

## **Appendix 3: Statutory Financial Directions**

The Trustees of the National Heritage Memorial Fund (“the Fund”) shall comply with the requirements contained within the attached Statement of Financial Requirements, which have the status of directions under section 26 of the National Lottery etc. Act 1993, as amended (“the Act”). The Statement of Financial Requirements complements the Fund’s Management Statement and Financial Memorandum (MS/FM), which deals with corporate management matters and with the application of non-Lottery funds, and should be read in conjunction with the MS/FM.

**Signed by authority of the Secretary of State for Culture, Media and Sport**

**ANDREW RAMSAY**

Director of Creative Industries, Broadcasting and Gambling

Department for Culture, Media and Sport

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## **STATEMENT OF FINANCIAL REQUIREMENTS: NATIONAL HERITAGE MEMORIAL FUND**

*This Statement of Financial Requirements is effective from 26 February 2006*

### **Introduction**

1. This statement of Financial Requirements (SFR) replaces any previous SFR issued. It complements the Fund's Management Statement and Financial Memorandum (MS/FM) whose provisions, unless otherwise stated in this SFR, apply to the administration of National Lottery proceeds and the costs of administering Lottery proceeds. It also complements and should be read in conjunction with the Accounts Directions issued to the Fund under section 35(3) of the Act, with other appropriate guidance such as that contained in "Dear Accounting Officer" letters, and with any guidance on matters such as fraud issued from time to time by DCMS.
2. The Fund must operate within the principles of administrative law. Lottery proceeds are public monies, and shall be used only to make grants in connection with successful Lottery applications, to defray administration expenses incurred in the distribution of those funds (including those connected with delegation of Lottery distribution), or to meet the cost of non-cash grants. The Fund should have regard to value for money, and to additionality principles, in all aspects of its administration of Lottery funds.
3. Risk management principles should be applied to all aspects of the Fund's distribution activities. Systems of internal control deployed by the Fund should be designed to manage risk to a reasonable level rather than eliminate all risk of failure to the achievement of policies, aims and objectives. Systems of internal control should be based on an ongoing process to identify and prioritise the principal risks to the Fund not achieving its objectives, to evaluate the likelihood and impact of those risks and to manage them efficiently, effectively and economically.

### **Applications**

4. The Fund should make guidance on how to apply for Lottery funds widely available and should distribute funds only in response to applications. It may co-ordinate applications with other distributing bodies and/or other organisations and may exercise as it sees fit, putting appropriate management and accountability arrangements in place, its powers under the Act to:
  - participate in a joint scheme;
  - solicit applications;
  - delegate, internally or externally, decisions as to whom Lottery money is to be distributed.
5. The Fund should ensure that, where appropriate, applicants are informed of the circumstances in which they will have to satisfy European Union (EU) and World Trade Organisation (WTO) procurement rules.
6. The Fund should adopt appropriate policies for the appraisal of applications, depending on the nature, size and complexity of the project proposed. These should follow the best current practice and utilise, where appropriate, the Treasury "Green Book" and the Office of Government Commerce's Project Profile Model (PPM), used to determine the need for Gateway reviews.
7. The Fund should notify the Secretary of State whenever it receives an application that falls under section 27 of the Act, and where possible should inform the Secretary of State as soon it becomes aware that such an application is likely to be made. Where the Fund is minded to approve the application, it should submit a clear analysis of why the Secretary of State should

not exercise section 27 powers, and should not finally approve the application until it receives written notification of the Secretary of State's decision not to exercise section 27 powers.

8. The Fund should collect what information it considers appropriate on each application it receives, and on each successful application. It should supply such information to the Secretary of State as and when requested. It should have effective measures in place to detect and counteract fraud in relation to all its distribution activities, and it should share information on applications with other distributing bodies where it judges that there is a significant risk that an applicant could fraudulently apply to more than one body. The Fund must report all suspected frauds greater in value than £10,000 immediately to DCMS.

### **Successful applications and payments of grant**

9. The terms and conditions with which each grant or loan recipient must comply should be clearly set out. These should include a provision that the grant can be clawed back if there is a change of use from the one originally intended, and/or that an appropriate proportion of the value of the asset should be repaid. They should also include a provision for access by the Comptroller and Auditor General; requirements for the applicant to pay to the Fund a share of the proceeds from the disposal of assets (including their transfer to the private sector) purchased or enhanced with the assistance of Lottery funding; and for the applicant to repay the grant in full or in part if any of the grant conditions are breached, including instances where the purpose for which the grant was made is not fulfilled, or seems unlikely to the Fund to be fulfilled. The Fund may vary the terms and conditions of a grant or loan by written agreement with the recipient.
10. The Fund may waive such requirements and 'write off' the grant if it considers that this would be appropriate having regard to all the circumstances. However, write-offs totalling £50,000 or more in a single financial year must be reported to the Secretary of State.
11. In addition, where a body is participating in a joint scheme with other distributing bodies, the Accounting Officers of the participating bodies may, by mutual agreement, delegate grant decision-making authority, and the authority to authorise write-offs and special payments, to the Accounting Officer of one of the bodies or, where appropriate, to a suitably qualified person empowered to act for an external delegate. The person so authorised should report back to the Accounting Officers of the other participating bodies on the achievements of the joint scheme.
12. Grants paid to successful applicants must come from a separate bank account(s) maintained specifically for the transfer of funds from the NLDF to approved projects. This, the Distributing Body's Lottery Account(s) (DBLA(s)), should also be used to cover any costs incurred in administering the Lottery by the Fund or any delegates.
13. The Fund may hold funds for a short time in DBLA(s) (which may be an interest-bearing instant access account) but may not otherwise invest Lottery money on its own behalf. Draw down requests should reflect the Fund's best estimate of the amount needed during the following week. The DBLA(s) should not be overdrawn at any time.

14. Grant distribution may also be made using non-cash methods (for example, vouchers redeemable for goods and services from an approved supplier or contractor). Grants may be made to set up or augment endowments.
15. Grants should not normally be issued to successful applicants in advance of need. However, the Fund can and should have regard to the flexibility provided for in relevant DCMS and other Government advice and guidance. The Fund should also bear in mind the need to release funds without undue delay so that the applicant can pay bills promptly in accordance with best commercial practice.
16. The Fund should set up appropriate arrangements for monitoring and evaluating projects both while they are in progress and after completion.

### **General administrative & financial matters**

17. The Chief Executive of the Fund is normally designated as the Accounting Officer for the Lottery funds under the Fund's control, and the responsibilities are set out in the Chief Executive's designation letter. In addition to satisfying him/herself on an ongoing basis of the adequacy of the Fund's internal control systems, as reflected in the annual Statement on Internal Control, the Accounting Officer should seek assurance at appropriate intervals that the Fund's administrative and financial systems as a whole remain adequate for the purpose of discharging the Fund's Lottery distribution functions. He/she should notify the Head of the Fund's sponsoring division in DCMS if he/she has any reason to doubt that this is the case. The Accounting Officer is responsible for signing the accounts for the Fund's Lottery distribution activities, and ensuring that:
  - Lottery money is distributed with due regard to regularity and propriety;
  - Bodies engaged as partners or agents for the purpose of processing Lottery applications and paying funds, or delegated to make decisions on the Fund's behalf, are fit and proper and have established appropriate management arrangements;
  - Lottery money is used economically, efficiently, and effectively even though grant decisions may have been delegated to an outside person, organisation, committee, or are distributed under a scheme in conjunction with other distributors.
  - Fraud cases are reported to the police, and, as appropriate to the Serious Fraud Office and other authorities.
18. The Fund will devise and implement appropriate indicators for analysing its own administrative efficiency and performance. These should be agreed with its sponsor division in DCMS. Performance measures, and targets for them, should be included in the annual business/operational plans.
19. In making forward commitments the Fund must have due regard to past and projected income flows and to the need to keep its cash balance in the NLDF to a level which is consistent with safeguarding its commitments, without being unnecessarily large. In complying with this direction, the Fund should have regard to relevant guidance.

## The responsibilities of an NDPB Accounting Officer

Issued by H M Treasury December 1994

On website February 2005:

### **ANNEX 8.2 NDPB Accounting Officer memorandum**

1. The senior official (usually the Chief Executive or equivalent) of a non-departmental public body (NDPB) is normally designated as Accounting Officer by the departmental Accounting Officer of the sponsor department. An Accounting Officer has the personal duty of signing the body's accounts. If the body is a Companies Act company, the accounts should be signed by both a director and the Accounting Officer of the body (unless the latter is also a director, in which case he or she may act as sole signatory). By virtue of this duty, the Accounting Officer has the further duty of being a witness before the Committee of Public Accounts (PAC) to deal with questions arising from those accounts or, more commonly, from reports made to Parliament by the Comptroller and Auditor General (C&AG) under the National Audit Act 1983.
2. Associated with these duties are the further responsibilities which are the subject of this memorandum. It is incumbent on the officials who serve as Accounting Officers to combine these duties with their duties to the board of the NDPB (or, where there is no board, to the senior appointee to the body), which they should inform of their designation. More detailed guidance for the Accounting Officer and the staff of the NDPB is contained in the Treasury manual *Government Accounting* (hard copies of which are available from TSO). *Government Accounting* can be accessed electronically on [Government Accounting Website](#)
3. NDPBs are financed in a variety of ways, e.g. by grant in aid, grant, income from fees and charges or private sector funds. An Accounting Officer is designated in the case of NDPBs which are financed by a large grant or grant in aid or where the accounts of the body are to be laid before Parliament. Where it is in the interests of public accountability, a department will also designate an Accounting Officer for an NDPB which receives its primary funding from other sources. It is an important principle that, regardless of the source of the funding, Accounting Officers are responsible to Parliament for the resources under their control.
4. This memorandum is directed at those who are formally designated as Accounting Officers. Its contents, however, are applicable to the senior official of an NDPB for which there is no designated Accounting Officer. This memorandum does not apply to those NDPBs (such as tribunals and advisory committees) which are funded directly by a department through an Estimate (as opposed to via grant or grant in aid) and for which the departmental Accounting Officer is therefore accountable.
5. Paragraph 6 below describes the responsibilities of a departmental Accounting Officer in relation to NDPBs. Paragraph 7 describes the general responsibilities of an Accounting Officer of an NDPB. Paragraphs 8–18 set out the responsibilities of Accounting Officers in respect of the funds for which they are responsible. Paragraphs 19–24 deal with the Accounting Officer's duties and responsibilities in respect of the National Audit Office and Public Accounts Committee. Paragraphs 25–7 describe the arrangements for covering the absence of an Accounting Officer.

## **Responsibilities of a departmental Accounting Officer**

6. In relation to NDPBs, it is the responsibility of a departmental Accounting Officer to be satisfied that:
  - a. the financial and other management controls applied by the department are appropriate and sufficient to safeguard public funds and, more generally, that those being applied by the NDPB conform with the requirements both of propriety and of good financial management;
  - b. there is an adequate statement of the financial relationship between the department and the NDPB (in a management statement/financial memorandum or similar document) and that this statement is regularly reviewed; and
  - c. the conditions attached to grants conform with the terms of the Estimate and that the sponsor department monitors compliance with those conditions.

## **The general responsibilities of an NDPB Accounting Officer**

7. The designation as Accounting Officer reflects the fact that under the board (whether or not he or she is a member of the board) the Accounting Officer has responsibility, which only he or she is in a position to discharge, for the overall organisation, management and staffing of the NDPB and for its procedures in financial and other matters. The Accounting Officer must ensure that there is a high standard of financial management in the NDPB as a whole; that financial systems and procedures promote the efficient and economical conduct of business and safeguard financial propriety and regularity throughout the NDPB; and that financial considerations are fully taken into account in decisions on NDPB policy proposals.

## **The specific responsibilities of the NDPB Accounting Officer**

8. The essence of Accounting Officer's role is a personal responsibility for the propriety and regularity of the public finances for which he or she is 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.
9. As Accounting Officer you must:
  - a. personally sign the accounts (subject to the point in paragraph 1 about Companies Act companies), and in doing so accept personal responsibility for their proper presentation as prescribed in legislation or by ministers;
  - b. conform with the requirements of any financial memoranda and ensure that accounts are drawn up in accordance with any conditions set out in legislation, the accounts direction and relevant Treasury guidance;
  - c. ensure that proper financial procedures are followed and that accounting records are maintained in a form suited to the requirements of management as well as in the form prescribed for published accounts;
  - d. ensure that the resources for which you are responsible as Accounting Officer are properly and well managed (see paragraph 10 below) and safeguarded, with independent and effective checks of cash balances in the hands of any official;

- e. ensure that assets for which you are responsible, such as land, buildings or other property, including stores and equipment, are controlled and safeguarded with similar care, and with checks as appropriate;
  - f. ensure that conflicts of interest are avoided, whether in the proceedings of the board or in the actions or advice of its staff, including yourself; and
  - g. ensure that, in the consideration of policy proposals relating to the expenditure for which you are responsible as Accounting Officer, all relevant financial considerations, including any issues of propriety, regularity or value for money, are taken into account, and brought to the attention of the board.
10. An Accounting Officer should ensure that effective management systems appropriate for the achievement of the NDPB's objectives, including financial monitoring and control systems, have been put in place. An Accounting Officer should also ensure that managers at all levels:
- a. have a clear view of their objectives, and the means to assess and, wherever possible, measure outputs or performance in relation to those objectives;
  - b. are assigned well-defined responsibilities for making the best use of resources (both those consumed by their own commands, and any made available to organisations or individuals outside the NDPB), including a critical scrutiny of output and value for money; and
  - c. have the information (particularly about costs), training and access to the expert advice which they need to exercise their responsibilities effectively.
11. Accounting Officers must make sure that their arrangements for delegation promote good management and that they are supported by the necessary staff with an appropriate balance of skills. Arrangements for internal audit should accord with the objectives, standards and practices set out in the Treasury *Government Internal Audit Manual*.

### **Regularity and propriety of expenditure**

12. In respect of funds voted by Parliament, Accounting Officers have a particular responsibility for ensuring compliance with parliamentary requirements in the control of expenditure and any requirements imposed by the sponsor department. A fundamental requirement is that the funds for which they are responsible should be applied only to the extent and for the purposes authorised by Parliament. You must also comply with any conditions which ministers may attach to the grant or grant in aid. You must ensure that Parliament's attention is drawn to losses or special payments, by appropriate notation of the relevant account.
13. An Accounting Officer is responsible for ensuring that specific approval for expenditure has been obtained from the sponsor department in all cases where it is required, including cases involving pay, pensions and conditions of service. This will include any expenditure not covered by any authorities delegated by the department to the NDPB. As in the case of delegations from the Treasury to departments, delegated authority does not remove the obligation to submit to its sponsor department proposals which are novel or contentious. The Accounting Officer is also responsible for ensuring that adequate machinery exists for the collection and bringing to account in due form of all receipts of any kind connected with the accounts of the NDPB.

## Advice to the board

14. An Accounting Officer has particular responsibility to see that appropriate advice is tendered to the board on all matters of financial propriety and regularity and, more broadly, as to all considerations of prudent and economical administration, efficiency and effectiveness. Accounting Officers will need to determine how and in what terms such advice should be tendered, and whether in a particular case to make specific reference to their own duty as Accounting Officer to justify, to the Public Accounts Committee, transactions for which they are accountable.
15. The board of an NDPB should act in accordance with the requirements of propriety or regularity (including the provisions of the NDPB's management statement/financial memorandum, or other documents setting out the financial duties of the NDPB, or any Government Accounting or other rules governing the conduct of the NDPB). If the board or the chairperson is contemplating a course of action involving a transaction which you as Accounting Officer consider would infringe these requirements, however, you should set out in writing your objection to the proposal, the reasons for this objection, and your duty to notify the C&AG should your advice be overruled. If the board decides none the less to proceed, you should seek a written instruction to take the action in question. You should also inform your sponsor department's Accounting Officer of the position, if possible before the board takes its decision or in any event before the decision is implemented, so that the department, if it considers it appropriate, can intervene with the board and inform the Treasury. If the outcome is that you are overruled, the board's instruction must be complied with, but your request for the instruction and the instruction itself should be communicated without undue delay to the NDPB's external auditors, and to the C&AG. Provided that this procedure has been followed, the PAC can be expected to recognise that the Accounting Officer bears no personal responsibility for the transaction.
16. If a course of action is contemplated which raises an issue not of formal propriety or regularity but relating to your wider responsibilities for economy, efficiency and effectiveness, it is your duty to draw the relevant factors to the attention of the board and to advise them in whatever way you deem appropriate. If your advice is overruled, and the proposal is one which as Accounting Officer you would not feel able to defend to the Public Accounts Committee as representing value for money, you should seek a written instruction before proceeding. The departmental Accounting Officer should be informed of such an instruction, if possible before the decision is implemented. It will then be for the departmental Accounting Officer to consider the matter, and decide whether or not to intervene. If the outcome is that the difference between yourself and the board nevertheless remains unresolved, the Treasury should be informed and your request for the instruction and the instruction itself should be communicated to the C&AG without undue delay, as in cases of propriety or regularity (paragraph 15 above).
17. If, because of the extreme urgency of the situation, there is no time to submit advice in writing to the board in either of the eventualities referred to in paragraphs 15 and 16 before the board takes a decision, you must ensure that, if the board overrules the advice, both the advice and the board's instructions are recorded in writing immediately afterwards.
18. If an Accounting Officer is also the chairman or a member of the board, he or she should ensure that the responsibilities as Accounting Officer do not conflict with those as a board member. For example, if the board proposes action which, as Accounting Officer, you could not endorse, and would therefore advise against, you should, as a board member, vote against such action, or ensure that your opposition as a board member as well as the Accounting Officer is clearly recorded if no formal vote is taken. In serious cases, it will not be sufficient to protect your position as a board member merely to abstain from a decision which cannot be supported.

## Appearance before the Public Accounts Committee

19. Where the C&AG is the auditor of the NDPB or has rights of inspection (either by statute or by agreement) then the C&AG may also, under the National Audit Act 1983, carry out examinations into the economy, efficiency and effectiveness with which the NDPB has used its resources in discharging its functions. An Accounting Officer may expect to be called upon to appear before the Committee from time to time, normally with the Accounting Officer from the sponsor department, to give evidence on the reports arising from these examinations or reports following the annual certification audit, and to answer the Committee's questions concerning expenditure and receipts for which he or she is Accounting Officer. An Accounting Officer may be supported by one or two other senior officials who may, if necessary, assist in giving evidence.
20. Treasury officials attend Committee hearings, and may be asked to comment on the evidence. The Treasury has the formal responsibility for presenting Estimates to Parliament, for prescribing the form of accounts and the rules of *Government Accounting* and for promoting good financial management in departments. This goes with the Treasury's central responsibility for the operation of public expenditure control. Parliament has traditionally regarded the Treasury as an ally in controlling expenditure.
21. An Accounting Officer will be expected to furnish the Committee with explanations of any indications of weakness in the matters covered by paragraphs 8–13 above, to which their attention has been drawn by the C&AG or about which they may wish to question the Accounting Officer.
22. In practice, an Accounting Officer will normally have delegated authority to others, but cannot on that account disclaim responsibility or dilute his or her accountability. Nor, by convention, does the incumbent Accounting Officer decline to answer questions where the events took place before taking up appointment: the Committee may be expected not to press the incumbent's personal responsibility in such circumstances.
23. The Committee has emphasised the importance it attaches to accuracy of evidence, and the responsibility of witnesses to ensure this, in order to ensure that relevant lines of enquiry may be pursued at its hearings. The Accounting Officer should ensure that he or she is adequately and accurately briefed on matters which are likely to arise at the hearing. The Accounting Officer may, however, ask the Committee for leave to supply information not within his or her immediate knowledge by means of a later note. Should it be discovered subsequently that the evidence provided to the Committee has contained errors, these should be made known to the Committee at the earliest possible moment.
24. In general, the rules and conventions governing appearances of officials before parliamentary committees apply to the Public Accounts Committee, including the general convention that officials do not disclose the advice given to the board. Nevertheless, in a case where the procedure described in paragraph 15 was used concerning a matter of propriety or regularity, the Accounting Officer's advice, and its overruling by the board, would be disclosed to the Committee. In a case covered by paragraph 16, where the advice of an Accounting Officer has been overruled in a matter not of propriety or regularity but of prudent and economical administration, efficiency or effectiveness, the C&AG will have made clear in the report to the Committee that the Accounting Officer was overruled. The Accounting Officer should seek to avoid disclosing the advice given to the board, though subject to their agreement the Accounting Officer should be ready to explain the reasons for their decision.

### **Absence of an Accounting Officer**

25. An Accounting Officer should ensure that he or she is generally available for consultation, and that in any temporary period of unavailability due to illness or other cause, or during the normal period of annual leave, there will be a senior officer in the NDPB who can act on his or her behalf if required.
26. If it becomes clear to the board that an Accounting Officer is so incapacitated that he or she will be unable to discharge these responsibilities over a period of four weeks or more, the sponsor department should be notified so that an acting Accounting Officer can be formally designated, pending the Accounting Officer's return. The same applies if, exceptionally, the Accounting Officer plans an absence of more than four weeks during which he or she cannot be contacted.
27. The Public Accounts Committee may be expected to postpone a hearing if the relevant Accounting Officer is temporarily indisposed. Where the Accounting Officer is unable by reason of incapacity or absence to sign the accounts in time to submit them to the minister, the NDPB may submit unsigned copies pending the Accounting Officer's return. If the Accounting Officer is unable to sign the accounts in time for printing, the acting Accounting Officer should sign instead.