arrangements with each ALB Board. These arrangements should set out the terms of their relationship and explain how they will be put in place to promote high performance and safeguard propriety and regularity.

Links

1. Accessible at <http://www.dfpni.gov.uk/index/finance/afmd/afmd-corporate-governance/afmd-corporate_governance/daodfp0613att.pdf>

Application to EDOs

1. The principles set out in this guidance are applicable to all EDOs.

Audit & Risk Assurance Committee Handbook (2013)

Overview

1. The revised Handbook provides updated guidance for Audit Committees in terms of their support to Boards, who since the release of the ‘2013 Code’, have more significant responsibilities in the management of risk and the setting of risk appetite, reflected in the name change to Audit & Risk Assurance Committee. The Code also requires that the Audit and Risk Assurance Committee should report annually on its work and how it has discharged its responsibilities.

Key themes

*Membership, independence, objectivity and understanding*

1. The Audit and Risk Assurance Committee should be independent and objective. In addition, each member should have a good understanding of the objectives and proprieties of the organisation and of their role as an Audit and Risk Assurance Committee member.

*Skills*

1. The Audit and Risk Assurance Committee should corporately own an appropriate skills mix to allow it to carry out its overall function.

*Scope of work*

1. The scope of the Audit and Risk Assurance Committee’s work should be defined in its terms of reference and should encompass all the assurance needs of the Board and Accounting Officer. Within this the Audit and Risk Assurance Committee should have particular engagement with the work of Internal Audit, risk management, the External Auditor and financial management and reporting issues.

*Communication*

1. The Audit and Risk Assurance Committee should ensure that it has effective communication with all key stakeholders, for example, the Board, the Group Chief Internal Auditor, Head of Internal Audit, the External Auditor, the Risk Manager and other relevant assurance providers.

Links

1. <https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/206978/audit_and_risk_assurance_committee_handbook.pdf>

Application to EDOs

1. This guidance will be applicable to all EDOs which have Audit & Risk Compliance Committees (or similar). As noted under the Governance Code section, it is considered that all large EDOs and some medium EDOs should have Audit & Risk Compliance Committees.

Regularity, Propriety and Value for Money

Overview

1. This guide is designed primarily for Accounting Officers in government departments and NDPBs. It principles are applicable to EDOs. The aim of the guide is to illustrate what is and what is not “proper” behaviour in relation to the stewardship of public funds.

Key themes

*Regularity*

1. Regularity is defined as the requirement for all items of expenditure and receipts to be dealt with in accordance with the legislation authorising them, any applicable delegated authority and the rules of government accounting applicable at the time.

*Propriety*

1. Propriety is defined as the requirement that expenditure and receipts should be dealt with in accordance with parliament’s intentions and the principles of parliamentary control including the conventions agreed by parliament. The guide considers a number of other definitions of propriety such as:
2. propriety is concerned with Parliament’s intentions as to the way in which business should be conducted; and
3. it includes matters such as fairness, integrity, the avoidance of personal profit for public business, even handidness in the appointment of staff, open competition in the letting of contracts and the avoidance of waste and extravagance.
4. The “Seven Principles of Public Life” set out in the Nolan Committee’s first report “Standards in Public Life” capture the key characteristics of propriety.

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| **Selflessness** | Holders of public office should take decisions solely in terms of the public interest. They should not do so in order to gain financial or other material benefits for themselves, their family, or their friends. |
|  |  |
| **Integrity** | Holders of public office should not place themselves under any financial or other obligation to outside individuals or organisations that might influence them in the performance of their official duties. |
|  |  |
| **Objectivity** | In carrying out public business, including making public appointments, awarding contracts, or recommending individuals for rewards and benefits, holders of public office should make choices on merit. |
|  |  |
| **Accountability** | Holders of public office are accountable for their decisions and actions to the public and must submit themselves to whatever scrutiny is appropriate to their office. |
|  |  |
| **Openness** | Holders of public office should be as open as possible about all the decisions and actions that they take: they should give reasons for their decisions and restrict information only when the wider public interest clearly demands it.  |
|  |  |
| **Honesty** | Holders of public office have a duty to declare any private interests relating to their public duties and to take steps to resolve any conflicts arising in a way that protects the public interest.  |
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| **Leadership** | Holders of public office should promote and support these principles by leadership and example. |

1. The guide sets out the following definitions of proper behaviour:

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| **It follows the rules and seeks approval where this is required** | If the proposed course of action is outside the current rules, discuss it with the relevant authority. And if approval is required for the proposed course of action from the Treasury, or the sponsoring department or the NHS Executive - get it before you take action. |
|  |  |
| **It puts in place and follows clear procedures**  | Clear procedures for decision-making - for example, when letting contracts - are a safeguard for propriety. Effective financial procedures generally are similarly a safeguard.  |
|  |  |
| **It resolves any conflict of interests**  | Conflicts of interests may well arise. They must be dealt with so that decisions are not taken, or appear to be taken, for the wrong reasons. |
|  |  |
| **It does not use public money for private benefit** | A basic test for whether an action does or does not meet the requirements of propriety. |
|  |  |
| **It is even-handed** | There must be no bias or partiality in decisions about the use of public funds. That is why there are the rules about competition, for example, to ensure that the choice of contractor is made on merit. |
|  |  |
| **There are records** | Recording the reasons for decisions is another important safeguard of propriety. It establishes the audit trail that supports accountability. |
|  |  |
| **It is transparent - it can accept scrutiny** | If a proposed course of action meets the requirements of propriety, then there will be no concern about external scrutiny. |

1. The guide also sets out an expenditure evaluation framework which can be used as a guide to best practice:

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| --- | --- |
| 1. is the expenditure in the best interest of your organisation?;
2. does the expenditure comply with approved procurement rules and policies?;
3. will there be a valid business benefit to the organisation from the expenditure and not just personal benefit to an employee?;
4. is the expenditure within the approved budget?;
5. is the expenditure necessary?;
6. is the expenditure reasonable, meaning, does it fully meets the identified and agreed needs?; and
7. has the expenditure been properly authorised?
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*Value for money*

1. All public procurement of goods and services, including works, must be based on value for money, having due regard to propriety and regularity. Value for money is not about achieving the lowest initial price, it is defined as optimum computation of whole life assets and quality. Goods and services should be agreed by competition appropriate to the value and barriers to the participation of suppliers should be removed.

Application to EDOs

1. The principles set out in this guide are fully applicable to all EDOs.

Background

1. Internal Control may be described as:

*“A process, effected by an entity’s board of directors, management and other personnel, designed to provide reasonable assurance of the achievement of objectives in effectiveness and efficiency of operations, reliability of financial reporting and compliance with applicable laws and regulations"*

1. In an “effective” internal control system, the following five components which are essential to support the achievement of an entities mission, strategies and related business objectives will be well established:
2. a strong control environment e.g. integrity, leadership, sound ethical values, HR Policies and Procedures;
3. regular risk assessment e.g. risk identification and analysis, managing change;
4. robust control activities e.g. established and effecting polices and procedures, security, business continuity;
5. open communication – quality and effective communication of relevant information; and
6. regular monitoring – ongoing monitoring, evaluations and reporting of deficiencies.
7. It should be noted that good corporate governance and strong internal control frameworks go hand in hand, and that many of the principles set out are common to both areas.

The Orange Book - Management of Risk (October 2004)

Overview

1. In 2001 HM Treasury produced “Management of Risk – A Strategic Overview”. That publication provided a bases introduction to the concepts of risk management and was used as a resource for developing and implementing risk management processes in government organisations.
2. The 2004 publication continues to provide broad based general guidance on the principles of risk management but have been enhanced to reflect the experiences of a number of government organisations in developing structures and processes.

Key themes

1. The key principles of risk management are summarised in the following paragraphs.

*Risk management*

1. Risk is the possibility of something happening that would hinder the achievement of objectives and the implementation of policies. It includes both the occurrence of adverse events and failure to take full advantage of opportunities. Risk has two components – the likelihood of an event happening and the impact if it does.
2. Risk management is the combination of structures, management systems and organisational culture which enables an organisation to manage the threats and opportunities which might impact on the achievement of the objectives of an organisation.
3. The management of risk cannot be undertaken in isolation and must be interwoven into the processes of an organisation. Likewise, specific risks cannot be addressed in isolation from each other as the management of one risk may impact on another.

*Identification of risk*

1. The identification of risk can be separated into two distinct phases:
2. initial identification; and
3. continuous risk assessment. This will identify new risks which did not previously arise, changes in existing risks, or risks which did exist ceasing to be relevant to the organisation.
4. Risk identification should be considered at all levels of an organisation. Common categories include:
5. external – political / legal and regulatory / economic;
6. financial – budgetary / fraud / liability / capital investment;
7. activity – policy / operational / information / reputational; and
8. human resources – personnel / health and safety
9. The guide sets out three important criteria for assessing risk:
10. ensure that there is a clear structural process in which both the likelihood and the impact are considered for each risk;
11. record the assessment of risk in a way which facilitates monitoring and the identification of risk practices, and
12. be clear about the definition of inherent risk (identifying and assessing risks) and residual risks (the level of risk to which the organisation is exposed after internal control has been exercised).

*Risk appetite*

1. This is defined as the amount of risk that an organisation is prepared to accept, tolerate or be exposed to at any point in time.

*Addressing risks*

1. The guide identifies four main tools to manage and control risk:
2. transfer – shifting the responsibility to another party;
3. tolerate – acceptable of the likelihood and consequences of a particular risk;
4. treat – applied management action to contain the risk; and
5. terminate – cease the activity creating the risk.

*Documenting risks*

1. Risks should be formally documented on a risk register which sets out the following information:
2. risk;
3. impact and likelihood of risk (high, medium or low);
4. controls in place;
5. individual assessment of impact and likelihood (high, medium or low);
6. action planned;
7. target date; and
8. risk owner.

*Communication and learning*

1. Ongoing communication and learning is essential to an effective risk management process.

Links

1. This guide is available online at [www.hw-treasury.gov.uk](http://www.hw-treasury.gov.uk)

Application to EDOs

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|  | **Small EDO** | **Medium EDO** | **Large EDO** |
| **Risk management** | Should be considered at a high level by the Board. | Full compliance recommended. | Full compliance essential. |
| **Identification of risk** | Should be considered at a high level by the Board. | Full compliance recommended. | Full compliance essential. |
| **Risk appetite** | Should be considered at a high level by the Board. | Full compliance recommended. | Full compliance essential. |
| **Addressing risks** | Should be considered at a high level by the Board. | Full compliance recommended. | Full compliance essential. |
| **Documenting risks** | Formal risk register not required. | Full compliance recommended. | Full compliance essential. |

Managing the Risk of Fraud NI (December 2011)

Overview

1. This guidance was produced by the Department of Finance and Personnel in December 2011. The purpose of this guidance is to show how the principles of sound risk management, governance and control apply to fraud and other irregular activities that might lead to fraud.
2. The guide:
3. concentrates on the management of fraud risks, it does not attempt to provide a complete approach to risk management; and
4. provides guidance on options for controlling identified fraud risk to accepted levels of exposure.

Key themes

*Assessing the organisations overall vulnerability to fraud*

1. This should be assessed at different levels of an organisation. A quick assessment of the overall level of risk is a good starting point and may highlight a particular vulnerability where immediate action is required. This can be undertaken using the following checklist:

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| * Identifying the processes or activities at risk of fraud (e.g. through commissioning a risk review, undertaking risk self-assessments, issuing questionnaires, benchmarking/comparisons with other organisations).
* Assessing and ranking the nature and extent of vulnerability in each area. Some common criteria/factors used to make judgments about vulnerability include:
	+ Overall size, scope and value of activities, as well as the nature, security and value of assets held;
	+ Adequacy of operational controls (e.g. separation of duties, supervision, approval, staff rotation) including appropriate skills/knowledge of supervisory staff;
	+ The particular forms of fraud threat to each area (e.g. theft, fraudulent administration of contracts, falsify cation of source records such as timesheets);
	+ Extent of effective reporting mechanisms and the ability to stop frauds occurring quickly;
	+ Degree of operational complexity and impact of technology;
	+ The quality, reliability and adequacy of staffing arrangements including recruitment processes; and
	+ Adverse motivational factors that could induce staff to commit fraud. Does the organisation view fraud within the context of wider risks (e.g. the risk of errors and irregularities)?
 |
|  |

*Evaluating the scale of fraud risk*

1. In deciding how to address the fraud risks identified, it is important to evaluate their significance. Risk evaluation and assessment will inform decisions about the areas of risk and the relative priority of those risks where action needs to be taken. Once risks have been identified, an assessment of the possible impact and corresponding likelihood of occurrence should be made using consistent parameters that will enable the development of a prioritised risk analysis. The risk assessment should consider the financial impact, the potential political and commercial sensitivities involved and the likely effect on the organisation’s reputation. The analysis should be both qualitative and quantitative. The qualitative approach usually involves grading risks in high, medium or low categories.

*Responding to the risk of fraud*

1. Involves anti-fraud control policies and fraud response plans. Additionally putting in place effective operational and accounting controls and the maintenance of an ethical climate that encourages staff at all levels to actively participate in protecting public money and property.

*Measuring the effectiveness of the anti-fraud strategy*

1. Assurances about the effectiveness of actions taken to reduce the risk of fraud should be obtained e.g. stewardship reporting control self assessment, the work of internal audit and the work of other review bodies.

Links

1. The guide can be found online at [http://www.dfpni.gov.uk/index/finance/afmd/afmd-key-guidance/afmd-daos/managing\_risk\_of\_fraud\_dec2011-2.pdf](http://www.dfpni.gov.uk/index/finance/afmd/afmd-key-guidance/afmd-daos/managing_risk_of_fraud_dec2011-2.pdf%20) and contains a number of useful appendices.

Application to EDOs

|  |  |  |  |
| --- | --- | --- | --- |
|  | **Small EDO** | **Medium EDO** | **Large EDO** |
| **Assessing the organisation’s overall vulnerability to fraud.** | To be assessed at high level by board. | Full compliance recommended. | Full compliance essential. |
| **Identifying area most vulnerable to the risk of fraud.** | Formal process not required. | Full compliance recommended. | Full compliance essential. |
| **Assigning ownership.** | Formal process not required. | Full compliance recommended. | Full compliance essential. |
| **Evaluating the scale of fraud risk.** | Formal process not required. | Full compliance recommended. | Full compliance essential. |
| **Responding to the risk of fraud.** | Formal process not required. | Full compliance recommended. | Full compliance essential. |

CPD procurement guidance

Overview

1. Central Procurement Directorate has set out a number of principles which should be adopted so that good procurement can be effected.
2. Good procurement can be defined as:

*“Good procurement is not just about price. It is about balancing the whole life cost and fitness for purpose, while meeting EU rules and treating suppliers fairly”.*

Key themes

*Accountability*

1. Effective mechanisms must be in place in order to enable Departmental Accounting Officers and their equivalents in other public bodies to discharge their personal responsibility on issues of procurement risk and expenditure.

*Competitive Supply*

1. Procurement should be carried out by competition unless there are convincing reasons to the contrary.

*Consistency*

1. Suppliers should, all other things being equal, be able to expect the same general procurement policy across the public sector.

*Effectiveness*

1. Public bodies should meet the commercial, regulatory and socio-economic goals of government in a balanced manner appropriate to the procurement requirement.

*Efficiency*

1. Procurement processes should be carried out as cost effectively as possible.

*Fair-dealing*

1. Suppliers should be treated fairly and without unfair discrimination, including protection of commercial confidentiality where required. Public bodies should not impose unnecessary burdens or constraints on suppliers or potential suppliers.

*Integration*

1. In line with the statutory duties on equality of opportunity and sustainable development and the Executive’s policy on joined-up government, procurement policy should pay due regard to the Executive’s other economic, social and environmental policies, rather than cut across them..

*Integrity*

1. There should be no corruption or collusion with suppliers or others.

*Informed decision-making*

1. Public bodies need to base decisions on accurate information and to monitor requirements to ensure that they are being met.

*Legality*

1. Public bodies must conform to European Community (EC) and other legal requirements.

*Responsiveness*

1. Public bodies should endeavour to meet the aspirations, expectations and needs of the community served by the procurement.

*Transparency*

1. Public bodies should ensure that there is openness and clarity on procurement policy and its delivery.

*Procurement thresholds*

1. The following table sets out generally accepted thresholds for procurement which falls below the official journal limit:

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| --- | --- |
|  |  |
| **Estimated value** | **Tender action required** |
|  |  |
| Up to £5,000 | Two written quotations / tenders |
| £5,000 up to £30,000 | A minimum of 2 written tenders invited by the personauthorised to procure for their organisations inaccordance with a Service Level Agreement (SLA)with a CoPE |
| Above £30,000 up to official journal limit  | Open tendering secured by public advertisement  |
|  |  |

Links

1. Further information can be found at [www.cpdni.gov.uk](http://www.cpdni.gov.uk)

Application to EDOs

1. All EDOs should comply with the above principles regardless of size.

Office of the Government and Commerce

Overview

1. The Office of the Government and Commerce sets out a number of documents in respect of the procurement of goods and services.
2. It has produced a useful document entitled “Introduction to the EU procurement rules” which was updated in January 2006. This document sets out the procedures which must be followed before awarding a contract when its value exceeds the set out thresholds and require to be advertised in the Official Journal of the EU (“OJEU”).

Key themes

*Choice of procurement procedure*

1. The guide sets out four alternative procedures:
2. open procedure – where all may tender;
3. restricted procedure – where an initial selection is made of those responding to the advertisement and they are selected for full tender;
4. competitive dialogue process – where an organisation enters into dialogue with bidders to develop one or more suitable solutions; and
5. negotiated procedure – where the purchaser may select one or more suppliers with which to negotiate.

*Stages in the procurement process*

1. These are set out as follows:
2. specification stage;
3. selection stage;
4. award stage.

*Post Tender Negotiations*

1. There are restrictions on the use of post tender negotiations under the open and restricted procedures. In particular there is a prohibition on the negotiation on price.

Links

1. Further information can be found at <http://www.dfpni.gov.uk/content_-_successful_delivery-euprocurement2>

Application to EDOs

1. EDOs should follow EU procurement procedures whenever the tendered amount is in excess of the EU threshold. It is less likely that smaller EDOs will have occasion to tender via the OJEU, however, all EDOs should be expected to have a knowledge of the tendering requirements at different levels of spend.

Introduction

The following appendices set out the minimum corporate governance requirements of a small, medium and large EDO. In all cases EDO should strive to improve their corporate governance standards and as organisations grow the standards should increase. The size bandings provided should be used as a guide only and discretion should be used where a EDO is close to moving from one category to another.

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|  |  |  |  |
|  | **Attribute** | **Minimum requirement** |  |
|  |  |  |  |
|  | Board operation – applies equally to Management Committees | * Board should comprise both executive and non-executive members with a majority as non-executive;
* Board should have a register of interests;
* Board should meet on a regular basis (minimum quarterly); and
* All meetings should be formally minuted.
 |  |
|  |  |  |  |
|  | Accountability and audit | * Quarterly accounting information should be presented to the board. This should comprise as a minimum a receipts and payments account together with a cash projection for the following 6 months;
* Annual accounts should be audited where required by legislation or funders.
 |  |
|  |  |  |  |
|  | Public Service values | * All those employed by, or responsible for governance of, a EDO should comply with the Seven Principles of Public life (the Nolan principles)
 |  |
|  |  |  |  |
|  | Risk management | * Board should consider and document the high level risks to the EDO and the action taken to mitigate these risks.
 |  |
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|  | Tendering | * A formal tendering procedure should be adopted which should comply with public sector procurement guidelines.
 |  |
|  |  |  |  |
|  | Internal controls – general | * The EDO should have clearly defined roles for those involved in projects;
* The EDO should have adequate written procedures to monitor and evaluate projects;
* Documents should be retained for seven years; and
* The EDO should maintain adequate insurance cover.
 |  |
|  |  |  |  |
|  | Internal controls – financial | * Financial processes should be documented to enable these to continue in the absence of a key member of staff;
* There should be separation of key financial duties;
* The EDO should maintain as a minimum a cheque journal and a cash received book;
* Bank accounts should be formally reconciled and reviewed on a monthly basis;
* There should be clearly defined cheque signatory limits with two signatures required for all cheques;
* All invoices should be approved before payment;
* The EDO should avoid making cash payments or taking cash receipts where possible;
* All staff should be paid after the appropriate deduction of PAYE/NIC;
* All staff expenses should be authorised before payment.
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| --- | --- | --- | --- |
|  | Board operation – applies equally to Management Committees | * Board should comprise both executive and non-executive members;
* Board should meet on a regular basis (minimum quarterly);
* All meetings should be formally minuted;
* Board members should receive induction training on joining the Board;
* The Board should be required to comply with a Code of Conduct;
* Relationships with core funders should be formally documented.
 |  |
|  |  |  |  |
|  | Accountability and audit | * Quarterly accounting information should be presented to the board. This should comprise as a minimum an income and expenditure account and a balance sheet together with a cash projection for the following 6 months;
* An audit committee should be established;
* Annual accounts should be audited.
 |  |
|  |  |  |  |
|  | Public Service values | * All those employed by, or responsible for governance of, a EDO should comply with the Seven Principles of Public life (the Nolan principles)
 |  |
|  |  |  |  |
|  | Risk management | * Board should consider and document the high level risks to the EDO and the action taken to mitigate these risks.
 |  |
|  |  |  |  |
|  | Tendering | * A formal tendering procedure should be adopted which should comply with public sector procurement guidelines.
 |  |
|  |  |  |  |
|  | Internal controls – general | * The EDO should have job descriptions for all staff and a formal staff appraisal system;
* The EDO should have adequate procedures to monitor and evaluate projects;
* Documents should be retained for seven years;
* The EDO should maintain adequate insurance cover; and
* Internal controls should be tested on a periodic basis by someone independent of the finance function.
 |  |
|  |  |  |  |
|  | Internal controls – financial | * The EDO should have a basic financial procedures manual which sets out procedures in the following areas – income, expenditure, assets, liabilities, petty cash, segregation of duties and other;
* There should be separation of key financial duties;
* The EDO should maintain full computerised accounting records;
* All major control accounts should be reconciled and reviewed on a monthly basis;
* Bank accounts should be formally reconciled and reviewed on a monthly basis;
* There should be clearly defined cheque signatory limits with two signatures required for all cheques;
* The EDO should avoid making cash payments or taking cash receipts where possible;
* All staff should be paid after the deduction of PAYE/NIC.
 |  |

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|  |  |  |  |
|  | **Attribute** | **Minimum requirement** |  |
|  |  |  |  |
|  | Board operation – applies equally to Management Committees | * Board should comprise both executive and non-executive members;
* Board should meet on a regular basis (minimum quarterly); and
* All meetings should be formally minuted;
* Board members should receive induction training in joining the Board;
* The Board should be required to comply with a Code of Conduct;
* There should be a formal process for appointment to the Board;
* Board members should be submitted for re-election at regular intervals;
* There should be a formal policy on executive remuneration;
* A formal three year strategic plan should be developed by the Board;
* Relationships with core funders should be formally documented.
 |  |
|  |  |  |  |
|  | Accountability and audit | * Monthly management accounts should be prepared. This should comprise as a minimum an income and expenditure account and balance sheet together with a cash projection for the following 6 months;
* Formal phased budgets should be prepared and reported against on a monthly basis;
* An audit committee should be established;
* Annual accounts should be audited;
* Annual report should include a full description of the EDO’s activities during the year;
* An internal audit function should be established.
 |  |
|  |  |  |  |
|  | Public Service values | * All those employed by, or responsible for governance of, a EDO should comply with the Seven Principles of Public life (the Nolan principles)
 |  |
|  |  |  |  |
|  | Risk management | * A comprehensive risk management framework should be in place which identifies, assesses, documents, addresses and reports risks with the EDO.
 |  |
|  |  |  |  |
|  | Tendering | * A formal tendering procedure should be adopted which should comply with public sector procurement guidelines.
 |  |
|  |  |  |  |
|  | Internal controls – general | * The EDO should have job descriptions for all staff and a formal staff appraisal system;
* The EDO should have adequate procedures to monitor and evaluate projects;
* Documents should be retained for seven years;
* The EDO should maintain adequate insurance cover; and
* Internal controls should be tested on a regular basis by the internal audit function.
 |  |
|  |  |  |  |
|  | Internal controls – financial | * A full Financial Procedures Manual should be on place which details the agreed financial procedures to be adopted in all areas of the organisation;
* The EDO should maintain full computerised accounting records;
* There should be separation of key financial duties;
* The EDO should maintain full computerised accounting records;
* All major control accounts should be reconciled and reviewed on a monthly basis;
* Bank accounts should be formally reconciled and reviewed on a monthly basis;
* There should be clearly defined cheque signatory limits with two signatures required for all cheques;
* The EDO should avoid making cash payments or taking cash receipts where possible;
* All staff should be paid after the appropriate deduction of PAYE/NIC.
 |  |
|  |  |  |  |

**EDO Inspection Assurance Statement for Public Sector Organisation Funding Partnerships**

**Assurance Statement for Public Sector Organisation Funding Partnerships**

1. Purpose

The purpose of this statement is to provide the Accounting Officer of Invest Northern Ireland confidence that the funds passed to another public body for the purposes of the delivery of services through partnership will be subject to suitable levels of accountability and control or, where this cannot be provided, that provision will be granted to Invest NI to carry out a programme of inspections based on risk.

* 1. Assurance Provision (Please tick one box below)

As Accounting Officer for \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ (name of public body receiving Invest NI funding):

* We are engaged in a process of performance monitoring and accountability and I receive an independent professional opinion on the adequacy and effectiveness of risk management, control and governance arrangements established by management on a regular basis. As such I can provide assurance that funds provided by Invest NI will be managed in line with rules set out for the use of public money and that ultimate responsibility for their performance lies with our Accounting Officer.

Or

* We are unable to provide the assurance above and are content that Invest NI carry out a programme of risk based inspection during the agreed period of funding.

**Signed: (Accounting Officer)**

**Date:**

N.B. This Statement must only be signed by a representative of the public body with legal authority to provide the required assurance.

**SUPPLEMENTAL TERMS AND CONDITIONS OF CONTRACT**

**FOR**

**SERVICES**

**FOR**

**NAME OF PROGRAMME**

**CONTENTS OF SUPPLEMENTAL TERMS AND CONDITIONS OF CONTRACT**

1. Supplemental Terms and Conditions of Contract

2. Corporate Governance Procedures

3. 6-Monthly Assurance Statement

4. Information Governance and Records Management

5. Information and Intellectual Property Rights

6. Auditors

7. Illegal Practice

8. Confidentiality

9. Release of Information

Appendix 1 Guidance on Corporate Governance Procedures

Appendix 2 Invest NI External Delivery Organisation Assurance Statement

**1. SUPPLEMENTAL TERMS AND CONDITIONS OF CONTRACT**

1.1 These Supplemental Terms and Conditions of Contract are supplemental to the Terms and Conditions of Contract and shall be read together with the Terms and Conditions of Contract and the other documents which form the Contract.

1.2 Expressions whose meaning is defined in the Terms and Conditions of Contract shall have the same meaning where used in these Supplemental Terms and Conditions of Contract.

**2. CORPORATE GOVERNANCE PROCEDURES**

The Contractor shall acknowledge in writing receipt of the guidelines set out in Appendix 1 hereto and consult with Invest NI on an ongoing basis with regard to the necessary requirements and appropriate levels of corporate governance safeguards to be put in place. For the avoidance of doubt Appendix 1 is not an exhaustive set of all guidelines/obligations that the Contractor must adhere to. The Contractor is expected to ensure they operate in line with all guidance/legislation relevant to their own line of business or sector

**3. 6-MONTHLY ASSURANCE STATEMENT**

 The Contractor shall provide Invest NI, on a six monthly basis, assurance that an effective system of internal control is in place which details any significant control issues identified. This shall take the form of the template included in Appendix 2.

**4. INFORMATION GOVERNANCE AND RECORDS MANAGEMENT**

* 1. The Contractor shall take appropriate technical and organisational security measures against unauthorised or unlawful processing and against accidental loss or destruction of, or damage to, personal and business information created or accessed through the programme.

4.2 Contractors must keep programme records confidential and permit access to records only to those with legitimate reasons. Contractors must comply with the provisions of the Data Protection Act 1998 and must provide Invest NI with any information it requires to ensure its compliance with any statutory obligations including those placed on it by the Freedom of Information Act 2000 and the Environmental Information Regulations 2004.

4.3 In the generation, storage, indexing, granting of access to, and eventual disposal of operating records, the Contractor shall adhere to the requirements and processes stipulated by the Invest NI Records Management Policy and Invest NI Records Management Guidance where relevant, and shall provide Invest NI with a copy of a catalogue or index of records at intervals of not more than six months during the delivery of the programme.

4.4 Records of programme delivery held or stored by the Contractor may only be considered for disposal after a period of time set out in Invest NI’s Retention and Disposal Schedule. Records related to the of delivery of the programme can only be disposed of following appropriate review by the Contractor in line with Invest NI’s review process. Prior to disposal, file reviews by the Contractor will consider if, for example

* + The record is **not** currently being used
	+ The content of the record is **not the** subject to any type of investigation nor has any ruling been made in relation to the subject of the record
	+ As far as known at the time of review the record will **not** be required to deal with any future enquiries
	+ The record is **not** required for any legal proceedings or litigation
	+ There **no** financial requirement to retain the record e.g. EU, tax, audit, clawback of grant or outstanding loan
	+ The record is **not** required because it is already in the Public Domain or otherwise available eg within another Public Body
	+ The record is **not** required because it is not considered significant - it does not contain a precedent or been used to set policy nor is it needed for authorisation
	+ There is **no** Retention and Disposal Schedule reason to retain the record

 The contractor shall only dispose of records through a controlled and auditable process or procedure which results in Certificates of Destruction being obtained and held by the Contractor for any and all hard copy records.

 The contractor must also provide Invest NI with an assurance from an appropriate management level that all associated electronic records have also been deleted. (“Appropriate management level” is considered to be CEO, Board or Director level.)

**5. INFORMATION AND INTELLECTUAL PROPERTY RIGHTS**

5.1 The Contractor acknowledges that Invest NI (or its licensor) owns and shall own all title and Intellectual Property Rights in and to the Information. If, at any time, the Contractor (or any affiliate or subcontractor of the Contractor) is deemed to be the first owner of title and/or any of the Intellectual Property Rights in and to any of the Information, the Contractor shall immediately assign (or procure the assignment of) such title and/or Intellectual Property Rights to Invest NI or its nominee, and shall hold legal title on trust for Invest NI or its nominee pending such assignment.

5.2 The Contractor shall only store, copy or use the Information to the extent necessary to perform its obligations under this Agreement.

5.3 All Intellectual Property Rights in or to any materials belonging to either party prior to the date of this Agreement shall remain vested in that party (or its licensor).

5.4 The Contractor hereby grants to Invest NI a perpetual, worldwide, royalty-free, irrevocable and non-exclusive licence to use (with the right to sub-license such use) any materials belonging to the Contractor pursuant to clause 5.3 to the extent necessary to receive or use the Services (including the Deliverables) and perform the obligations or exercise rights under this Agreement.

5.5 Subject to clause 5.3, all Intellectual Property Rights in and to any materials which are created or generated by or on behalf of the Contractor in the provision of the Services, Deliverables or otherwise which are delivered by or on behalf of the Contractor to Invest NI in relation to the Services (or Deliverables) shall vest in and remain vested in Invest NI or its nominee. If, at any time, the Contractor (or any affiliate or subcontractor of the Contractor) is deemed to be the first owner of any of the Intellectual Property Rights in and to such materials, the Contractor shall immediately assign (or procure the assignment of) such Intellectual Property Rights to Invest NI or its nominee, and shall hold legal title on trust for Invest NI or its nominee pending such assignment.

5.6 The Contractor shall, promptly at Invest NI’s request, do (or procure to be done) all such further acts and things and the execution of all such other documents as Invest NI may from time to time require for the purpose of securing for Invest NI the full benefit of this Agreement, including all right, title and interest to be assigned to Invest NI in accordance with clauses 5.1 and 5.5.

5.7 The Contractor shall obtain waivers of any moral rights in any right, title or interest to be assigned to Invest NI in accordance with clauses 5.1 and 5.5 to which any individual is now or may be at any future time entitled under the Copyright Designs and Patents Act 1988 or any similar provisions of law in any jurisdiction.

5.8 The Contractor shall indemnify, keep indemnified and hold Invest NI harmless from all claims and all direct, indirect or consequential liabilities (including loss of profits, loss of business, depletion of goodwill and similar losses), costs, proceedings, damages and expenses (including legal and other professional fees and expenses) awarded against, or incurred or paid by, Invest NI as a result of or in connection with any alleged or actual infringement, whether or not under the laws of Northern Ireland, of any third party’s Intellectual Property Rights or other rights arising out of the provision or receipt of the Services, Deliverables or any materials which are created or generated by or on behalf of the Contractor in the provision of the Services, Deliverables or otherwise which are delivered by or on behalf of the Contractor to Invest NI in relation to the Services and Deliverables.

**6.** **AUDITORS**

 The Contractor shall appoint an independent auditor who shall be qualified and a member of a recognised body under sections 1295 and 1300 of the Companies Act 2006.

**7.**  **ILLEGAL PRACTICE**

7.1 The Contractor shall comply with all applicable laws, statutes, regulations related to anti-bribery, anti-fraud and anti-corruption, including but not limited to the Bribery Act 2010.

7.2 The payments made under the Contract must not be used in, or paid to, any business or organisation which is illegal, or which the Department in its absolute discretion considers may bring the Department or Social Entrepreneurship Programme under which the payments are made available into disrepute.

**8.**  **CONFIDENTIALITY**

The Contractor undertakes that it shall not at any time disclose to any person any information (including commercially sensitive information) of a confidential nature concerning the business affairs, customers, clients or suppliers of Invest NI, or that of any other party engaging with the programme, unless as may be required by law, a court of competent jurisdiction or any governmental or regulatory authority.

**9.**  **RELEASE OF INFORMATION**

The Contractor undertakes to provide to Invest NI such information as is required by Invest NI on an ongoing basis or to facilitate programme handover or termination including, but not limited to, information relating to a change in service provision and or Transfer of Undertakings (Protection of Employment) Regulations. The Contractor shall provide the information within 7 days of the date of request from Invest NI and in such format as Invest NI requires. The Contractor shall notify Invest NI of any material changes to this information as and when they occur.

# Appendix 1

(see Supplementary Condition 2)

**GUIDANCE ON CORPORATE GOVERNANCE**

Below is a list of extant corporate governance guidance of which EDO’s should be made aware.

| **Relevant Guidance** | **Available at:** |
| --- | --- |
| *Cabinet Office: Code of Conduct for Board Members of Public Bodies*June 2011 | <http://www.bl.uk/aboutus/governance/blboard/BoardCodeofPractice2011.pdf> |
| *The UK Corporate Governance Code 2012* | <http://www.frc.org.uk/Our-Work/Publications/Corporate-Governance/UK-Corporate-Governance-Code-September-2012.aspx> |
| *Corporate governance in central government departments: Code of good practice NI* | <http://www.dfpni.gov.uk/index/finance/daodfp0613att.pdf> |
| *EU procurement guidance: Introduction to the EU procurement rules*June 2008 | [http://webarchive.nationalarchives.gov.uk](http://webarchive.nationalarchives.gov.uk/20100503135839/ogc.gov.uk/procurement_policy_and_application_of_eu_rules_guidance_on_the_uk_regulations.asp) |
| *Additional Procurement Guidance**NI Public Procurement Policy*August 2014 | <https://www.gov.uk/government/publications>[www.cpdni.gov.uk](http://www.cpdni.gov.uk)<http://www.dfpni.gov.uk/index/procurement-2/cpd/cpd-policy-and-legislation/ni-pp-policy/ni_public_procurement_policy_-_version_11_august_2014.pdf> |
| *Tackling Internal Fraud*Jan 2011*Regularity, Propriety, and Value for Money* | [http://webarchive.nationalarchives.gov.uk/20130129110402/http://www.hm-treasury.gov.uk/psr\_governancerisk\_index.htm](http://webarchive.nationalarchives.gov.uk/20130129110402/http%3A//www.hm-treasury.gov.uk/psr_governancerisk_index.htm) |
| *Audit & Risk Assurance Committee Handbook (NI)*March 2014 | <http://www.dfpni.gov.uk/index/finance/afmd/afmd-corporate-governance/afmd-audit_committees/daodfp0514attv2.pdf> |
| *Managing the Risk of Fraud*December 2011 | <http://www.dfpni.gov.uk/index/finance/afmd/afmd-key-guidance/afmd-daos/managing_risk_of_fraud_dec2011-2.pdf> |
| *The Orange Book Management of risk – principles and concepts* | <https://www.gov.uk/government/publications/orange-book> |
| *Northern Ireland Audit Office: Good Practice in Risk Management* | <http://www.niauditoffice.gov.uk/a-to-z.htm/report_good_prac_risk_management> |
| *Best Practice in Finance and Governance in the Voluntary and Community Sector* | [www.dsdni.gov.uk/finance\_and\_governance\_for\_vcu.pdf](http://www.dsdni.gov.uk/finance_and_governance_for_vcu.pdf) |
| *Data Protection Act 1998* | <http://www.legislation.gov.uk/ukpga/1998/29/contents> |
| *Information Commissioner’s Office Guidance* | <http://www.ico.org.uk/for_organisations> |

# Appendix 2

(see Supplementary Condition 3)

**Invest Northern Ireland External Delivery Organisation Assurance Statement**

1. **Assurance Statement & Signatures**
2. Internal Control covers the policies, processes, tasks, behaviours and other aspects of an organisation’s activities which derive from management action (rather than being imposed externally) and which are designed to:
* Facilitate the achievement of objectives;
* Ensure effective and efficient operation;
* Protect and safeguard public funds and assets; and
* Ensure compliance with legislation and other regulations.
	1. The system of internal control is designed to manage rather than eliminate the risk of failure to achieve policies, aims and objectives. It can therefore only provide reasonable (and not absolute) assurance regarding its effectiveness.
	2. The Directors and I acknowledge that we are personally responsible for developing and maintaining effective internal control within our organisation. We are also responsible for reviewing the effectiveness of the system of internal control. Our review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the executive managers who have responsibility for the development and maintenance of the internal control framework, and comments made by external auditors in their management letters and other reports.
	3. We confirm that:
* We are aware of the requirements of internal control and the development of systems to manage and control risk;
* We have complied with public procurement policies and procedures;
* We have complied with information security legislation;
* Throughout the quarter, internal control has been adequate, except for the areas noted above; and
* We are not aware of any significant weaknesses in control or of any irregularities in accounting practice which need to be drawn to your attention, except as noted below.

**Significant Weaknesses, Irregularities or Issues (e.g. suspected fraud, misuse of information/funds etc.)**

**[Please enter issues here]**

**Signed on behalf of EDO:**

Chief Executive or Responsible Director

**Signed on behalf of EDO:**

**Signed on behalf of EDO:**

1. On implementation of revised casework submission templates being developed as part of the Appraisal, Casework and Approval process review, ONLY the ‘Casework Submission for Financial Assistance to £250,000’ should be used for EDO approvals. [↑](#footnote-ref-1)