

CODE OF PRACTICE FOR BOARD MEMBERS OF STRATEGIC INVESTMENT BOARD LIMITED

Public Service Values

1. The Strategic Investment Board (SIB) and its board must at all times:
 - observe the highest standards of propriety involving impartiality, integrity and objectivity in relation to the stewardship of public funds and the company's management;
 - maximise value for money through ensuring that it operates in the most economical, efficient and effective way, within available resources, and with independent validation of performance achieved wherever practicable. Value for money is not the lowest price: it is the optimum combination of whole life costs and quality to meet the user's requirement;
 - be accountable to the Northern Ireland Assembly, its customers, individual citizens and staff for the activities of the company, its stewardship of public funds and the extent to which key performance targets and objectives have been met; and
 - in accordance with Government policy on openness and responsiveness, comply fully with the *Code of Practice on Access to Government Information*.

Relationship with the Sponsor Department

2. The Minister for the Office of the First and Deputy First Minister is answerable to Parliament for the policies and performance of the SIB, including its use of resources and the policy framework within which it operates. The respective roles of the sponsor department (OFMDFM) and the SIB are set out in a Management Statement, supplemented by a Financial Memorandum, specifying the terms on which SIB receives and spends its funds.

The Role of the Chair

3. The chair has particular responsibility for providing effective strategic leadership on matters such as:
 - formulating the board's strategy for discharging its statutory duties;
 - encouraging high standards of propriety and promoting the efficient and effective use of staff and other resources throughout the organisation;
 - ensuring that the board, in reaching decisions, takes proper account of guidance provided by the responsible Minister or sponsor department;
 - representing the views of the board to the general public; and
 - providing an assessment of the performance of individual board members, on request, when they are being considered for re-appointment to the board or for appointment to the board of some other public body.

4. The chair should ensure that the board meets at regular intervals throughout the year and that the minutes of meetings accurately record the decisions taken and, where appropriate, the views of individual board members.
5. Communications between the board and the Minister of the sponsor department will normally be through the chair except where the board has agreed that an individual member should act on its behalf. Nevertheless, an individual member has the right of access to Ministers on any matter which he or she believes raises important issues relating to his or her duties as a member of the board. In such cases the agreement of the rest of the board should normally be sought. The main point of contact between the body and the sponsor department on day-to-day matters will normally be the Chief Executive.
6. The chair should ensure that all members of the board, when taking up office, are fully briefed on the terms of their appointment and on their duties, rights and responsibilities. The chair and other members of the board should each have a copy of the Code of Practice; the Management Statement and Financial Memorandum; the latest Corporate Plan and Annual Reports and Accounts; the Treasury's memorandum *The Responsibilities of a NDPB Accounting Officer*; the Treasury's handbook *Regularity and Propriety*; notes describing SIB's organisational structure and the statutory basis of operation; and the rules and procedures of the board. The chair should encourage new board members to attend an induction course on the duties of board members of public bodies or some other suitable form of induction programme.

Corporate Responsibilities of Board Members

7. Members of the SIB board have corporate responsibility for ensuring that it complies with statutory or administrative requirements for the use of public funds. Other important responsibilities of board members include:
 - ensuring that high standards of corporate governance are observed at all times;
 - establishing the overall strategic direction of the SIB within the policy and resources framework agreed with the Minister;
 - ensuring that the board operates within the limits of its statutory authority and any delegated authority agreed with its sponsor department, and in accordance with any other conditions relating to the use of public funds;
 - ensuring that, in reaching decisions, the board has taken into account any guidance issued by the sponsor department;
 - formulating a strategy for implementing the *Code of Practice on Access to Government Information*, including prompt responses to public requests for information, and meeting other requirements for openness and responsiveness as set out in part J of *Non Departmental Public Bodies: A Guide for Departments*; and
 - ensuring that the company operates within the framework of the Sustainable Development Strategy.

Strategic Planning and Control

8. One of the main tasks of the board is the oversight of the production of the SIB corporate plan. The process of preparing this document provides an opportunity for agreeing, with the Minister, the policy and resources framework within which SIB will discharge its duties; and for determining its key strategic objectives and targets. Such targets will cover areas such as the organisation's financial performance; the efficiency and effectiveness of its operations; and – where possible - the quality of its outputs.

Delegation

9. Non-executive board members serve on a part-time basis. To the extent permitted by the originating legislation under which SIB is established, responsibility for day-to-day management matters is delegated to the Chief Executive, so far as is practicable, within a clearly understood framework of strategic control. The SIB board will consider internal guidance covering those matters delegated to staff and those reserved for decision by the board. The latter include issues of corporate strategy; key strategic objectives and targets; major decisions involving the use of financial and other resources; and personnel issues including key appointments and standards of conduct.

10. The board may decide to delegate responsibility for specified matters, where it has power to do so, to individual members or committees of the board. Decisions taken by individual members or committees of the board under delegated powers will be recorded in written minutes available to the board as a whole.

Responsibilities of Individual Board Members

11. Individual board members are aware of their wider responsibilities as members of the board. Like others who serve the public, they follow the Seven Principles of Public Life set out by the Committee on Standards in Public Life. (The principles are attached at Appendix 1.)

12. SIB board members must:

- undertake on appointment to comply at all times with the Code of Practice that is adopted by the public body concerned and with rules relating to the use of public funds;
- act in good faith and in the best interests of the public body;
- not misuse information gained in the course of their public service for personal gain or for political purpose, nor seek to use the opportunity of public service to promote their private interests or those of connected persons, firms, businesses or other organisations; and to declare publicly any private interests which may be perceived to conflict with their public duties; and
- ensure that they comply with the company's policy on the acceptance of gifts and hospitality.

13. SIB board members, whether full or part-time, are expected not to occupy paid party political posts or hold particularly sensitive or high-profile unpaid roles in a political party. Subject to that, part-time members are free to engage in political activities, provided that they are conscious of their general public responsibilities and

exercise a proper discretion, particularly in regard to the work of the SIB. On matters directly affecting that work, they should not make political speeches or engage in other political activities. Members of the SIB board should abstain from all controversial political activities.

Handling Conflicts of Interests

14. The chair and other board members should declare any personal or business interests which may conflict with their responsibilities as board members. The board, in consultation with the sponsor department, has drawn up rules of conduct for board members that ensure that such conflicts are identified at an early stage and appropriate action can be taken to resolve them.

15. These rules include the keeping of a register of interests appropriate to the body's activities. This lists direct or indirect pecuniary interests which members of the public might reasonably think could influence board members' judgement. Board members must also register non-pecuniary interests that relate closely to the SIB's activities, and interests of close family members and persons living in the same household as the board member.

16. The SIB will make the register of interests open to the public. It will ensure that details of how access can be obtained are available widely and include such details in annual reports. Board members are required to update them as changes occur.

17. In the absence of specific statutory provisions, the common law requires:

- that board members of the SIB should not participate in the discussion or determination of matters in which they have a direct pecuniary interest; and
- that when an interest is not of a direct pecuniary kind, SIB board members should consider whether participation in the discussion or determination of a matter would suggest a real danger of bias. This should be interpreted in the sense that members might either unwittingly or otherwise unfairly regard with favour or disfavour, the case of a party to the matter under consideration. In considering whether a real danger of bias exists in relation to a particular decision, members should assess whether they, a close family member¹, a person living in the same household as the board member, or a firm, business or organisation with which the board member is connected are likely to be affected more than the generality of those affected by the decision in question. This would cover, for example, a decision to invite tenders for a contract where a firm with which a member was connected was significantly better placed than others to win it.

18. Where, in accordance with the above, members do not participate in the discussion or determination of a matter, they should withdraw from the meeting, even if it is held in public. This is because the continued presence of someone who had

¹ Indirect pecuniary interests arise from connections with bodies which have a direct pecuniary interest or from being a business partner of, or being employed by, a person with such an interest. Non-pecuniary interests include those arising from membership of clubs and other organisations. Close family members include personal partners, parents, children (adult and minor), brothers, sisters and the personal partners of any of these.

declared an interest might be thought likely to influence the judgement of the other members present.

19. Whether or not board members are able, in the light of the considerations above, to participate in the discussion or determination of a matter, they should declare as soon as practicable after a meeting begins whether they have an interest, pecuniary or other, in a matter being considered. They should also disclose any interests in it of which they are aware on the part of close family members and persons living in the same households as the board member. In addition, board members should consider whether they need to disclose relevant interests of other persons or organisations which members of the public might reasonably think could influence the member's judgement.

20. Board members must facilitate compliance with the need under Financial Reporting Standard 8 for material transactions with related parties to be disclosed in financial statements. "Related parties" in FRS 8 include (in addition to business contacts) close members of the family of an individual, who are defined for the purposes of the standard as those family members, or members of the same household, who may be expected to influence, or be influenced by, that person in their dealings with the company.

21. Board members should take advice from OFMDFM if there is any possibility that conflicts of interests could arise from the acceptance of outside appointments during or after tenure as a board member.

Personal Liability of Board Members

22. Although any legal proceedings initiated by a third party are likely to be brought against the board, in exceptional cases proceedings (civil or, in certain cases, criminal) may be brought against the chair or other individual board members. For example, a board member may be personally liable if he or she makes a fraudulent or negligent statement which results in loss to a third party. Board members who misuse information gained by virtue of their position may be liable for breach of confidence under common law or may commit a criminal offence under insider dealing legislation.

23. As the SIB is incorporated under the Companies Act or the Companies (Northern Ireland) Order, an individual board member is subject to the duties of directors under company law. However, the Government has indicated that individual board members who have acted honestly and in good faith will not have to meet out of their own personal resources any personal civil liability which is incurred in execution or purported execution of their board functions, save where the person has acted recklessly.

Openness and Responsiveness

24. Board members and their staff should conduct all their dealings with the public in an open and responsible way and ensure full compliance with the *Code of Practice on Access to Government Information*. They will take account as far as possible of the *Standard of Best Practice for Openness in Executive NDPBs and NHS bodies* in the First Report of the Committee on Standards in Public Life (Cm 2850-I). They will make publicly available annual reports, and hold open meetings, release summary reports of meetings, and invite evidence from members of the public on matters of public concern. SIB will seek to follow best practice in making available information

to the public, particularly through the World Wide Web, and co-operate with other bodies to place relevant information in the public domain. SIB will consult on a wide range of issues by means of questionnaires, public meetings, or other forms proportionate to its size and resources.

25. The board will ensure it can demonstrate that it uses public resources to good effect, with propriety, and without grounds for criticism that public funds are being used for private, partisan or party political purposes. It will act consistently with the nature of SIB's business and the need for confidentiality on commercial or other grounds, always subject to the rights of Parliament and the NIAO to obtain information.

Accountability for Public Funds

26. Board members have a duty to ensure the safeguarding of public funds - which for this purpose should be taken to include all forms of receipts from fees, charges and other sources - and the proper custody of assets which have been publicly funded. They must take appropriate measures to ensure that the body at all times conducts its operations as economically, efficiently and effectively as possible, with full regard to the relevant statutory provisions and to relevant guidance in Government Accounting.

27. Members of the board are responsible for ensuring that the body does not exceed its powers or functions, as defined in statute, or through any limitations on its authority to incur expenditure. They will be advised on these matters by SIB's Chief Executive and its legal advisers.

Annual Report and Accounts

28. As part of its responsibilities for the stewardship of public funds, the SIB board must ensure that it includes a full statement of the use of such resources in its Annual Report and Accounts. Such accounts will be prepared in accordance with the Accounts Direction issued by the Minister and such other guidance as may be issued, from time to time, by OFMDFM and DFP.

29. SIB will produce an Annual Report and Accounts as a single document and will give it appropriate publicity. The Annual Report and Accounts will provide a full description of the board's activities; state the extent to which key strategic objectives and agreed financial and other performance targets have been met; list the names of the current members of the board and senior staff; and provide details of remuneration of board members and senior staff in accordance with DFP guidance. The Annual Report will contain information on access to registers of interests.

The Role of the Chief Executive

30. The Chief Executive has responsibility, under the board, for the overall organisation, management, and staffing of SIB and for its procedures in financial and other matters, including conduct and discipline. This involves the promotion by leadership and example of the values embodied in the Seven Principles of Public Life. Board members will support the Chief Executive in undertaking this responsibility.

31. The Chief Executive of SIB designated as its Accounting Officer and is responsible to Parliament and the accounting officer of the OFMDFM for the resources under his control. The essence of the role is a personal responsibility for the propriety and regularity of the public finances for which they are answerable; for the keeping of proper accounts; for prudent and economical administration; for the

avoidance of waste and extravagance; and for the efficient and effective use of all the resources in their charge. The Accounting Officer has a responsibility to see that appropriate advice is tendered to the board on all these matters. Satisfactory performance of these responsibilities is fundamental to the role of the Chief Executive.

32. All board members should ensure that they have a copy of *The Responsibilities of a NDPB Accounting Officer*. The Treasury's handbook, *Regularity and Propriety*, describes what these concepts mean in a financial context. Although the handbook is intended primarily for accounting officers, board members should also familiarise themselves with it.

Audit Committee

33. The SIB has an audit committee as a committee of the board. The committee consists of non-executive board members and is chaired by a non-executive board member, other than the chair, who has experience of financial matters. The responsibilities of the audit committee will overlap with those of the Accounting Officer. It is envisaged that he will normally attend all meetings of the audit committee, unless, exceptionally, his or her own performance is being discussed.

The Audit Committee is an advisory body with no executive powers. Its main functions are:

- To help promote the highest standards of propriety in the use of public funds and encourage proper accountability for the use of public funds;
- To improve the quality of financial reporting by reviewing financial statements on behalf of the board;
- To promote a climate of financial discipline and control which will reduce the opportunity for financial mismanagement; and
- To promote the development of internal control systems that will help satisfy the board that the company will achieve its objectives and targets, and is operating in accordance with statutory requirements, within its delegated authorities and in a manner that will make most economic and effective use of available resources.

The terms of reference of SIB's Audit Committee are attached at Appendix B.

Evidence to Select Committees

Board members may, on occasion, be invited to give evidence to Select Committees. When they do so, they should be as helpful as possible in providing accurate, truthful and full information refusing to provide information only when disclosure would not be in the public interest. This should be decided in accordance with the relevant statutes and Freedom of Information legislation. Board members should bear in mind in this context the need to respect legitimate Board confidences.

Board members wishing to give evidence should, as a matter of courtesy, advise the Chair, colleagues on the Board and OFMDFM of their intention. They should discuss with them the handling of any oral or written evidence they want to submit and whether they expect to be giving evidence on behalf of SIB or in a personal capacity. The Select Committee should be advised of the status of the witness.

Subject only to a Committee's power to decide to require the attendance of a witness, the decision on whether to give evidence is solely for the individual concerned. There must be no pressure placed on individuals to deter them, or action taken against them as a consequence of giving evidence to a Select Committee. Any such actions might be regarded as a contempt of the House, with potentially serious consequences for those involved.

The Board as Employer

34. The board will ensure:

- that it complies with all relevant legislation and that it employs suitably qualified staff who will discharge their responsibilities in accordance with the high standards expected of staff employed by such bodies. All staff will be familiar with the body's main aims and objectives;
- that SIB adopts management practices which use resources in the most economical, efficient and effective manner;
- that SIB's policies for the recruitment and management of staff provide for appointment and advancement on merit on the basis of equal opportunity for all applicants and staff. In filling senior staff appointments, the board should satisfy itself that an adequate field of qualified candidates is considered, and should
- always consider the merits of full and open competition. In recruiting external candidates, this should normally be used; and
- that its staff, and the board's own members, have appropriate access to expert advice and training opportunities in order to enable them to exercise their responsibilities effectively (in line with wider Government commitments on training strategies).
- The board has a responsibility to monitor the performance of the Chief Executive and other senior staff. As the terms and conditions of employment of the Chief Executive and other senior staff include an entitlement to be considered for performance-related pay, and such payments are assessed by board members, the board will ensure that they have access to the information and advice required to make the necessary judgements.

THE SEVEN PRINCIPLES OF PUBLIC LIFE

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 organisation 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.

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 interests.

Leadership

Holders of public office should promote and support these principles by leadership and example.

Audit Committee – Terms of Reference

Purpose

The purpose of the Audit Committee is to advise the Accounting Officer on the adequacy of audit arrangements (internal and external) and on the implications of assurances provided in respect of risk and control in the Strategic Investment Board Limited.

Constitution

The Audit Committee is constituted as a Committee of the Board of the Strategic Investment Board Limited (SIB).

The Committee's terms of reference may be amended at any time by the Board.

The committee may from time to time investigate, discuss or review matters outside its terms of reference if required to do so by the Board.

Authority

The committee acts only in an advisory capacity and has no executive powers.

The committee is authorised by the Board to investigate any activity within its terms of reference. It is authorised to seek any information it requires from any member of staff and all members of staff are directed to co-operate with any reasonable request made by the committee.

The committee is authorised to obtain independent professional advice (including legal advice) and to arrange for the attendance of outsiders with relevant experience and expertise if it considers this necessary.

Membership

The committee shall be appointed by the Board from amongst its members and shall consist of not less than two non-executive members and one executive member.

The Chairman of the Committee shall be appointed by the Board. The chair shall be a non-executive member of the Board other than its chair.

Attendance at Meetings

The quorum necessary for the transaction of the business of the committee shall be at least two committee members.

Other Board members shall have the right of attendance at meetings of the committee.

Meetings shall be held not less than two times a year (to coincide with key dates in the company's financial reporting cycle).

There should be at least one meeting a year, or part thereof, where the audit committee meets the external and internal auditors without executive board members present. This need not be the same meeting.

At the request of the Committee any members of the senior management team shall attend meetings.

Responsibilities

The responsibilities of the committee shall include:

- Reviewing the systems and process of internal control and governance. This includes reviewing management's and the internal auditors' reports on the effectiveness of systems for internal control, governance and risk management (including approval of the Risk Register);
- Reviewing the company's procedures for detecting fraud and whistle blowing and ensuring that arrangements are in place by which staff may, in confidence, raise concerns about possible improprieties in matters of financial reporting, financial control or any other matters;
- Monitoring the integrity of the company's internal financial controls and compliance with the requirements of the Management Statement and Financial Memorandum;
- Reviewing the statement in the annual report and accounts on the company's internal controls and risk management framework;
- The appointment of the external auditor;
- The oversight of the company's relations with the external auditor;
- The approval of the terms of engagement and the remuneration to be paid to the external auditor in respect of audit services provided;
- The discussion with the external auditor, before the audit commences, of the nature and scope of the audit;
- The review, with the external auditors, of the findings of their work, including, any major issues that arose during the course of the audit and have subsequently been resolved and those issues that have been left unresolved; key accounting and audit judgements; levels of errors identified during the audit, obtaining explanations from management and, where necessary the external auditors, as to why certain errors might remain unadjusted;
- The review of the audit representation letters before consideration by the board, giving particular consideration to matters that relate to non-standard issues;
- The review and monitoring of the content of the external auditor's management letter, in order to assess whether it is based on a good understanding of the company's business and establish whether recommendations have been acted upon and, if not, the reasons why they have not been acted upon;
- The appointment of the internal auditor;
- The review of the internal audit programme to ensure that the internal audit function is adequately resourced and has appropriate standing within the company;
- Ensuring that the internal audit service meets, or exceeds, the standards specified in the Government Internal Audit Manual, complies in all other respects with these guidelines and meets agreed level of service;

- Ensuring that the internal auditor has direct access to the board chairman and the audit committee and is accountable to the audit committee;
- Receiving reports on the results of the internal auditors' work on a periodic basis;
- Reviewing and monitoring management's responsiveness to the internal auditor's findings and recommendations;
- Monitoring and assessing the role and effectiveness of the internal audit function in the overall context of the company's risk management system.

Reporting

The committee chairman, on behalf of the committee, will report once a year to the Accounting Officer, and inform the Board, on the findings and conclusions of the committee for the past year.