

**Partnership Agreement between the
Department for the Economy
and
Ulster University**

December 2025

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Introduction

1 The Partnership Agreement

- 1.1 Partnership Agreements set out the formal relationship between the Department for the Economy ('the Department') and the governing bodies and Accountable Officers of the universities it funds. It reflects the Department's responsibility to provide annual assurances to the Northern Ireland Assembly that:
 - funds are being used for the purposes for which they were allocated;
 - risk management, control and governance arrangements in the sector are effective; and
 - value for money is being achieved.

- 1.2 Partnership Agreements are in two parts. Part 1 (this document) and Part 2 (issued each year as the 'schedule') which gives conditions specific to each institution, a schedule of funds available in the academic year, and the educational provision the institution has agreed to make in return for those funds.

- 1.3 Universities are bound by the requirements of their respective Charter, Statutes and Ordinances (or equivalent) and by rules relating to their charitable status. This document does not supersede those requirements but is intended to complement and reinforce them.

- 1.4 This agreement takes effect from 1 July 2025 and supersedes any previous Financial Memoranda between Ulster University and the Department.

- 1.5 The partnership is based on a mutual understanding of strategic aims and objectives; clear accountability; and a recognition of the distinct roles each party contributes. The key principles are as follows:

LEADERSHIP
Partnerships work well when the Department and the universities demonstrate good leadership to achieve a shared vision and effective delivery. Strong leadership will provide inspiration, instil confidence and trust and empower their respective teams to deliver good outcomes for citizens.

PURPOSE
Partnerships work well when the respective purposes, objectives and roles of each university and the Department are clear, mutually understood and reviewed on a regular basis. There needs to be absolute clarity about lines of accountability and responsibility between the Department and the university in question in relation to funding received. Universities need to have clarity about where their purpose and objectives align with those of Government.
ASSURANCE
Partnerships work well when the Department adopts an appropriate approach to assurance, based on each university's purpose and a mutual understanding of risk. Universities should have robust governance arrangements in place and in turn Departments should give universities the appropriate autonomy to deliver effectively. Management information should be limited to what is needed to enable the Department and universities to provide assurance and evaluate performance.
VALUE
Partnerships work well when the Department and the universities share knowledge, skills and experience in order to enhance their impact and delivery. Universities are able to contribute to Departmental priorities. There should be a focus on innovation, and on how the Department and the universities work together to deliver the most effective outcomes for their stakeholders.
ENGAGEMENT
Partnerships work well when relationships between the Department and the universities are open, honest, constructive and based on trust. There should be mutual understanding about each other's objectives and clear expectations about the terms of engagement.

1.6 The Department for the Economy and Ulster University are committed to:

- Working together within distinct roles and responsibilities;
- Maintaining focus on successful delivery of Programme for Government outcomes and Ministerial / Departmental priorities where these fall within the purview and approved strategy of the University;
- Maintaining open and honest communication and dialogue;
- Keeping each other informed of any issues and concerns, and of emerging areas of risk;
- Seeking to resolve issues quickly and constructively; and
- Acting at all times in the public interest and in line with the values of integrity, honesty, objectivity and impartiality.

1.7 In the event of any disagreement between the two parties, in relation to delivery against the commitments set out in the Partnership Agreement, and where this disagreement cannot be resolved to the satisfaction of both the Permanent

Secretary and the Vice-Chancellor, an appropriate appeal mechanism will be agreed between both parties and put in place.

- 1.8 Higher education institutions in Northern Ireland, including Ulster University, play a central role in the delivery of any Programme for Government and in the delivery of the Department's economic goals, particularly those in relation to skills.

Media Management Responsibilities

- 1.9 There should be a 'no surprise' approach to media announcements which may pose potential reputational damage either to the University or the Department. It is important that these announcements be shared with the respective parties providing sufficient time for review in advance of publication / announcement.

Ulster University Establishment and Purpose

2 Statutory Purpose and Strategic Objectives

- 2.1 Ulster University is an autonomous institution established by Royal Charter in 1984. For national accounts purposes Ulster University is classified to the 'non-profit institutions serving households' sector. It is also a registered Charity with the Charity Commission for Northern Ireland.
- 2.2 The University of Ulster can trace its roots back to 1845 when Magee College was endowed in Derry, and 1849, when the School of Art and Design was inaugurated in Belfast. It is the second largest university on the island of Ireland, established in 1968 as the New University of Ulster. In November 1983, the New University of Ulster and the Ulster Polytechnic jointly petitioned Her Majesty for a charter for the new university institution, to be known as the University of Ulster. The New University of Ulster Charter was surrendered and the merged University of Ulster (dropping "New" from the name) received its charter on 1 October 1984. The Charter underpins everything that the University does. It provides a foundation for all of its activities and establishes a framework within which these activities should be undertaken and managed. The Charter is supported by the Statutes, Ordinances and Regulations which give effect to its provisions. [Ordinance and regulations \(ulster.ac.uk\)](http://ulster.ac.uk)
- 2.3 The Minister for the Department for the Economy is answerable to the Assembly for the overall performance and delivery of the Department for the Economy, which includes all Departmental funded activities of Ulster University.
- 2.4 In November 2022, the University launched its Strategic Plan "People, Place and Partnership: Delivering Sustainable Futures for all". The aims of the strategy are:
 - Enhance the learning and social experiences of students.

- Through the creation and dissemination of knowledge, enhance outcomes for students, society & cultural life, and the economy.
- Enhance the working lives and development opportunities of our staff.

2.5 It contains a series of commitments:

- Placing sustainability at the centre of what we do because we are custodians of the future.
- Providing vibrant campus-based higher education because learning is fundamentally a social activity.
- Enhancing the social life of our campuses because social interaction at university enriches learning and wellbeing.
- Maintaining a multi-campus model for our region-wide delivery because wider geographical presence drives wider opportunities for participation in higher education.
- Investing in a broad-based research-led higher education offering because knowledge creation should not be constrained.
- Being a key partner for industry because our research, skills, and talent development give us and employers a competitive edge.
- Being a key partner for the cultural and social life of our communities because shared life experiences define our society.
- Taking proactive stances on equality, diversity, and inclusion because togetherness and partnership enrich us and our work.
- Helping our staff achieve a work-life balance that allows them to flourish in both.

Ulster University Governance Arrangements

3 Organisational Status

- 3.1 Ulster University is a legal entity in its own right, employing its own staff and operating autonomously from the Department. As a legal entity it must comply with all associated legislation including legislation relating to its employer status. The University is also a registered charity, and its governing body must comply with the Charity Commission's guidance on the reporting of public benefit and the supplementary public benefit guidance on the advancement of education. The Department also requires compliance with all of the relevant charity legislation.

4 Governance Framework

- 4.1 The University informs its governance framework based on the Committee of University Chairs (CUC) Higher Education Code of Governance¹. Using the Code and its principles is an important factor in enabling the Department to rely on self-regulation within the University and hence minimise the accountability burden. The Corporate Governance requirements are communicated to the University each year through the Department's Annual Accounts Direction.
- 4.2 A list of guidance which may be relevant to Ulster University in its stewardship of public money is set out in Annex 5. Good governance should also include positive stakeholder engagement, the building of positive relationships and the promotion of a listening and learning culture.

5 Accountability and Risk Assessment

- 5.1 The Department expects all universities to have governance and management processes in place that can readily demonstrate to their public sector funders (including the Department) proper control over, and accountability for, the use of public funds. The better these processes are, the easier it will be for universities to show that they are making proper use of public money.
- 5.2 As far as possible the accountability process between the Department and universities will be concentrated into an exchange of documents and dialogue during a specific period following the end of the universities' financial year. The Department, and/or Office for Students (OfS) acting on its behalf (as at page 38), will confirm the specific content of this exchange each year and consult the sector on any major changes to the process. The Department aims to minimise its demands on universities, and as far as possible to rely on data and information that they have produced to meet their own needs.

¹ [Publications - Committee of University Chairs](#)

- 5.3 Universities must send the Department, and OfS acting on its behalf, their accountability information in line with the agreed and published timescales that the Department or OfS specifies each year in addition to the Annual Assurance Return. The Department will review this and give each institution a confidential assessment of its risk status. While this is an annual process, the Department may revisit a university's overall risk assessment at any time if there is a significant change in its circumstances. An Annual Accountability Meeting between the Department's Accounting Officer and the Vice-Chancellor will be arranged to discuss the outcome of the reviews and other issues of mutual interest in terms of accountability.
- 5.4 When the Department assesses an institution as being at higher risk, it must respond appropriately, to protect the public interest. The Department will always discuss its concerns with the university's Accountable Officer, and take their views and actions into account, before it formally makes an 'at higher risk' designation. The Department will also work with the university to try to reach agreement on what needs to be done. When the Department considers the university to be no longer at higher risk, it will write to its governing body to confirm this.
- 5.5 Beyond the exchange of accountability information each year, and formal annual accountability meeting, the Department welcomes the opportunity for regular and informal discussions with universities about their plans and developments. The Department considers this will help all concerned to work together and reduce the risk of misunderstanding.
- 5.6 The Department and OfS will review a university's Annual Accountability Return and give to the Accountable Officer and governing body a confidential risk assessment. The Department will not make the risk assessments public unless requested, and not until three years have elapsed. This period, based on advice from the Information Commissioner, gives an institution that is designated 'at higher risk' time to address any identified concerns. The Department can make its risk assessments available within this three-year period upon request, on a confidential basis, to:
- other public funders to enable those bodies to make their own assessments of risk; and
 - the Northern Ireland Audit Office who may exceptionally need to discuss those assessments at the Public Accounts Committee or disclose them in a published report.
- 5.7 The Department must do this to minimise the risk to public funds distributed by those bodies.
- 5.8 The Department may exceptionally make public a risk assessment at any stage

if it has strong grounds for considering that it is in the general public interest to do so. The Department will only share or publish its risk assessments after having notified the Accountable Officer and governing body of the institution concerned. When a university is assessed as being at higher risk, the Department will engage with it to try to minimise the risk to public funds and to ensure that the institution is taking steps to adequately mitigate the higher risk.

- 5.9 A university may be defined as being at higher risk when it is judged that, on the basis of all available evidence, the institution:
- faces threats to the sustainability of its operations either now or in the medium term;
 - has serious problems relating to value for money, propriety or regularity (that is, whether funds are used for the purpose intended); or
 - has materially ineffective risk management, control or governance.

6 University Governing Body

- 6.1 The purpose of the governing body of a university is to provide effective board-level strategic leadership and direction to the organisation and to ensure that the organisation has effective and proportionate governance arrangements in place and an internal control framework which allow risks to be effectively identified and managed. The governing body, working with the Executive, will set the culture and values of the organisation and set the tone for the organisation's engagement with stakeholders and customers.
- 6.2 Governing bodies of universities and their members have a set of legal responsibilities and other duties. These are outlined in Annex 10. These responsibilities are summarised in this document to reinforce for governors what their role requires. Annex 10 also clarifies those issues in which the Department can and cannot become involved. It is important for institutional autonomy that the scope of the Department's role is understood, and that the Department is not expected to enforce legal or mandatory responsibilities that are not within its remit.
- 6.3 Taken together, the responsibilities of a governing body, and its members, are considerable, and must be met. Its members are trustees of charitable bodies and have the responsibilities and potential liabilities that go with trustee status. Members who act prudently, lawfully and in accordance with the governing instrument should not find themselves liable for their actions. However, the Department may be obliged in exceptional cases to use its powers and consider all relevant options to ensure that the governing body and its members discharge their duties under this Partnership Agreement.
- 6.4 The Charity Commission for Northern Ireland has statutory objectives to ensure trustees comply with their legal obligations in managing charities and to increase

public trust and confidence in charities. They also have a statutory function to identify and investigate abuse and mismanagement in charities. Trustees need to be particularly careful to ensure that the charity has the means to meet its obligations when the institution is entering into substantial contracts or borrowings.

- 6.5 The Department will in exceptional cases consider designating a university as ‘at higher risk’ if it has firm grounds for believing that a governing body is not discharging its duties under this Partnership Agreement and is unable or unwilling to commit to improvement. The Department would expect to arrive at such a judgement on the basis of an assessment of the institution’s governance. The Department’s assessment would include a dialogue with the governing body about its concerns and conclusions. In such a case, and after the governing body’s views had been considered, the Department may make its risk assessment public, in line with paragraph 5.6. This would be on the basis that when a publicly funded body is subject to ineffective governance, it is of public interest. The Department may also place conditions of grant on an institution that fails to address the risks of ineffective governance where this puts public funding at risk.

The Role of Council

- 6.6 Both Council, as the governing body of Ulster University, and its Accountable Officer, should comply with the principles set out by the Committee on Standards in Public Life, and their conduct should always be in the public interest. They are accountable for their decisions and actions and must submit themselves to whatever scrutiny is appropriate to their office. They should also be as open as possible about all the decisions and actions that they take. The Department will write to each new chair of Council, on appointment, drawing attention to their own and to Council’s responsibilities under the Partnership Agreement.
- 6.7 Council is collectively responsible and has ultimate non-delegable responsibility for overseeing the institution’s activities, determining its future direction and fostering an environment in which its mission is achieved. In accordance with the institution’s own Charter, Statutes and Ordinances, there should be effective arrangements for providing assurance that the institution:
- has a robust and comprehensive system of risk management, control and corporate governance
 - has regular, reliable, timely and adequate information to monitor performance and track the use of public funds
 - plans and manages its activities to remain sustainable and financially viable
 - informs the Department of any change in its circumstances which – in the judgement of the Accountable Officer and in agreement with the governing body – is a material adverse change, as well as any significant developments that could impact on the mutual interests of the institution and the Department
 - uses public funds for proper purposes and strives to achieve good value for money from public funds

- complies with the mandatory requirements relating to audit, set out in the Audit Code of Practice and annual accounts direction
- sends the Department and OfS:
 - i. the Annual Accountability Returns;
 - ii. other information the Department or OfS may reasonably request to understand the institution's risk status; and
 - iii. any data requested by the Department, OfS or the Higher Education Statistics Agency (HESA)
- has effective arrangements for the management and quality assurance of data submitted to HESA, OfS, the Department and other funding bodies (the Department reserves the right to use its own estimates of data where it has reason to believe institutional data are not fit for purpose). Responsibility for the quality of data used for internal decision making and external reporting, which must be fit for purpose, rests with the institution itself. Data submitted for funding purposes must comply with directions published by the Department and/or OfS.
- has an effective framework – overseen by its Council, Senate or equivalent – to manage the quality of learning and teaching and to maintain academic standards. The framework should also support a research environment that is underpinned by a culture of integrity that is based on good governance, best practice and support for the development of researchers.
- considers the Department's assessment of its risk status, engages with the Department and/or OfS during the risk assessment process, and takes action to manage or mitigate the risks agreed upon.

6.8 Council must inform the Department within 28 days of a new appointment being made to the role of Chair of the Council or any other Chair of a core Committee of Council.

7 Audit and Risk Committee

- 7.1 A further important aspect of the Council governance framework is its Audit and Risk Committee, which is responsible for reviewing the audit aspects of the university's financial statements and for making recommendations to Council for its approval or otherwise, in accordance with the Department's Accounts Direction.
- 7.2 The Audit and Risk Committee's purpose/role is to support the Accountable Officer and Council on governance issues exercising oversight and reporting to Council on the adequacy and effectiveness of:
- Risk management, control and governance (the risk management element includes the accuracy of the statement of internal control included with the annual statement of accounts); and
 - Economy, efficiency and effectiveness (value for money); and
 - The management and quality assurance of data provided to HESA (Higher Education Statistics Agency), Student Loans Company, and other funding bodies.
- 7.3 Further detail on the Audit and Risk Committee is provided in the Audit Code at Annex 7.

8 Chair of the Governing Body

- 8.1 The Chair is responsible for setting the agenda and managing the governing body to enable collaborative and robust discussion of issues. The Chair is responsible for the overall leadership and effective operation of the governing body in line with the Charter, Statutes, Ordinances and Regulations.
- 8.2 The Chair has a responsibility to manage the governing body and ensure effective relationships in order that the governing body can work collaboratively to reach a consensus on decisions. To achieve this, they should ensure:
- The governing body has an appropriate balance of skills appropriate to its business;
 - Governing body members are fully briefed on terms of appointment, duties, rights and responsibilities;
 - Governing body members receive and maintain appropriate training;
 - The governing body has, in place, a Delegated Authority Framework setting out the roles and responsibilities of the governing body and its core committees in line with relevant guidance; and
 - There is a code of practice for governing body members in place, consistent with relevant guidance.

- 8.3 The role also requires the establishment of an effective working relationship with the Vice-Chancellor that is simultaneously collaborative and challenging. It is important that the Chair and Vice-Chancellor act in accordance with their distinct roles and responsibilities as laid out in their appointment letters.
- 8.4 The Chair should also have a profile in the organisation and help to cultivate external relationships which provide useful links for the organisation while being mindful of overstepping boundaries and becoming too involved in day-to-day operations or executive activities.

9 Head of Institution/Accountable Officer

- 9.1 Each governing body will appoint a head of institution (Vice-Chancellor). It will delegate to that person responsibility for the executive management of the institution and its policies.
- 9.2 Under this Partnership Agreement, the governing body is responsible for the use of funds. To assist and enable it to discharge this responsibility and to provide clear accountability, the governing body will designate a senior officer, normally the head of the institution, as the 'Accountable Officer': that is, the officer who reports to the Department on behalf of the institution. On being notified by, or on behalf of, the governing body of a new Accountable Officer, the Department will write to that individual explaining the responsibilities of an Accountable Officer.
- 9.3 The Accountable Officer is personally responsible to the governing body for ensuring compliance with the terms of this Partnership Agreement and for providing the Department with clear assurances to this effect. The Accountable Officer shall advise the governing body if, at any time, any action or policy under consideration by the governing body appears to the Accountable Officer to be incompatible with the terms of this Partnership Agreement. If the governing body decides nevertheless to proceed, the Accountable Officer must immediately inform the Permanent Secretary of the Department in writing.
- 9.4 The head of institution is first and foremost responsible for leadership of the academic affairs and executive management of the institution. The appointment (or dismissal) of the head of institution is governed by employment law, and this is clearly the responsibility of the governing body. The Department has no role, rights or responsibilities in relation to the appointment (or dismissal) of the head of institution and has no wish to change this position. The Department presumes that in a case where a head of institution does not discharge their duties or acts improperly, the governing body will take appropriate action.
- 9.5 The head of the institution as the Accountable Officer is also required to report to the Department on behalf of the university in relation to the requirements set out in paragraph 6.7. In exceptional circumstances the Department may take the

view that the Accountable Officer is failing to meet these responsibilities. Faced with this position, the Department would be obliged to respond in a fair, reasonable and proportionate way.

- 9.6 If, in the judgement of the Permanent Secretary as Accounting Officer of the Department, there is evidence of serious failure in relation to the oversight and management of public funds, they will raise this as appropriate with the Accountable Officer concerned and/or the Chair of the governing body; provide the relevant evidence; and seek and consider a response. Experience suggests that most difficulties can be resolved through this process.
- 9.7 In extreme circumstances, and after all due process has been exhausted, the Accounting Officer of the Department may conclude that the Accountable Officer is unable to meet their responsibilities under this Partnership Agreement. The Department may then ask the governing body to appoint someone else to report to it on behalf of the institution. In taking this action, the Department will not seek to influence the employment relationship between the governing body and the head of institution. The governing body is clearly entitled to maintain the head of institution in post. However, the governing body would then have to designate another senior officer as the Accountable Officer and adjust the roles and responsibilities of the head of institution accordingly.
- 9.8 The University's Accountable Officer and/or Chair of the governing body may be required to appear before the Public Accounts Committee alongside the Accounting Officer of the Department on matters relating to the public funds allocated to the institution.
- 9.9 In the event of a prolonged absence from work or a sudden departure by the Accountable Officer, the Secretary to the university's governing body must ensure that the Department is made aware immediately of the identity of an interim Accountable Officer.

The Vice Chancellor's role as Principal Officer for Ombudsman Cases

- 9.10 The Vice Chancellor is the Principal Officer for handling cases involving the NI Public Sector Ombudsman. It is recommended that they advise the Departmental Accounting Officer of any complaints about the university accepted by the Ombudsman for investigation, that could have a significant material impact on the Department or its reputation and, if required thereafter, about the proposed response to any subsequent recommendations from the Ombudsman.

10 Universities' Responsibilities to the Department

- 10.1 Universities need to provide the Department with certain information about their viability and the way they operate, given that the Department has responsibility and accountability for public funding to universities. The Department's

information requirements are set out in this Partnership Agreement and in annual guidance on financial statements and accountability returns. The mandatory requirements of the Partnership Agreement and Audit Code of Practice are set out in Annex 6.

- 10.2 Universities are accountable to all their stakeholders, not just the Department, and the burden for this responsibility is lesser if they operate in an open and transparent way. An institution needs to plan and deliver its activities effectively, in line with its mission and objectives, and to meet its various legal requirements.
- 10.3 If a university fails to return information required by the Department or agents acting on its behalf by the specified deadline, or that information is not of a satisfactory quality, the Department reserves the right to implement any of the following measures:
- To carry out whatever investigations it deems necessary to collect the data. All or part of the cost of such investigations may, where circumstances warrant it, be deducted from the university's recurrent grant;
 - To withhold grant at its discretion and/or seek repayment of grant already paid; and/or
 - To use its own reasonable estimates of data which it requires to exercise its functions.

11 Other Requirements on Universities

- 11.1 The Department expects universities to consider how their actions affect its policy objectives for the higher education sector, as set out in the Department's Corporate and Business plans and in any economic or skills strategy. When universities plan a major change in purpose, or consider merging with another body, they should discuss this with the Department at an early stage.
- 11.2 The Department and the universities will work together to develop Outcome Agreements for annual submission to the Department. These Agreements will set out a summary of activities, undertaken by the universities in the reporting period, to support delivery of the Department's strategic priorities. The annual return will also provide an overview of activities planned for the next reporting period that will again contribute in this respect. The universities are expected to draft their Outcome Agreements based on Departmental guidance, developed in consultation with the universities.
- 11.3 Universities shall subscribe to HESA and the Quality Assurance Agency for Higher Education (QAA) and ensure that their use of JANET and SuperJANET networks conform to acceptable practice and current legislation.
- 11.4 Universities can only use Department funds for activities eligible for funding under the Education and Libraries (Northern Ireland) Order 1993 and any other relevant legislation. This condition also applies where the university passes on

part of the Department's grant to another legally distinct entity – a 'connected institution' – for the provision of facilities or learning and teaching, or for research to be undertaken. In such cases, the university must obtain the Department's consent before passing Departmental funds to the connected institution. Consent is also required where the institution passes on part of its grant (via a franchise or indirect funding agreement) to an entity that is neither a university nor Further Education College located in Northern Ireland supported from public funds.

- 11.5 Universities should manage and develop their estate in a sustainable way, in line with an estate strategy. Universities should review their current and expected use of land and buildings and consider rationalising and disposing of assets that are no longer needed. The institution shall maintain its estate in accordance with a maintenance plan, covering its long-term and routine maintenance requirements.
- 11.6 For exchequer interests, each university shall follow the conditions set at Annex 9.
- 11.7 The Department has responsibilities in relation to the academic and financial viability of the institutions it funds, and to ensure that the interests of students are not being jeopardised. Even when no financial assistance is sought, merger proposals are bound to have an impact on future funding requirements.
- 11.8 The universities are required to comply with the Concordats to Support Research Integrity, the Career Development of Researchers and for Engaging the Public with Research. The university must provide assurance of its compliance with these Concordats through the Annual Assurance Statement to the Department. With respect to the Concordat to Support Research Integrity, the university must advise the Department immediately on receipt of any allegation of misconduct in research in respect of funding provided by the Department and provide at least a quarterly update on the investigation until its conclusion. Once advised of the outcome of any investigation, the Department will consider if there are any funding implications. The Department will discuss with the university the impact on the project and any staff on a case-by-case basis.
- 11.9 The Department has an underpinning statutory responsibility to make provision for the assessment of the quality of provision that it funds set out under Article 102 of the Education and Libraries (NI) Order 1986.
- 11.10 The Department requires universities to comply with the requirements of the Quality Assurance System in Northern Ireland. Specific requirements regarding Quality regulation will be built into future iterations of this Partnership Agreement and associated Annual Engagement Plan.

Role of the Department for the Economy

12 Partnership Working with Ulster University

- 12.1 The Department is the major public sector funder of universities in Northern Ireland and has accountability for public funding to them. As such the Department works with universities and the higher education sector to the high standards of openness, integrity and consistency expected of public sector bodies. The Department recognises that universities are autonomous bodies and will act reasonably and acknowledges that universities accept that they are accountable for the public funds they receive and must deliver best value for money. The Department will not ask for information that it already has, and as far as possible it will rely on data and information that universities have produced to meet their own needs. The Department will try to make regulation efficient and ensure that its benefits outweigh the costs to universities, itself and other parties.
- 12.2 The Department aims for two-way openness and transparency with universities and other stakeholders. The Department recognises that this may sometimes conflict with the desire to protect commercial confidentiality. In complying with the Freedom of Information Act and similar legislation, the Department will try to make it clear to universities what information it regards as confidential and, where objections to publication arise, will judge each case on its merits.
- 12.3 The Department's grants to universities are to fund activities defined by Article 30 of The Education and Libraries (Northern Ireland) Order 1993. Section 18 covers the allocation and paying of funds.
- 12.4 The Order allows the Department to make grants on such terms and conditions as it may determine in line with changing policy priorities. These conditions of funding do not apply to any funds that universities receive from other sources, although the principles will be reflected in conditions of grant associated with other public sector income to universities. The Department wishes to encourage universities to develop other sources of income that are consistent with their overall mission and objectives.
- 12.5 In their role as Accounting Officer, the Permanent Secretary of the Department may suspend the payment of grant, either in whole or in part and either permanently or temporarily, if in their opinion it is appropriate and reasonable to do so in order to safeguard public funds. This action will only occur following discussion/ negotiation with the university's Accounting Officer and/or Chair of its governing body.
- 12.6 The Department of Finance (DoF) has established, on behalf of the Assembly, a delegated authority framework which sets out the circumstances where prior DoF approval is required before expenditure can be occurred, or commitments entered. The Accounting Officer of the Department for the Economy has established an internal framework of delegated authority for the Department and

its funding recipients which applies to each university. Other specific approval requirements established in respect of the universities are set out at Annex 3.

- 12.7 The universities will be notified of their grant allocation each year along with the conditions of the grant. Once allocations have been approved, the university shall have authority to incur expenditure without further reference to the Department. Inclusion of any planned and approved expenditure shall not however remove the need to seek formal Departmental approval where proposed expenditure is outside the delegated limits (as set out in Annex 3) or is for new schemes not previously agreed.

13 Departmental Accounting Officer

- 13.1 The Departmental Accounting Officer is accountable to the NI Assembly for the issue of grant in aid to the universities. They have designated the Vice-Chancellor of each university as the Accountable Officer and respective responsibilities of the Departmental Accounting Officer is set out in Chapter 3 of Managing Public Money Northern Ireland. As previously detailed in paragraph 9.7 (Head of Institution/Accountable Officer), if the Departmental Accounting Officer concludes that the Accountable Officer of a university is unable to meet their responsibilities under this Partnership Agreement, the Department may then request that the governing body appoints someone else to report to it on behalf of the institution.
- 13.2 As outlined in section 9, each Vice-Chancellor is accountable to their governing body for their stewardship of the university. This includes advising the governing body on matters of financial propriety, regularity, prudent and economical administration, efficiency and effectiveness.
- 13.3 The Departmental Accounting Officer must be informed if the judgement of the Accountable Officer (on matters for which they are responsible) is over-ridden by the governing body. The Accountable Officer must also take action if the governing body is contemplating a course of action that would infringe the requirement for financial propriety, regularity, prudent and economical administration, efficiency or effectiveness. In all other regards, the Departmental Accounting Officer has no day-to-day involvement with the university or its Vice-Chancellor.
- 13.4 In line with DoF requirements, the Accountable Officer will provide a periodic bi-annual declaration of fitness to act as Accountable Officer to the Departmental Accounting Officer as part of the DfE Assurance Statement process.
- 13.5 The Departmental Accounting Officer is responsible for advising the relevant Minister on key issues and risks affecting their university.

14 Lead Official

- 14.1 The Department for the Economy has appointed a lead senior official (Director of Higher Education Division) to manage the relationship with each university and ensure effective partnership working. Engagement between the Department and the university will be co-ordinated, collaborative and consistent. A clear sense of collaboration and partnership will be communicated to staff in both the Department and the university in order to promote mutual understanding and support.
- 14.2 The lead senior official will ensure that where there are Departmental staff changes, time is taken to ensure they have a full understanding of the universities' business and challenges.

15 Annual Engagement Plan

- 15.1 The Department and each university will agree an engagement plan before the start of each business year in relation to the planned interactions that will be taking place during the year. The Annual Engagement Plan (Annex 2) will set out the timing and nature of engagement between the university and the Department. The engagement plan will be specific to each university and should not stray into operational oversight.
- 15.2 Engagement between the Department's lead official/their teams and the university will be centred on partnership working, understanding of shared risks and working together on business developments that align with policy objectives.
- 15.3 The Annual Engagement Plan will also reference the agreed management and financial information to be shared over the course of a year. The aim will be to ensure clear understanding of why information is necessary and how it will be used.
- 15.4 The Department recognises that there will be further interactions between the university and other individuals/teams within the Department which is not reflected in the annual engagement plan. There may also be ad hoc engagement which is not reflected in the plan at the outset of the year. Universities should notify the Department if there are instances where they consider tasks or information requests are being duplicated, so that efficiencies can be identified and established.

16 Attendance at Public Accounts Committee

- 16.1 As detailed at paragraph 9.8, the Vice-Chancellor/Accountable Officer may be summoned to appear alongside the Departmental Accounting Officer before the Public Accounts Committee to give evidence on the discharge of their

responsibilities as Accountable Officer (as laid out in their Accountable Officer appointment letter).

- 16.2 The Chair of the governing body may also, on occasion, be called to give evidence to the Public Accounts Committee on such relevant issues arising within the C&AG's studies or reports, in relation to the role and actions taken by the governing body, where appropriate.
- 16.3 In addition, the Departmental Accounting Officer may be summoned to appear before the Public Accounts Committee to give evidence on the discharge of their responsibilities as Departmental Accounting Officer with overarching responsibility for grant funding received by the university. In such circumstances, the Departmental Accounting Officer may therefore expect to be questioned on their responsibilities to ensure that:
- sufficient and appropriate management and financial controls are in place to safeguard public funds;
 - the nominated Accountable Officer is fit to discharge their responsibilities;
 - there are suitable internal audit arrangements;
 - accounts are prepared in accordance with the relevant legislation and any accounting direction; and
 - intervention is made, where necessary, in situations where the University's Accountable Officer's advice on transactions in relation to regularity, propriety or value for money is overruled by the governing body or its Chair.

17 Financial Management and Sustainability

- 17.1 Universities should have a financial strategy that reflects their overall strategic plan, sets appropriate targets and performance indicators, and shows how resources are to be used. To remain sustainable and financially viable they should also assess, take and manage risks in a balanced way that does not overly constrain freedom of action in the future. Universities must:
- stay solvent;
 - not incur deficits, unless these are covered by discretionary reserves. Any deficits not covered by these reserves must be recovered within three years or within a period agreed with the Department. For this purpose, any pension scheme deficits included on an institution's balance sheet following implementation of FRS102 and/ or, in the case of a multi-employer pension scheme, any provision in respect of the university's commitment to an agreed pension deficit recovery, should be excluded from the calculation of reserves. However, universities should still monitor and be aware of the financial position of any pension schemes they participate in.
- 17.2 The Department normally expects that an institution will make a surplus in line with its financial strategy for sustainability, and thus that its discretionary reserves will grow over time. A series of deficits, even if covered by discretionary reserves,

might cause the Department concern, as could low levels of liquidity or increased borrowing. In such cases, the Department would expect to discuss financial performance and strategy with the university.

- 17.3 Universities must apply the following principles when entering into any financial commitments:
- a. The risks and affordability of any new on- and off-balance sheet financial commitments must be properly considered;
 - b. Any commitments must be consistent with the institution's strategic plan, financial strategy and treasury management policy;
 - c. The source of any repayment of a financial commitment must be identified and agreed at the point of entering that commitment;
 - d. Financial commitments for the procurement of a particular capital asset should not be entered into if they involve any proportion of those commitments remaining to be met after the expected useful life of the asset has expired; and
 - e. Planned financial commitments must represent value for money.
- 17.4 The Department will want to ensure that any financial commitments entered into by an institution are affordable and do not leave challenges to its sustainability that will have to be faced in the long term. A university must therefore obtain written consent from the Department before it agrees to any new financial commitments as follows:
- a. Long-term commitments – where the annualised servicing cost of its total financial commitments would increase to above 4 per cent of total income.
 - b. Short-term financial commitments – where negative net cash exceeds 5 per cent of total income for more than 35 consecutive days.
- 17.5 Annex 8 sets out the information the Department requires to assess both types of request and explains the methods of calculating the annualised servicing cost and negative net cash. When the Department designates an institution as 'at higher risk' it may vary these two thresholds.
- 17.6 The two thresholds are not limits and should not deter an institution from increasing its financial commitments where appropriate. An institution should determine the level of borrowing that is both affordable and consistent with its financial strategy. The Department asks the university to demonstrate this in any case presented to it; show that the proposal represents good value; and confirm the approval of its governing body. In responding to requests for consent, the Department aims to be helpful and pragmatic, taking into account the circumstances of each proposal.
- 17.7 As part of ensuring its long-term viability, an institution should know the full cost of its activities and use this information in making decisions. If it does not seek to recover the full cost, this should be the result of a clear policy set by the governing

body and included in the financial strategy and should not put the university in financial difficulty. The Departmental funding should not be used other than for the purpose provided. (see paragraph 11.4).

18 Allocating and Paying Funds

- 18.1 Each year the Department determines how much money to allocate to each higher education institution including the universities. In doing so it may distinguish between recurrent and capital funds (including Financial Transaction Capital). The Department may contribute to the costs of capital projects submitted at its request and which conform to criteria set by the Department including completion of appropriate levels of appraisal in accordance with the Northern Ireland Guide to Expenditure Appraisal and Evaluation.
- 18.2 Universities should use this money only for the proper purposes, as defined in the Education and Libraries Order (Northern Ireland) 1993 or other relevant legislation.
- 18.3 The above condition also applies if a university passes on money to another body or organisation to provide education, research or related activities. The university remains responsible for controlling such activities. There should be a written agreement with the other body covering financial accountability and quality assurance.
- 18.4 Should the Department pay funds to a university as the lead institution for a consortium of universities and colleges, there should be a consortium agreement setting out how the money is passed on to the consortium members.
- 18.5 An institution must use government provided funding (including revenue, capital and loan) for the purposes provided to them only. If it uses them for other purposes, it must let the Department know as soon as it becomes aware of the fact. Where funding conditions have been breached, the Department can take action as specified in the associated letter of offer.
- 18.6 The Department will inform universities of their allocation of formula funds as soon as it can in advance of the academic year to which they relate: in normal circumstances the Department will endeavour to issue provisional letters by 30 June and final letters by 31 August. The Department will normally pay such funds in monthly instalments. The profile of payments will take into account the expected needs of the sector as a whole and the receipt of tuition fees from students and the Student Loans Company.
- 18.7 The Department will pay formula funding for widening access and improving retention only where universities have submitted widening participation strategies and action plans that are approved.

- 18.8 The Department will require a university to repay part or all of a grant payment if it does not comply with the conditions attached to the grant or if it is over-funded. In cases where the Department requires repayment it may charge interest, at 2 per cent above the Bank of England base rate.
- 18.9 If the Department overpays grant as a result of using estimated data, it will recover the amount overpaid, and reserves the right to charge interest, as set out in the previous paragraph.

Assurance Framework

19 Autonomy and Proportionality

- 19.1 The Department for the Economy will ensure that the university has the autonomy to deliver effectively, recognising its status as a separate legal entity which has its own governing body and governance arrangements. Guidance on proportionate autonomy has been considered by the Department in determining the extent of engagement and assurance established between the university and the Department for the Economy and is reflected in this Agreement.
- 19.2 An appropriate approach to assurance will be taken based on the university's overall purpose, business and budget and risk profile. The approach will include an agreed process through which the university's Accountable Officer provides written assurance to the Department that the public funds and organisational assets for which they are personally responsible are safeguarded, have been managed with propriety and regularity, and use of public funds represents value for money.
- 19.3 Recognising the governance arrangements in place within the organisation, the university's Accountable Officer will arrange for their annual assurance return to be discussed at the Audit and Risk Committee and presented to the governing body prior to submission to the Department where possible. If not possible, or practicable, the Vice-Chancellor should provide it prior to submission to the Department and it should be presented at the next available Audit and Risk Committee meeting.
- 19.4 The Chair of the university's governing body will provide written confirmation that the University's Accountable Officer's formal assurance has been considered by the governing body and is reflective of the university's current position.
- 19.5 In addition to the University's Accountable Officer's written assurance, the Department will take assurance from the following key aspects of each university's own governance framework:
- Internal Audit Assurance Statement; and

- Externally audited Annual Report and Accounts, reviewed/considered by the university's governing body and associated committees.

20 Audit Process

- 20.1 Subject to legislative constraints, the Department may have unrestricted access to information – including all records, assets, personnel and premises – and can require anyone to give any explanation which it considers necessary to fulfil its responsibilities in relation to public funds. This may include access to any work of the internal and external auditors or correspondence between internal and external auditors. When it needs access to external audit work, the Department will exchange letters (where necessary) with both parties to deal with confidentiality and the terms under which access is given.
- 20.2 The Audit and Risk Committee, advised where appropriate by its internal audit service, must satisfy itself that appropriate arrangements are in place to promote economy, efficiency and effectiveness. The university must have an effective internal audit function (which can be provided externally), which reports regularly to the Audit and Risk Committee and at least annually to the governing body and the Accountable Officer.
- 20.3 Further detail on the audit process, Audit and Risk Committee and internal and external auditors can be found in the Audit Code at Annex 7.

21 Internal Audit Assurance

- 21.1 It is recommended that the university complies with best practice in the sector by establishing and maintaining arrangements for an internal audit function that operates in accordance with the Public Sector Internal Audit Standards (PSIAS).
- 21.2 The following information must be provided, according to a timetable which will be notified each year:
- a copy of the Audit and Risk Committee's Annual Report;
 - a copy of the Internal Audit Annual Report; and
 - the completed Annual Assurance Return.
- 21.3 The Internal Audit Annual Report must relate to the financial year and include any significant issues up to the date of preparing the report which affect the auditor's opinion. The work of the internal audit service must cover the whole of the risk management, control and governance arrangements of the university.
- 21.4 The head of the internal audit service must have direct access to the university's Accountable Officer, the Chair of the Audit and Risk Committee and, if necessary,

the Chair of the governing body. Internal as well as external auditors must also have unrestricted access to information – including all records, assets, personnel and premises – and be authorised to obtain whatever information and explanations the head of the internal audit service or the external auditor considers necessary.

- 21.5 The university will alert the Department to any less than satisfactory audit reports at the earliest opportunity on an ongoing basis. The university will also alert the Department to a less than satisfactory annual opinion from Internal Audit at the earliest opportunity. The Department will follow up with the university to ensure that any less than satisfactory issues have been addressed and rectified.

22 Externally Audited Annual Report and Accounts

- 22.1 The University is required to prepare an Annual Report and Accounts in line with the 'Statement of recommended practice: accounting for further and higher education 2019 edition' (SORP), or any successor to the SORP, in preparing their annual financial statements and the specific Accounts Direction issued by the Department for the Economy, in accordance with the deadlines specified.

- 22.2 Universities must not agree to any restriction in external auditors' liability in respect of the external audit of their annual financial statements, except as specified at Annex 7.

- 22.3 The following information must be provided, according to a timetable which will be notified each year:

- a signed and approved set of financial statements to include the auditor's opinion; and
- a copy of the external auditor's management letter and the management response.

- 22.4 The University's Accountable Officer must report any material adverse change without delay – such as a significant and immediate threat to the university's financial position, significant fraud (attempted or actual greater than £5,000) or major accounting breakdown – to all of the following:

- the Chair of the University's Audit and Risk Committee
- the Chair of the university's governing body
- the University's head of internal audit
- the external auditor
- the Permanent Secretary of the Department as Accounting Officer.

- 22.5 The Department will take assurance from the external audit process and an unqualified position as part of its overall assurance assessment.

- 22.6 The Assembly's interest is to see that public funds are properly applied and accounted for and used economically, efficiently and effectively by recipients. The Comptroller and Auditor General (C&AG), head of the Northern Ireland Audit Office, is the Department's external auditor. The C&AG has statutory powers² in relation to any HEI that receives Departmental grant.
- 22.7 Fees paid to external auditors for other services must be disclosed separately in a note in the financial statements.
- 22.8 For the purpose of audit and any other examinations, the C&AG has statutory access to documents as provided for under Articles 3 and 4 of the Audit and Accountability (Northern Ireland) Order 2003.

23 Revisions to the Partnership Agreement

- 23.1 This Partnership Agreement shall be reviewed formally by the Department at least once in every three years. The Department will make material revisions to this document only after consulting the universities to which it applies.

Signatories

Ulster University and the Department for the Economy agree to work in partnership with each other in line with the arrangements set out in this Partnership Agreement.



Signed (Ulster University Chair of Council)

Date 9th January 2026



Signed (Ulster University Vice-Chancellor)

Date 8th January 2026



Signed (Department – *Acting Director of Higher*

² <https://www.niauditoffice.gov.uk/role-comptroller-auditor-general>

Education)

Date 12th January 2026

Annex 1 - Applicable Legislation

Founding legislation and other key statutes which provide a university with its statutory functions, duties and powers are listed below (any subsequent amendments to this list of legislation should also be considered relevant). This list is not exhaustive.

- a. The Education and Libraries (NI) Order 1986;
- b. The Education (Unrecognised Degrees) (NI) Order 1988
- c. The Education (Reform) (NI) Order 1989;
- d. The Education and Libraries (NI) Order 1993;
- e. The Further Education (NI) Order 1997;
- f. The Education (Student Support) (NI) Order 1998, and its regulations;
- g. The Higher Education (NI) Order 2005, and its regulations; and
- h. The Colleges of Education (NI) Order 2005.

Annex 2 – Illustrative Annual Engagement Plan

Good engagement is one of the key principles in a Partnership Arrangement, underpinning the principles of: Leadership; Purpose; Assurance; and Value.

Partnerships work well when relationships are open, transparent, honest, constructive and based on trust and when there is mutual understanding of each other's objectives and clear expectations about the terms of engagement.

The template provided outlines the key areas of engagement between the Department and the universities. The template is not intended to be prescriptive and should be completed collaboratively and agreed between the Department and the university.

Quality and Governance Engagement Plan 20xx/yd		
Policy Development and Delivery		
<i>Add details of the planned engagement between the University and the Department in relation to development and monitoring of existing and new areas of policy.</i>		
Policy Area	Frequency/Timing	Lead Departmental/ University Officials
Student Mental Health, Harassment and Sexual Misconduct, Ending Violence Against Women and Girls	Bi-annual (May and October)	Head of HE Policy Branch / Chief People Officer / PVC Academic Quality and the Student Experience
Period Products Pilot Programme	Quarterly monitoring returns on pilot	Head of HE Policy Branch / Chief People Officer
Tertiary Education Senior Leaders Forum	Quarterly	Permanent Secretary DfE Director of Tertiary Education Reform
Tertiary Education Sector Working Group – HE in FE policy	Quarterly	Director of Tertiary Education Reform
Widening Participation Forum – Widening Participation policy	Quarterly	Director of Tertiary Education Reform
Strategic Planning		
Outcome Agreements	The Department will work with institutions to ensure that outcome agreements are drafted and in place by 31 March each year.	Head of HE Policy Branch / University Accountable Officer

Assurances

Add details of the timetable for submission of key assurance sources and any other assurance related activity

Action	Date	Lead Departmental/ University Official
Annual Accounts Direction	July/August	Head of HE Quality and Governance Branch/University Accountable Officer
Annual Assurance Return, to include <ul style="list-style-type: none"> • assurance statement • signed audited financial statements • audit committee report, internal audit annual report, external auditor management letter and University response, • annual financial return commentary, • annual financial return workbook • VFM report • Annual efficiency report • TRAC 	As detailed in Annual Accountability return letter. To aim for first semester of academic year. (December/January)	Head of HE Quality and Governance Branch / University Accountable Officer / Chief Strategy and Finance Officer / University Secretary
Annual Accountability Meeting to discuss the outcome of the reviews and other issues of mutual interest in terms of accountability	Annually – date to be agreed by both parties. To aim for pre academic year end. (April)	Permanent Secretary/University Accountable Officer
Assurance Statement	Bi-annual	Head of HE Quality and Governance Branch /Chief Strategy and Finance Officer
Independent Audit assurance in respect of DfE funded Student Support (Hardship) Funds	Annual	Head of HE Student Support Finance/PVC Academic Quality and Student Experience
Disabled Students Allowance Management Reports	Annual	Student Support Branch (Deputy Principal)

Funding

Add details of the information and returns to be provided.

Item and Purpose	Date	Lead Departmental/ University Official
Notification of provisional teaching grant for the forthcoming Academic Year	June/July	Head of HE Finance /Vice Chancellor
Notification of final teaching grant for the forthcoming academic year	August/September	Head of HE Finance /Vice Chancellor

Other

Tailor as required to reflect the specific requirements

Item and Purpose	Submission Date	Lead Departmental/ University Official
Fraud Reporting	Annual fraud return commissioned by DoF on fraud and theft suffered by the University	Head of Fraud & Raising Concerns Branch /Chief Strategy and Finance Officer

Review of the Partnership Arrangement

Tailor as required to reflect the specific requirements

Item and Purpose	Date	Lead Departmental/ University Official
Formal review of the Partnership Agreement, including agreement by DoF	To be conducted once every three years	Head of HE Quality and Governance / University Secretary

Annex 3 - Delegations

Delegated Authorities

The university shall obtain the Department's prior written approval before:

- entering into any undertaking to incur any expenditure that falls outside the delegations, or which is outside the conditions of the grant as approved by the Department and detailed in the annual grant letter and accompanying Annex A as approved by the Department;
 - entering into any capital undertaking to incur any expenditure, for which the university subsequently seeks funding from the Department.
 - incurring expenditure, funded from government sources, for any purpose that is or might be considered novel or contentious, or which has or could have significant future cost implications;
 - making any significant change in the scale of operation or funding of any initiative or particular scheme previously approved by the Department;
- or
- making any change of policy or practice which has wider financial implications that might prove repercussive, or which might significantly affect the future level of resources required.

These delegations shall not be altered without the prior agreement of the Department and, where applicable, DoF.

In addition, it is recommended that the university establishes its own range of delegated limits internal to the organisation to ensure that appropriate control over spend is exercised.

Annex 4 – Concerns/Complaints in respect of Governing Body Members

The approach to concerns/complaints raised in respect of governing body members should be transparent and collaborative.

While governing body members are, with the exception of staff members on the governing body, not university employees, a university employee should nevertheless have access to a robust and accessible procedure to raise a complaint against a member of the governing body.

Differences of view in relation to matters which fall within the governing body's responsibilities are a matter for the governing body to resolve through consensus-based decision-making in the best interests of the university.

The Department must be notified in the case of a member of the governing body being dismissed. The Department must also be notified of any members of the governing body who the university determines to have been in breach of the Nolan Principles, in particular if this involves any degree of financial impropriety.

Arrangements for concerns/complaints in respect of members of the governing body should be reflected in all relevant procedures, including the relevant Ordinance and the Delegated Authority Framework.

Annex 5 - Relevant Guidance

The following guidance may be relevant to the university. This list is not exhaustive.

Guidance issued by the Department of Finance

- Managing Public Money NI
- Public Bodies – A Guide for NI Departments
- Corporate Governance in central government departments – code of good practice
- DoF Risk Management Framework
- HMT Orange Book
- The Audit and Risk Assurance Committee Handbook
- Public Sector Internal Audit Standards
- DoF Internal Audit Guidance (Internal audit | Department of Finance (finance-ni.gov.uk))
- Accounting Officer Handbook – HMT Regularity, Propriety and Value for Money
- The NI Guide to Expenditure Appraisal and Evaluation
- Dear Accounting Officer Letters
- Dear Finance Director Letters
- Dear Consolidation Officer and Dear Consolidation Manager Letters
- The Consolidation Officer Letter of Appointment
- Government Financial Reporting Manual (FReM)
- Guidance for preparation and publication of annual report and accounts
- Procurement Guidance

Other Guidance and Best Practice

- Specific guidance issued by the Department
- EU Delegations (where applicable)
- Recommendations made by the NI Audit Office/NI Assembly Public Accounts Committee
- NIAO Good Practice Guides
- Guidance issued by the Executive's Asset let Management Unit
- NI Public Services Ombudsman guidance

Annex 6 - Mandatory Requirements of the Partnership Agreement and Audit Code of Practice

1. The following are mandatory requirements of the Partnership Agreement and the Audit Code of Practice ('the Code'). The Department and/or its agents, will assess compliance with these.
2. The governing body must ensure that the university meets its responsibilities as set out in the Partnership Agreement. The governing body and Accountable Officer must comply with:
 - the general conditions of grant set out in this Partnership Agreement
 - any special conditions of grant. Save in a case where urgent action is required to safeguard public funds, special conditions of grant will only be imposed after the Department has consulted the institution about the conditions.
3. The university must obtain written consent for financial commitments, as specified in Annex 8 and must notify the Department in writing of the use of any Exchequer-funded asset as security for any financial commitment, within 15 working days of the signing of the commitment.
4. The governing body of the university must take reasonable steps to ensure that there are sound arrangements for risk management, control and governance, and for economy, efficiency and effectiveness (value for money), within the institution.
5. The governing body and Accountable Officer must ensure that data submitted to the Department and/or its agents complies with relevant published directions.
6. The university must have an effective Audit and Risk Committee which produces an annual report for the governing body and the Accountable Officer. The Audit and Risk Committee annual report must relate to the institution's financial year and include any significant issues up to the date of preparing the report which affect the opinion. The Audit and Risk Committee annual report must include the Audit and Risk Committee's conclusions on the adequacy and effectiveness of:
 - the university's risk management, control and governance arrangements
 - arrangements for promoting economy, efficiency and effectiveness
 - the arrangements for the management and quality assurance of data submitted to the Higher Education Statistics Agency, OfS, the Department and other funding bodies.
7. Members of the Audit and Risk Committee must not have executive authority. Members should not also be members of a finance committee, unless the institution's governing body has made a clear decision to allow one Audit and Risk Committee member to sit on both (no more than one member may sit on both, and they should not be the chair).

Annex 7 - Audit Code of Practice

Purpose

1. The Audit Code of Practice ('the Code') sets out the Department's requirements for universities' accountability and audit arrangements and the broad framework in which they should operate. It forms part of the Partnership Agreement, and compliance with the mandatory elements of the Code is therefore a condition of grant.
2. The Department's Permanent Secretary is its Accounting Officer. The Permanent Secretary is responsible for ensuring the proper and efficient use of public funds by the Department, by all HEIs and by others who receive Department funds, and for ensuring that Treasury and DoF guidance is observed.

Overview

3. The Code states how effective accountability and audit coverage should be achieved. It sets out the Department's minimum requirements for the reporting of risk management, control and governance arrangements, for internal and external audit arrangements, and the broad framework in which they should operate.
4. The Code applies to the relationship between the Department and universities – and in principle to their related companies and other bodies which, indirectly, receive Department funding. These include, for instance, entities associated with universities such as subsidiary companies and charitable funds. These subsidiary entities are not required to observe the Code in detail but should pay appropriate regard to it.
5. The Department assesses universities' performance against the Code annually by scrutinising each report and return required under the code from each institution. Where universities fail to report as required, this is classed as non-compliance with conditions of grant.
6. The Code is primarily for use by internal and external auditors, universities' senior management, members of the governing body and Audit and Risk Committees.

Corporate governance

7. The corporate governance arrangements of a HEI are the means by which strategy is set and monitored, the executive is held to account, risks are managed, stewardship and trustee responsibilities are discharged, and sustainability is ensured. A more complete description of corporate governance in a HEI can be found in the guide by the Committee of University Chairs [Publications - Committee of University Chairs](#). The CUC and the Department commend universities to evaluate themselves. The principle should be that universities 'comply or explain' and the outcome of each periodic evaluation should be published, ideally in the Corporate Governance Statement in the published financial statements.

Higher education audit framework

8. In accordance with the Partnership Agreement, universities must have effective risk management, control and governance arrangements. Other funding bodies also have an interest in these control arrangements, including, for example, the Northern Ireland Assembly, BEIS, the Student Loan Company (SLC), and UKRI.

9. Each of these bodies makes appropriate arrangements to safeguard its interests. Each has its own auditors, but in practice there are only two groups engaged in regular audit investigation of an institution's systems and records – an institution's internal and external auditors. This is the same level of activity that is common in the private sector. The other funding bodies will seek to avoid duplication by relying on the work of the other bodies' assurance arrangements whenever possible.

Northern Ireland Assembly

10. The Assembly's interest is to see that public funds are properly applied and accounted for and used economically, efficiently and effectively by recipients. The Comptroller and Auditor General (C&AG), head of the Northern Ireland Audit Office, is the Department's external auditor. The C&AG has the right to inspect the accounts of any HEI that receives Department grant, and the right to carry out value-for-money (VFM) investigations.
11. In the event of any material adverse change in a university's circumstances – such as a significant and immediate threat to the institution's financial position, significant fraud or major accounting breakdown – the Accountable Officer must inform, without delay, all of the following:
- the Chair of the university's Audit and Risk Committee
 - the Chair of the university's governing body
 - the university's head of internal audit

the external auditor

- the Department's Permanent Secretary as Accounting Officer.
12. On receiving any such notification, the Permanent Secretary will discuss what response to make with the university's governing body or Accountable Officer, including any action to be taken. If a matter requiring report is discovered by external or internal auditors in the normal course of their work and the Accountable Officer refuses to make a report, the auditors must report directly to all of the following:
- the Chair of the university's Audit and Risk Committee
 - the Chair of the university's governing body
 - the Department's Permanent Secretary as Accounting Officer.

This is to ensure that the university has taken appropriate action.

13. Below, is an indicative list of what should be reported to the Department. The Accountable Officer, in agreement with the governing body, or in urgent cases the chair, may judge that there are other circumstances that warrant notification:
- any financial loss or reduction in income or working capital which is significant enough in the Accountable Officer's judgement to materially impact on the financial outturn or the cash position
 - any new decision to invest or expend funds which in the Accountable Officer's judgement will have a material impact on the forecast position as reported to the Department in the most recent annual accountability exercise
 - any new or changed risks which – in the Accountable Officer's judgement – are significant enough to affect the university's future sustainability

- any theft, fraud, loss of charity assets or other irregularity where the sums of money involved are, or potentially are:
 - in excess of £5,000; or
 - where the particulars of the fraud, theft, loss of charity assets or other irregularity may reveal a systemic weakness of concern beyond the institution, or are novel, unusual or complex; or
 - where there is likely to be public interest because of the nature of the fraud, theft, loss of charity assets or other irregularity, or the people involved.
14. There may be cases of fraud, theft, loss of charity assets or other impropriety or irregularity, that fall outside this definition. In these cases, or any others, universities can seek advice or clarification from the Department. In view of the public interest, HEIs should normally notify the police of suspected or actual fraud in accordance with the Memorandum of Understanding between the Northern Ireland Public Sector and the Police Service of Northern Ireland. Where the police are not notified, management should advise the university's Audit and Risk Committee of the reason.

OfS's role in Northern Ireland Universities

15. Through a service level agreement with the Department, OfS have agreed to provide policy advice and assurance services for DfE to apply at its own discretion. The OfS' approach to regulation is underpinned by the functions, duties and powers given to it in the Higher Education and Research Act 2017 (HERA). Section 114 of HERA 2017 permits the OfS to provide advisory services to the Department for the Economy in Northern Ireland.
16. On an annual basis, OfS will collect a range of data as requested by the Department from the university. Information on financial viability and sustainability will be scrutinised by OfS, and the Department will be advised on their findings.
17. In addition, the OfS manage the contract for provision of the National Student Survey on behalf the other funding bodies.

Ongoing risk assessment

18. The Department expects all HEIs to notify it of significant changes and issues as they arise, not simply material adverse changes. This will help the Department to maintain the currency of its risk assessments. For example, changes of auditors, of key personnel (such as the finance director, or university secretary/registrar) or key systems changes (such as the implementation of a new finance information system) are potentially significant in the Department's risk assessment.

Data assurance

19. HEIs are required to supply the Department and/or its agents with data to inform its allocations of funding generally and in response to specific initiatives. To avoid duplication, the Department will wherever possible use data that are already supplied through HESA or OfS.
20. OfS institutional teams assess the reasonableness of university data, and its analysts undertake verification, validation and reconciliation work.

Duties

21. Internal and external auditors should adhere to their professional standards. This includes taking care to avoid personal and professional conflicts of interest, being clear about their reliance on each other's work and acting with due care. The same firm may not provide both external and internal audit services to a HEI.

Internal Audit Arrangements in HEIs

22. Each university is required by its Partnership Agreement with the Department to have an internal audit function. Internal audit should follow a risk-based approach.
23. Each university will manage its own risks, and in turn each institution's internal auditor will undertake a programme of risk-based work. It is for the university to make judgements on this work: the Department cannot impose particular areas for review on any institution's internal auditors. However, the Department believes strongly that internal financial control should factor in internal audit risk assessment every year. This may or may not lead to specific audit reviews in a given year, but the governing body and Accountable Officer should be content that – based on audit risk assessment, direct audit work or other forms of review such as control risk self-assessment (CRSA) – assurance about financial control is always available. From time to time, the Department may draw other areas of risk to the attention of universities with a recommendation that these be factored into internal audit planning.
24. For information, specific guidance on internal audit in the public sector in Northern Ireland can be accessed via the Department of Finance website.³
25. Within the HE sector, the prime responsibility of the internal audit service is to provide the governing body, the Accountable Officer and the other managers of the HEI with assurance on the adequacy and effectiveness of risk management, control and governance arrangements. Responsibility for these arrangements remains fully with management, who should recognise that internal audit can only provide 'reasonable assurance' and cannot provide any guarantee against material errors, loss or fraud. Internal audit also plays a valuable role in helping management to improve risk management, control and governance, thereby reducing the effects of any material adverse risks faced by the university.

Operation

26. A university must ensure that it has effective risk management, control and governance arrangements. These help to ensure that:
 - a. The university's objectives are achieved as far as possible and associated risks are managed.
 - b. The economic, efficient and effective use of resources is promoted.
 - c. There is adherence to management's policies, directives and established procedures, and compliance with any relevant laws or regulations including charities legislation.
 - d. The university's assets and interests are safeguarded – particularly from losses arising from fraud, irregularity or corruption.

³ <https://www.finance-ni.gov.uk/publications/internal-audit>

- e. As far as reasonably practicable, the integrity and reliability of accounting records, data and other information is maintained. This includes data supplied to HESA, OfS, the Department and other funding bodies.
27. Accordingly, the internal audit service must consider the whole of the university's risk management, control and governance arrangements, including all its operations, resources, staff, services and responsibilities for other bodies.
28. Internal auditors may carry out additional work at the request of management, including consultancy and investigations, provided such work does not compromise the objectivity of the audit service or the achievement of the audit plan. Accordingly, each university's Audit and Risk Committee should satisfy itself that the objectivity of the internal audit service has not been affected by the extent and nature of other work carried out. Internal audit services should not have any management responsibilities other than for internal audit.
29. Internal audit should be seen to have sufficient status, respect and support within the university. To be effective, the head of internal audit – or equivalent where the service is provided on a contract basis – must have direct access to the university's Accountable Officer, to the governing body (normally through the chair of the Audit and Risk Committee) and, if necessary, to the chair of the governing body. Whether provided internally or externally, day-to-day line management and overall reporting arrangements for the internal audit service should be such as to preserve its objectivity by avoiding concentration of responsibility and reporting with any one senior person within the university. Internal auditors must also have unrestricted access to all records, assets, personnel and premises, and be authorised to obtain whatever information and explanations are considered necessary by the head of the internal audit service.

Reporting

30. It is a requirement of the Code that the internal audit service produce an annual report of its activities. The internal audit annual report must relate to the university's financial year and include any significant issues, up to the date of preparing the report, which affect the opinion. This should be addressed to the governing body and the Accountable Officer and should be considered by the Audit and Risk Committee. The Audit and Risk Committee may forward the report to the governing body with its own report. The report must be submitted to the Department after it has been considered by the university's Audit and Risk Committee.
31. The internal audit annual report should include the internal auditor's opinion on the adequacy and effectiveness of the university's arrangements for:
- risk management, control and governance
 - economy, efficiency and effectiveness.
32. This opinion should be placed into its proper context: that is, the work undertaken has been based on the agreed audit strategy and on the areas reviewed in the year, as well as incorporating knowledge of areas audited in previous years (including from a previous auditor). Internal audit performance measures should be provided, including stating coverage achieved against the original audit plan. It should also draw attention to any significant audit recommendations which the internal audit service considers have not received adequate management attention.

Provision of service

33. There are a variety of ways to acquire an internal audit service, and the Department does not favour one approach above the others. Each university, advised by its Audit and Risk Committee, should establish which is the most suitable and cost-effective way of obtaining internal audit services. However, every five years at least, it should consider market testing internal audit services where those services are provided by outside contractors, since this provides a powerful incentive to maintain quality and cost-effectiveness. Where internal audit is an in-house service, there should be periodic consideration of whether this continues to be the appropriate type of provision for the institution.
34. In all cases the Audit and Risk Committee should monitor internal audit effectiveness. In addition, where the internal audit service is provided in-house, the Audit and Risk Committee chair should be consulted on the annual performance appraisal of the head of internal audit. This appraisal process is the responsibility of management.
35. The Public Sector Internal Audit Standards require a Quality Assurance and Improvement programme including an external independent assessment (PSIAS 1312) – conducted once every 5 years, consisting of either a full external assessment or an internal self-assessment which is independently validated.

Removal or resignation of auditors

36. Subject to normal staffing arrangements (for 'in-house' internal auditors) and any contractual arrangements in place, only the governing body (or the Audit and Risk Committee where delegated authority exists) may pass a resolution to remove the internal auditors before the end of their term of office if serious shortcomings are identified.
37. Where internal auditors cease to hold office for any reason, they should provide the governing body with either a statement of any circumstances connected with their removal which they consider should be brought to the governing body's attention, or a statement that there are no such circumstances. The internal auditors may also request an extraordinary general meeting of the governing body to consider the statement. Any such statements should also be sent to the Department by the university – or, if it fails to do so, by the outgoing internal auditors.
38. The governing body must inform the Department without delay of the removal or resignation of the internal auditors and of the reasons.

Restriction of auditors' liability

39. Where the internal audit service is provided through a contractual arrangement with an external provider, the provider may ask the university to agree to a restriction in the internal auditors' liability arising from any default by the auditors. Normally such liability should be without limit. However, universities may negotiate a restriction in liability so long as the decision is made on an informed basis and the liability remains at such a level as to provide reasonable recourse to the university. The governing body, through the Audit and Risk Committee, should be specifically notified of any request for a liability restriction.

Fraud and corruption

40. Internal auditors should assess the adequacy of the arrangements to prevent and detect irregularities, fraud and corruption. However, the primary responsibility for preventing and

detecting corruption, fraud and irregularities rests with management, who should institute adequate systems of internal control, including clear objectives, segregation of duties and proper authorisation procedures.

41. The work of the internal audit service, in reviewing the adequacy and effectiveness of the internal control system, should help management to prevent and detect fraud. The internal audit service should ensure that it has the right to review, appraise and report on the extent to which assets and interests are safeguarded from fraud. When internal auditors suspect fraud, or are carrying out a fraud investigation, it is important to safeguard evidence. They should assess the extent of complicity to minimise the risk of information being provided to those involved, and the risk of misleading information being obtained from them.
42. The university should ensure that the internal auditor is informed, as soon as possible, of all attempted, suspected or actual fraud or irregularity. The internal auditor should consider any implications in relation to the internal control system, and make recommendations to management, as appropriate, to strengthen the systems and controls.

External audit arrangements in universities

Introduction

43. Universities in the sector are expected to follow the Statement of Recommended Practice (SORP) on Accounting for Further & Higher Education published by Universities UK, and the accounts direction published as a circular letter every year by the Department for the Economy. The 2019 SORP introduced a requirement for an operating and financial review, and universities are encouraged to use this as an opportunity to demonstrate their effectiveness, accountability and performance.
44. The primary role of external auditors is to report on the financial statements of HEIs and to carry out whatever examination of the statements, and their underlying records and control systems, is necessary to reach their opinion on the statements. Their report should also state whether, in all material respects, recurrent and specific grants from the Department (and other bodies and restricted funds where appropriate) have been properly applied for the purposes provided, and in accordance with the institution's Partnership Agreement with the Department; in other words, that the conditions of grant have been met.
45. The Department accepts that it is not the direct client of the external auditor, and that the auditor does not have a duty of care to it. However, the Department requires that external audit engagements in the sector meet the requirements of the Code, and that this is reflected in the external audit engagement letter.

Qualification of auditors

46. The qualifications required for external auditors of HEIs are the same as under the Companies Acts. Auditors should be registered with one of the appropriate professional bodies and conform to that body's standards.

Selection criteria and procedures

47. The governing body is responsible for appointing external auditors, although it will usually delegate the detail of the process to the Audit and Risk Committee. Before receiving proposals, the university should determine selection criteria, procedures and the frequency of external testing.
48. The duties of the university and external auditors should be clearly presented in the agreed terms of reference.

Additional services

49. Universities may ask external auditors to provide services beyond the scope of the audit of financial statements, including special investigation work, taxation compliance and advice, consultancy and VFM reviews. Generally, it is a matter for universities and auditors to agree precise requirements, although the Audit and Risk Committee must be informed of all significant facts and matters that have a bearing on the auditors' objectivity and independence related to the provision of non-audit services, including the safeguards put in place. Any additional work must not impair the independence of the audit function and so should normally be the responsibility of different staff within the firm of auditors.
50. The Audit and Risk Committee have a key role to play where the auditors supply a substantial amount of non-audit services. The Committee must keep the nature and extent of such services under review, seeking to balance independence and objectivity with the university's needs.
51. In order to help judge the relationship between the university and its external auditors, the university must disclose separately, by way of a note to its financial statements, the fees paid to its external auditors for other services. Each university's Audit and Risk Committee must review both the level of fees incurred and the future planned work and satisfy itself that the extent and nature of other work does not affect the objectivity of the external audit.

Letter of representation

52. In order to undertake their work, external auditors seek from those charged with governance a letter of representation providing details of any material changes that need to be brought to the auditors' attention to enable them to complete their work in an effective manner. In addition to the requirements of International Standards on Auditing (UK & Ireland), the Department recommends that auditors satisfy themselves that management has provided all necessary evidence to confirm any possible significant adjustments to past or future Department funding.

Management letter

53. External auditors should issue a report to those charged with governance – normally referred to as a management letter – which highlights accounting issues and control deficiencies arising from the audit. The university's management should provide written responses to any recommendations made or issues raised. The Code is not prescriptive about the format or title of a management letter, but it should enable the Department to see what observations have been made about the internal control system and how management has responded.
54. External auditors should also indicate in the management letter whether, or to what extent, they are content to rely on the work of the internal auditors in support of external

audit work. These statements will be based on work which should already have been carried out for the purpose of external audit. They provide information, which is useful to the Audit and Risk Committee, the Department and to OfS in determining institutional risk assessments.

55. The letter, with management responses, must be made available to the University's Audit and Risk Committee in time to inform the committee's annual report. Universities must send a copy of the final management letter (incorporating management responses) to the Department and upload to the OfS portal according to the timetable published annually in a circular letter. External auditors should attend Audit and Risk Committee and/or finance committee meetings at which the audited financial statements are discussed and attend governing body and other meetings when appropriate.

Audit report

56. The external auditors shall report whether in all material respects:
 - a. The financial statements give a true and fair view of the state of the university's affairs, and of its income and expenditure, recognised gains and losses, and statement of cash flow for the year. They should take into account relevant statutory and other mandatory disclosure and accounting requirements, and Department requirements.
 - b. The financial statements have been properly prepared in accordance with the Statement of Recommended Practice (SORP) on Accounting in Further & Higher Education, and sections 495 and 496 of the Companies Act 2006 (where the HEI is incorporated under the Companies Act), and/or other legislative or regulatory requirements.
 - c. Funds from whatever source administered by the university for specific purposes have been properly applied to those purposes and, if relevant, managed in accordance with relevant legislation.
 - d. Funds provided by the Department have been applied in accordance with the Partnership Agreement and any other terms and conditions attached to them. In particular, auditors should have regard to the specific requirements of the Partnership Agreement, such as compliance with the short-term and long-term borrowing conditions.
57. The Department for the Economy publishes as a circular letter an annual accounts direction, and universities and their external auditors are required to conform to it. The accounts direction summarises and updates the Department's financial reporting requirements.
58. External auditors have a duty to consider the Governance Statement with the annual financial statements and to comment by exception if the statement is inconsistent with their knowledge of the university. It is for each university to decide whether it wishes its external auditors to do more than this required minimum. Each university needs to ensure that processes are in place – including work by internal auditors, external auditors and management – to provide assurance on the effectiveness of the arrangements underpinning the Governance Statement. External auditors may report privately to the governing body (through the Audit and Risk Committee) on the results of their work on the Governance Statement or may make reference to this work in the financial statements, either in their audit opinion report or through a separate report.

Reappointment of auditors

59. Universities should reaffirm the appointment of their external auditors formally each year.

The Audit and Risk Committee should assess the external auditors' work each year to ensure that it is of a sufficiently high standard and represents value for money. The committee should then make a recommendation to the governing body regarding the ongoing appointment of the external auditors, within the terms of their procurement contract. Performance measures could be used as part of the assessment. Provided that the external auditors' performance is satisfactory, it will not be necessary to repeat the full selection process each year. However, full market testing should be undertaken at least every seven years. One partner in the firm is normally responsible for the institution's audit; they should not hold this position for more than seven consecutive years.

Removal or resignation of auditors

60. The governing body may pass a resolution to remove the external auditors before the end of their term of office if serious shortcomings are identified.
61. External auditors who have resigned or been removed from office for whatever reason should be entitled to attend, and make representations to, the general meeting of the governing body at which their term of office would have expired, or at which it is proposed to fill the vacancy caused by the resignation or removal. They are entitled to receive notices of, or other communications relating to, that meeting and to be heard on any part of the business which concerns them as former auditors of the university.
62. As with internal auditors the governing body is responsible for advising the Department where external auditors cease to hold office, and the reasons for this.
63. In deciding whether or not to accept the appointment, anyone proposing to take up the office of external auditor should obtain the university's permission to communicate with the outgoing auditors. Outgoing auditors should also obtain permission from the university to discuss their affairs freely with the proposed auditors and should disclose all information required by the proposed auditors that is relevant to the appointment. These provisions are analogous to those in the Code of Ethics of the Institute of Chartered Accountants in England and Wales and the Code of Ethics of the Chartered Accountants Regulatory Board as adopted by the Institute of Chartered Accountants in Ireland.

Restriction of auditors' liability

64. Universities must not agree to any restriction in external auditors' liability in respect of the external audit of their annual financial statements, unless a liability limitation agreement has been entered into under the terms of the Limited Liability Partnerships Act 2000, the Limited Liability Partnerships Act (Northern Ireland) 2002 and the Companies Act 2006 or, in the case of HEIs that are not incorporated under the Companies Act 2006, as if the relevant provisions of that Act applied to HEIs.
65. For other types of work performed by the external auditors, the provider may ask the university to agree to a restriction in the auditors' liability arising from any default by the auditors. Normally, such liability should be without limit. However, universities may negotiate a restriction in liability if the decision is made on an informed basis and the liability remains at such a level as to provide reasonable recourse to the university. The governing body, through the Audit and Risk Committee, should be notified of any liability restriction agreed.

Access to auditors

66. The Department may wish to meet with a university's external auditors, particularly in connection with a visit to the institution. The university should not limit access in any way. Formal discussion should normally be arranged through the university's Accountable Officer or representative. The Department and/or OfS will exchange letters where necessary with both parties to deal with confidentiality and the terms under which access is given.

Annex 8 - Consent for Financial Commitments

Introduction

1. A university must get written consent from the Department before it agrees to any new financial commitments as follows:
 - a. Long-term commitments – where the annualised servicing cost (ASC) of its total financial commitments would increase to above 4 per cent of total income.
 - b. Short-term financial commitments – where negative net cash exceeds 5 per cent of total income for more than 35 consecutive days.
 - c. At higher risk – where universities are designated as at higher risk the Department may vary the thresholds set out above.

Definitions

Total income

2. Total income is as reported in the latest audited financial statements, or the estimated amount for the current year if that is lower.

Short-term commitments

3. 'Negative net cash' is determined on a cash book basis. For the purpose of this agreement short term financial commitments mean amounts which are due for payment less than 12 months.

Long-term commitments

4. The requirements of paragraph 17.4 of the Partnership Agreement only apply when a university intends to do one of the following:
 - take out additional financial commitments, including repayable grants from the Department.
 - refinance existing financial commitments, including fixing the interest rate.
5. There is no need to seek the Department's consent where the annualised servicing cost (ASC) increases above the 4 per cent threshold, or any other threshold approved by the Department, solely as a result of either an increase in the interest rate on variable rate borrowings or a reduction in total income. Similarly, consent is not required if refinancing existing commitments results in a lower ASC.
6. In all cases, the ASC calculation should reflect the economic substance, which may differ from the legal form.
7. For the purpose of this agreement, long-term financial commitments mean amounts which are due for payment after more than 12 months. These include:
 - all borrowing, whether self-financing or not
 - finance leases, subject to the exclusion below
 - inherited debt and leases which are not fully reimbursed by the Department
 - Private Finance Initiative (PFI) arrangements which are accounted for as loans or finance leases in accordance with the requirements of FRS102.

and exclude:

- lease payments where the combined ASC of such leases does not exceed 0.5 per cent of total income.
8. The ASC of the financial commitments consists of total expected net cash payments (capital and interest) over the period of the loan, divided by the loan period in years. This includes lump sums at the end of the term.
 9. Where the financing involves a lease-and-leaseback of existing assets (that is, the institution receives rental income linked to rental expenditure), the ASC should be calculated on the net cash outflow.
 10. For new loans, the interest rate to be used in the calculation is the one in force at the start of the loan, whether this is fixed (for all or part of the loan period) or variable. For existing loans, the interest rate to be used is the one currently in force.
 11. The loan period is as defined at the time when the commitments are agreed. It starts when the first part of the loan is drawn down and ends when the final liability is repaid. If there is an option to extend at a later date any part of the commitments to a longer term, the ASC will still be measured on the original term.
 12. Where the loan period is to be shortened or extended, the ASC calculation should be reworked using the revised term and rates of interest in force at that time. If this increases the ASC above the 4 per cent threshold, the university must get (revised) written consent from the Department.

The Department's response

13. The Department will try to give a response to a request for consent within 15 working days of the receipt of all relevant information. The Department accepts, however, that very occasionally a university may need to get a faster response, in which case it should discuss this with the Department at an early stage in developing its plans.
14. In responding to requests for consent the Department aims to be helpful and pragmatic, applying the general principles outlined here to the circumstances of each proposal. If a university is unsure how to calculate the ASC or whether consent is required, it should discuss this with the Department.

Information required

15. The information required to consider a request for consent is set out in Table 1. This addresses the issues the Department would expect the university's own governing body to seek assurance on before approving additional financial commitments. The main focus is on affordability and risk, not necessarily on the individual project.

Table 1 Information required by the Department to consider a request for consent for new financial commitment(s)

Long-term financial commitments
<p>1. There should be a reasonable case for the new investment.</p> <p>Information required:</p> <ul style="list-style-type: none"> a. Brief description of the new investment. b. An explanation of how it broadly fits with the university’s mission and strategic priorities. c. Confirmation that the university has followed Departmental guidance on appraising investment decisions.
<p>2. The new financial commitment or refinancing arrangement should be consistent with the university’s financial strategy and represent good value for money.</p> <p>Information required:</p> <ul style="list-style-type: none"> a. An explanation of why additional finance or refinancing is necessary and how this fits with the financial strategy. b. The forms of finance considered and the selection process and criteria. c. The net present value for each financing option and a brief explanation of why the chosen method was selected.
<p>3. Details of the new financial commitments.</p> <p>Information required:</p> <ul style="list-style-type: none"> a. Details of the chosen option, including name of lender, sum borrowed, loan period and basis of repayment. b. Terms and conditions of the financing (for example, a copy of the offer letter) and an evaluation of the risks and uncertainties.
<p>4. The new investment and financial commitments must be affordable.</p> <p>Information required:</p> <p>An update of the latest financial forecasts, to include the impact of the new investment and financial commitments, and demonstration that they are affordable. This update must include any other material changes in the university’s financial prospects, including guarantees to third parties.</p>
<p>5. The university’s governing body has made an informed decision about the new investment and financial commitments.</p> <p>Information required:</p> <ul style="list-style-type: none"> a. Details of when the governing body approved the new investment and financial commitments, and a minute of the decision reached. b. A summary of the information the governing body received in reaching its decision.

6. Details of the new threshold.

Information required:

- a. Details of continuing financial commitments (including the lender, loan term and ASC) and of the new financial commitment.
- b. A calculation of the new threshold required.

Short-term financial commitments

1. Short-term financing should be an appropriate solution.

Information required:

- a. Brief description of why increased short-term finance is necessary, and how this fits with the financial strategy.
- b. Cash flow forecasts which show the need for the increased borrowing.
- c. The forms of finance considered and the selection process and criteria.
- d. Brief explanation of why short-term finance was selected.

2. Details of the new financial commitments.

Information required:

- a. Details of the arrangement, including name of lender, sum borrowed, loan period and basis of repayment.
- b. Terms and conditions of the arrangement (for example, a copy of the offer letter) and an evaluation of the risks and uncertainties.

3. The university's governing body has made an informed decision about the short-term financing arrangements.

Information required:

- a. Details of when the governing body approved the arrangements and a minute of the decision reached.
- b. A summary of the information the governing body received in reaching its decision.

4. Details of the new threshold.

Information required:

The revised threshold (in £) and the period for which this is required.

Guidance that may be helpful

16. The following documents may be helpful, and are available on the DoF or OfS websites:
 - NI Guide to Expenditure and Evaluation
 - Better Business Cases NI

- OfS – Higher education Financial Sustainability – an update⁴
- Managing Public Money Northern Ireland – Chapter 5

⁴ https://www.officeforstudents.org.uk/media/f7d0ad93-ec1b-49be-9f95-fd9d3bdff991/higher_education_financial_sustainability_final_for_web.pdf

Annex 9 - Exchequer Interests

Introduction

1. This annex reflects the system for exchequer interests. It covers the sale, lease and transfer of assets funded wholly or partly by grant provided by the Department for that purpose.

Sale

2. The university may sell any land and buildings, including any interest in land and buildings, which were acquired or developed in whole or in part using Exchequer funds, provided that all the following conditions are satisfied:
 - a. The university has taken independent professional advice on the terms and conditions of the sale.
 - b. Having considered that advice, the university decides it is satisfied that the terms and conditions under which the sale is proposed are the best that can reasonably be obtained for the institution at that time.
 - c. The university notifies the Department in advance of the sale and provides formal written notification within 15 working days of the exchange of contracts.
3. Where a sale described in paragraph 2 occurs, the university may retain, and subsequently reinvest, the proceeds⁵ of that sale provided that all the following conditions are satisfied:
 - a. The proceeds are reinvested, within three years, in capital assets with a life of more than 12 months.
 - b. The new assets are used for activities eligible for funding as specified in Article 30 (1) (a) of the Education and Libraries (Northern Ireland) Order 1993.
 - c. There is no reinvestment in assets that are used primarily for the activities listed below:
 - research contracts
 - residences, catering and conferences
 - services to external customers, including consultancy
 - overseas activity.
 - d. Where the expenditure is on an estates project, it conforms with the university's current estate strategy and the university has regard to Departmental guidance, issued from time to time, on appraising investment decisions.
 - e. The university notifies the Department in writing within 15 working days of the date that the sale proceeds are first reinvested. If the reinvestment is done in stages, the university must notify the Department in writing within 15 working days of each stage of the reinvestment.
4. If the conditions in paragraph 3 are not satisfied, the university shall pay a sum to the Department, which varies according to the circumstances:
 - a. Where the Exchequer funds were provided before 1 August 1975, the university

⁵ All references to sale proceeds shall include the accrued interest earned on the sale proceeds between the date of receipt of the proceeds and the date of the reinvestment of those proceeds.

- must pay an amount equal to the original value of the Exchequer funds.
- b. Where the interest in the land and buildings was acquired or developed since 1 August 1975, wholly with the aid of Exchequer funds, the university must pay all the sale proceeds to the Department, after deducting the expenses of the transaction. The payment must include any element in respect of intangible assets sold as part of the transaction.
 - c. If neither sub-paragraphs 4a nor 4b apply, the university must pay to the Department that proportion of the sale proceeds, after deducting the expenses of the transaction, which corresponds to the value of the Exchequer funds as a percentage of the costs of acquisition or development of the land and buildings, at the date of acquisition or development.
 - d. If the university reinvests only part of the sale proceeds in accordance with sub-paragraph 3a, but all other conditions in paragraph 3 are satisfied, the university must pay to the Department that part of the sale proceeds that is not reinvested in accordance with sub-paragraph 3a, subject to sub-paragraphs 4a-c above.
 - e. Where the sale proceeds are only partly reinvested within three years, but all other conditions in paragraph 3 are satisfied, the University shall pay to the Department that part of the sale proceeds that is not reinvested within three years, subject to sub-paragraphs 4a-c above.
 - f. However, where disposal or transfer is being considered as part of a PFI deal, sympathetic consideration will be given to the re-use of the proceeds to fund or reduce contractual payments over the life of the PFI contract, where in the light of the facts of each case this appears to be reasonable and to offer value for money.

Leases

5. The university may grant a lease or licence over land and buildings acquired or developed, whether wholly or in part, with Exchequer funds, provided that all the following conditions are satisfied:
 - a. The university has taken independent professional advice on the terms and conditions of the lease or licence.
 - b. Having considered that advice, the university decides it is satisfied that the terms and conditions under which the lease or licence is proposed are the best that can reasonably be obtained at that time.
 - c. The university notifies the Department in advance of the lease and provides formal notification within 15 working days of its execution.
6. Where a lease or licence as described in paragraph 5 is granted, and part or all of the consideration for granting it is the payment of a premium, that premium shall be treated as sale proceeds. Therefore paragraphs 3 and 4 apply to the institution's use of the premium. If the consideration also includes periodic payments of rent during the life of the lease or licence, these shall be treated as rental income, and paragraph 7 shall apply to their use by the university.
7. Where such a lease or licence as described in paragraph 5 is granted, the university may retain the rental income provided that both the following conditions are satisfied:
 - a. The rental income is used for activities eligible for funding as specified in Article 30 (1) (a) of the Education and Libraries (Northern Ireland) Order 1993 but taking account of the ineligible activities set out in paragraph 3c.
 - b. The university notifies the Department in writing within 15 working days of the date

the sale proceeds are first reinvested.

If the conditions in paragraph 7 are not satisfied, the university shall repay to the Department the rental income, in full or in the proportion outlined in paragraph 4, after deducting any ground rent or other charges, administration costs and any expenses borne by the university necessary to keep the land and buildings in a fit state to command that rent.

Transfers

8. The university may transfer its title to, or grant an interest or licence in, land and buildings which were acquired or developed wholly or in part using Exchequer funds, provided that one of the following conditions has been satisfied:
 - a. The transfer or grant is in accordance with paragraph 2 or paragraph 5.
 - b. The transfer or grant is to a subsidiary undertaking and contains a direct covenant by the transferee with the Department that the transferee will observe and perform the conditions in paragraphs 2 to 9 of this Annex. That covenant must be guaranteed by the university, which must notify the Department within 15 working days of the transfer or grant to the subsidiary.
 - c. The university has the prior written consent of the Department to the transfer or grant. The Department may attach conditions to such consent.

Annex 10 - Summary of Responsibilities of Members of Governing Bodies

1. The Department is the lead public funder of higher education institutions (HEIs) in Northern Ireland and also acts in the interests of fee-paying students. The Department requires the universities that it funds to have high standards of corporate governance. This annex describes the main legislative and other requirements placed on governing bodies. While the Department is not empowered to enforce every requirement specified here, any breaches that come to its attention will be taken into consideration in any risk assessments.

Partnership Agreement

2. The Department requires universities to comply with the Partnership Agreement in respect to the funding it receives. Governing bodies must ensure that the mandatory requirements of the Partnership Agreement are complied with, and that full and appropriate consideration is given to all elements of the Partnership Agreement and the Audit Code of Practice (Annex 7). The Department will enforce this requirement using the powers available to it through the Partnership Agreement and the Education and Libraries Order (Northern Ireland) 1993. The Department also requires governing bodies to ensure that the conditions of grant imposed by other public funding bodies are complied with.

Legislative Obligations

3. The Department **requires** universities to meet the legislative requirements imposed upon them as corporate bodies, in particular the laws relating to:
 - higher education institutions
 - employment
 - health and safety
 - diversity and equality of opportunity.

The Department is **not empowered to enforce** these laws directly but will take breaches that come to its attention into consideration in its risk assessments.

Trustees and Directors

4. Members of governing bodies are charitable trustees and, in some cases, directors of related/group companies. As such, the Department requires compliance with the relevant charities' legislation including the Charities Act (Northern Ireland) 2008 and, if applicable, the Companies Acts. In particular, the Department expects trustees to discharge their duties of compliance, prudence (including to ensure financial solvency) and care, and to accept ultimate responsibility for the affairs of the charity. The duties on trustees and directors (as set out in chapter 2 of part 10 of the Companies Act 2006) are similar in that they require board members to promote the interest of the organisation and to act with integrity, care and prudence. These duties reflect the expectations that the Department has for the governors of universities/Higher Education Institutions.

Constitutional Requirements

5. The Department **requires** that governing bodies discharge the obligations imposed on them by universities' constitutions (charters and statutes or instruments and articles of government). In particular, governing bodies must:
 - ensure that the finances of the university are managed in order to ensure solvency and sustainability

- appoint and supervise and, if necessary, suspend or dismiss the vice-chancellor
- ensure the welfare of students is secured
- ensure that there is an effective framework – overseen by its governing body, academic board or equivalent – to manage the quality of learning and teaching and to maintain academic standards.

The Department will **exceptionally enforce** these requirements by exercising its power in a lawful and reasonable manner to make conditions of grant to ensure that the obligations are met.

Good Governance

6. The Department **expects** governing bodies to organise and conduct themselves in accordance with the good practice guidance and principles set down by the Committee of University Chairs (CUC). The Department **expects** governing bodies to adopt the CUC Governance Code of Practice and to report on their compliance with the CUC guidance every year in their financial statements – or to explain why their governance arrangements differ from those recommended by the CUC.
7. The Department **expects** each governing body to adopt a Statement of Primary Responsibilities in line with CUC guidance in which the governing body delegates to the head of institution responsibility for the management of the institution and its policies.

Members' Conduct

8. The Department **expects** members of governing bodies to conduct themselves in a manner appropriate to public office holders and to adhere to the seven principles of public life which are set out by the Committee on Standards in Public Life for the benefit of individuals who serve the public in any way:

Selflessness: Holders of public office should act 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 seek to 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 interest.

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

Governance Evaluations

9. The Department **expects** governing bodies to undertake periodic reviews of their effectiveness, and to produce reports and action plans for improvement. In the Department's view, such reviews will inspire greater confidence if governing bodies engage persons independent of the institution to assist in the process.

Definitions and Abbreviations

1993 Order	The Education and Libraries Order (Northern Ireland) 1993
Accountable Officer	Head of an institution responsible and accountable to the Department (and ultimately to the NI Assembly) for ensuring that the institution uses Department funds in ways that are consistent with the purposes for which those funds were given and complies with the conditions attached to them. These include the conditions set out in the Education and Libraries Order (Northern Ireland) 1993 and in this Partnership Agreement
Accounting Officer (of the Department)	As Accounting Officer, the Permanent Secretary of the Department has a personal responsibility to safeguard public funds and achieve value for money as set out in DoF guidance, 'Managing Public Money Northern Ireland' and any subsequent guidance. This includes responsibility for the public funds allocated by the Department to higher and further education institutions and other bodies for education, research and associated purposes
Annual accountability returns exercise	An accountability process between the Department and universities, linked to an assessment of institutional risk, which comprises an exchange of documents and dialogue during a specific period each year
BEIS	Department for Business, Energy and Industrial Strategy
C&AG	Comptroller and Auditor General
CUC	Committee of University Chairs
DoF	Department of Finance
FEC	Further Education College
FRS	Financial Reporting Standard
Governance Code of Practice	'Guide for Members of Higher Education Governing Bodies in the UK: Governance Code of Practice and General Principles'
Governing Body	The university governing body, board of governors or other body ultimately responsible for the management and administration of the institution's revenue and property, and the conduct of its affairs
HE	Higher Education
HEI	Higher Education Institution
HESA	Higher Education Statistics Agency
HESES	Higher Education Students Early Statistics
IIA	Institute of Internal Auditors
JANET	High-speed computer network supported by all the four higher and further education funding bodies, which links universities and colleges in the UK. SuperJANET is the

	enhanced network
Legally distinct entity	An organisation receiving Department grant funding from an HEI to which it is accountable, but operating independently from that HEI
NIAO	Northern Ireland Audit Office
OFS	Office for Students
Propriety	Propriety in the use of public funds concerns conduct behaviour and corporate governance. It embraces fairness, integrity, the avoidance of personal profit, even-handedness, open competition, and the avoidance of waste and extravagance
QAA	Quality Assurance Agency for Higher Education
RB	Related body (a non-HEI/FEC body through which significant levels of Department funding are distributed or activities promoted)
Regularity	Regularity is a public finance requirement for funds to be applied only to the extent and for the purposes authorised by the Northern Ireland Assembly
SLC	Student Loans Company Limited
The Code	The Department's Audit Code of Practice (Annex 7)
The Commission	The Charity Commission for Northern Ireland
The Department	The Department for the Economy
VFM	Value for money

References to the **financial position, financial statements, financial commitments or borrowings** of the institution mean the consolidated financial position, financial statements, financial commitments or borrowing of the institution and its subsidiary undertakings, as defined in the Companies Acts and in accordance with generally accepted accounting principles.

Shall and **must** denote mandatory requirements and **should** denotes the Department's view of good practice.