



Independent Assessment of the Victims and Survivors Service

Prepared for the **Commission for Victims and Survivors**
by CIPFA

February 2014

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Executive Summary

1. In December 2013, the Commissioner for Victims and Survivors appointed the Chartered Institute of Public Finance and Accountancy (CIPFA) to carry out an Assessment of the Victims and Survivors Service (VSS), a Company Limited by Guarantee and an arm's length body of the Office of the First Minister and Deputy First Minister (OFMDFM).
2. The VSS is responsible for administering OFMDFM funding that is set aside specifically for victims and survivors. The purpose of this independent assessment is to consider and make recommendations about Governance and Management in VSS. To inform our assessment, we carried out desk research and we also conducted semi-structured interviews with key people in VSS and OFMDFM and with the Commissioner.
3. Following a business case and economic appraisal, the VSS was established in April 2012 as a Company Limited by Guarantee under the Companies Act 2006 and also as an arms-length body sponsored by OFMDFM whose relationship is governed by a Management Statement and Financial Memorandum (MSFM).
4. The VSS is therefore required to comply with two sets of governance rules. CIPFA found major weaknesses in governance of VSS up to December 2013, not least the appointment of an Interim Board consisting of officials from OFMDFM to oversee VSS, whom they were also sponsoring. We also found inconsistencies in the application of the Memorandum and Articles of Association and the MSFM by the Interim Board of VSS.
5. CIPFA found that during the interim governance arrangements (April 2012 to December 2013), oversight of internal controls in VSS was weak. For example, there was no internal audit function to provide assurances to the Accounting Officer and the Board on internal controls. In addition, the Chair of the Interim Board was also Chair of the Interim Audit and Risk Committee up to June 2013, when a new Chair was appointed (and the Chair of the Board remained a member of the Audit and Risk Committee).
6. There was an audit of aspects of VSS that was conducted by the Department of Finance and Personnel (commissioned by OFMDFM) that identified a number of control weaknesses when reporting its findings on 14 November 2013. CIPFA was informed by OFMDFM that this audit was built into their audit plan at the beginning of the year in recognition of the risks associated with a new organisation.
7. Following a period of 13 months between interviews and Ministerial appointment, a new VSS Board was announced on 3 December 2013. The new VSS Board should become familiar with the requirements of the Companies Act and the MSFM, address the inconsistencies that CIPFA identified and ensure compliance with these overriding governance documents. Whilst the appointment of the new Board provides fresh leadership for VSS and is welcome, CIPFA believes there are a number of key risks to the governance of VSS, especially for a Board with only four members.
8. CIPFA believes the new VSS Board should review its priorities and work with OFMDFM to identify suitable ways of augmenting the numbers and skills on the VSS Board.

9. The Strategy for Victims and Survivors (2009), which had been developed by OFMDFM, set out the high level approach to support victims and survivors in Northern Ireland, defined the overarching aims and principles and described the role of the proposed VSS.
10. Within the context of the Strategy for Victims and Survivors (2009), a 'Corporate Plan and Strategic Priorities, 2013-2015' sets out the vision, mission, strategic priorities and principles of VSS. There is no evidence in the Interim Board minutes of any Board role in setting strategic direction and we believe it is a priority for the new Board to review the VSS Corporate Plan, revise it as appropriate and monitor progress of its implementation.
11. At the heart of good governance is a focus on the organisation's purpose, and outcomes for citizens and service users. As well as being a grant funding body, VSS provides a range of services related to health and well-being, including support for groups who provide therapies, and support for individuals. CIPFA believes the new Board should re-visit the purpose of VSS and explore whether these health and related services fit within the future strategy, or are better provided by specialist organisations.
12. It is essential that the VSS Board is clear about its role, and how it relates to the executive team, to the sponsor Department, to the Commissioner for Victims and Survivors and to the public. Clarity about roles also helps all stakeholders to understand how the governance system works and who is accountable for what.
13. CIPFA found the Interim Board of VSS did not fulfil its role because of a number of weaknesses including the confusing role of the Chair and the Department on the VSS Board and the resultant conflicts of interest; the Board was too operational; there was a lack of evidence of challenge; a focus on process; and no proper management of risks.
14. CIPFA recommends the new Board is properly inducted to VSS to ensure that it understands and is able to fulfil its role and full range of responsibilities. It may also be helpful for OFMDFM officials and officials in the Commissioner's office to participate in this.
15. The VSS is at the heart of a complex set of relationships which includes OFMDFM as the sponsor Department, the Commission for Victims and Survivors as the regulator and policy adviser to Ministers, and the sector itself through its individual clients and groups. CIPFA found that key relationships between OFMDFM, the Commission and VSS have been sub-optimal. There are a number of reasons for this hitherto. This includes VSS being established very quickly 'from a standing start' with a focus by the Department on processes and procedures rather than vision, values, culture, behaviours; and concerns that VSS is unable to run a client focused service in a sensitive sector and in a very challenging political environment
16. Despite these concerns CIPFA also found a strong willingness by VSS staff, the new Board and the Department to strengthen relationships to improve the services provided by VSS. This resolve should be harnessed and collaborative relationships between key stakeholders should be developed further, including with the Victims Forum.

17. As an organisation VSS is relatively new. It currently has 42 staff (37.8 FTEs). Most staff (63%) have been employed for less than a year with the balance (37%) being employed for between one and two years. Of the current staff, 13 (31%) had been transferred from the Community Relations Council (CRC) or the NI Memorial Fund (NIMF) to the programme management function.
18. Staff are currently organised into a clear structure, shown in Appendix 2, consisting of three functions - programme management; CEO and corporate services, including audit and verification; and client assessment and victim support. CIPFA found the most important client-facing function in VSS, client assessment and victim support, is one with the least security of tenure and is characterised by fixed-term and agency staff. CIPFA believes that VSS should take steps to ensure more stability of staff numbers in this area.
19. Overall, there are 13 agency staff (31%) currently employed in VSS which CIPFA considers to be too high and VSS should try to cover posts on a more permanent basis. Staffing proposals submitted by VSS to OFMDFM in September 2013 should be updated to reflect the overall outcome of this review and resubmitted for the Department to give early consideration to decide on the future staffing needs of VSS.
20. Whilst in the past there has been a lack of formal 'corporate' management in VSS, the senior team has been meeting regularly since October 2013. There is an understanding that performance in some aspects of VSS needs to improve and there is a determination at this level for VSS to succeed.
21. The method of communication of information internally through VSS staff is good and the level of professional finance skills in VSS is relatively high compared with public bodies of a similar size and scale. Within the programme management and corporate services functions of VSS, CIPFA found staff morale amongst those we met to be buoyant. In order to systematically capture the mood of staff in VSS, CIPFA believes a periodic staff survey would be helpful.
22. The VSS has a staff appraisal process that sets objectives, monitors progress and identifies training and development needs.
23. CIPFA found that gathering and providing information has been a difficult area for VSS. For example, the databases to store client information have been inherited from NIMF and CRC do not meet the needs of VSS. The VSS needs to ensure the application and assessment process is primarily designed around the needs of individuals, especially vulnerable clients.
24. As part of CIPFA's assessment, we carried out a high level review of the Victims Support Programme (VSP) and found that operational processes for the VSP have broadly been based on those used by CRC to administer previous funding programmes and are therefore essentially 'tried and tested'. CIPFA was advised that some positive changes have been made, such as the introduction of independent assessment panels that consider grant applications.

25. The VSS has tried moving towards an outcome-based funding approach which places an emphasis on the change or difference caused by funding (which was raised in the economic appraisal of the VSP). CIPFA understands that VSS encountered resistance from some funded organisations to the processes established to monitor outcomes for individuals, which resulted in suspension of this aspect of monitoring. Staff informed CIPFA that not all funded organisations oppose this form of monitoring, and indeed many welcome the opportunity to demonstrate the benefits that funding has made to individuals. CIPFA recommends that this issue should be revisited in partnership with all relevant stakeholders (including representatives of funded organisations).
26. Monitoring and evaluating outcomes is clearly good practice and also essential if an evidence-based case for future funding is to be made. Therefore, in CIPFA's view, finding a means of monitoring outcomes for individuals efficiently and effectively should be further explored.
27. A high level review of the Operational Manual noted many similarities to the processes adopted for EU funding programmes which themselves are generally considered to be at the bureaucratic end of the scale. CIPFA recommends that VSS consider whether any of the practical steps to reduce bureaucracy set out in the April 2013 Northern Ireland Executive report 'Addressing Bureaucracy : A report on tackling bureaucracy in government funding to the voluntary and community sector', might be applied to the VSP.
28. Although VSS did provide some examples of actions being taken to simplify grant processes, CIPFA recommends a systematic review of each of the requirements necessitating action by applicants/funded organisations.
29. In CIPFA's experience, it can be tempting for funders, often for the best reasons, to effectively start to dictate how a funded organisation runs its business. This is not a funder role. CIPFA found there are some elements of the VSP funding manual which could be interpreted as crossing the line in this regard, for example, stipulating the amount of petty cash an organisation should hold. Whilst it is totally appropriate that VSS set requirements to be met in relation to governance and financial management in funded organisations, it should be clear however that this is the context in which the requirements are being set.
30. There is a performance management system in VSS based on four strategic objectives. There are 28 key targets that seek to deliver the annual business plan which are monitored internally on a regular basis e.g. at the senior management team meetings. Monitoring at this level is by a report based on a 'traffic light' system. There are 92 operational targets that have been set across the various functions in VSS and which are monitored in this way. VSS accept that whilst this number of targets is inclusive and comprehensive, it is too many and should be reviewed.
31. The VSS is now in its second financial year of operating, the first complete accounting period being 27 March 2012 to 31 March 2013. The audit of financial accounts for 2012/13 year is currently being finalised and will be filed by 31 March 2014.
32. CIPFA has seen evidence of ongoing financial management and scrutiny of the VSS budget through reports to the senior management team and to the Department.

33. It is a weakness that the VSS has had no Internal Audit function hitherto (CIPFA understands that an external provider of this service has just been appointed). To provide the Departmental Accounting Officer with an opinion on the adequacy and effectiveness of the system of internal control in VSS, the Sponsor Branch of OFMDFM arranged for an audit of VSS by the Department of Finance and Personnel. The auditors reported their findings in November 2013 and included a schedule of recommendations that were largely accepted by VSS management. The report highlighted many weaknesses including the areas of procurement and recruitment which have, and continue to be, addressed by VSS management.

List of Recommendations

Recom mendation No.	Para No.	Summary of Recommendations
		Governance in VSS
1	18.	Minutes of all Board meetings and Committee meetings should show clearly the members of the Committee, as distinct from those 'in attendance'.
2	20.	The VSS Board should become familiar with the requirements of the Companies Act and the MSFM and address inconsistencies and non-compliance identified in the report.
3	22.	A senior executive in VSS should be specifically charged with advising the Board on the legal framework within which VSS is required to be governed.
4	25.	OFMDFM should make the necessary arrangements for public appointments in VSS to fall into the scope of the Office of the Commissioner of Public Appointments in Northern Ireland and ensure compliance with the Code in future Board appointments.
5	27.	The VSS Board should review its priorities and work with OFMDFM to identify suitable ways of augmenting the numbers and skills on the VSS Board and should seek a qualified accountant to Chair the Audit and Risk Committee.
6	35.	The Board should re-visit the purpose of VSS and explore whether these services fit within the future strategy, or are better provided by specialist organisations.
7	36.	The Board should review the VSS Corporate Plan, revise it as appropriate and monitor progress of its implementation.
8	44.	The Board should review its structures and processes to have a Schedule of Matters Reserved for the Board and a Scheme of Delegation that clearly sets out decisions that must be taken by the Board.

Recom mendation No.	Para No.	Summary of Recommendations
9	48.	The Board is properly inducted to VSS to ensure that it understands and is able to fulfil its role and responsibilities. It may also be helpful for OFMDFM officials and officials in the Commissioner's office to participate in this.
10	48.	OFMDFM should provide intensive support to the Chair and other Board Members including tailored governance training and mentoring.
11	48.	In addition to the above, the VSS Board should facilitate the provision of support to the executive team and those charged with ensuring good governance within VSS.
12	48.	The Board should clearly identify its information needs and identifies the best way for executives to provide this to members
13	48.	The Board (with support from the executive team) should identify key strategic risks, prioritise them, and ensure clear plans are in place for their mitigation.
14	48.	The Board should ensure that its Audit Committee has appropriate skills, training and support to ensure it fulfils its function.
15	50.	The Board should seek assurance that key governance policies such as Anti-Fraud, Whistle-blowing, Gifts and Hospitality and Conflicts of Interest are operating effectively in practice.
16	56.	Collaborative relationships should be developed further between key VSS stakeholders including the Victims Forum.
17	56.	A fresh communications strategy should be developed to help gain confidence of the public, victims and other stakeholders.
18	56.	The Programme Board should be placed in abeyance at an appropriate time in order to create space for the VSS Board to focus on its priorities, but there should be regular communication on progress of the VSS.
Management in VSS		
19	67.	VSS should seek to reduce the number of agency staff in favour of more permanent resourcing arrangements.
20	68.	Staffing proposals submitted by VSS to OFMDFM in September 2013 should be updated to reflect the overall outcome of this review and resubmitted for the Department to give early consideration to decide on the future staffing needs of VSS.

Recom mendation No.	Para No.	Summary of Recommendations
21	72.	The Board should oversee performance of the corporate management team to ensure VSS meets its objectives.
22	75.	CIPFA recommends that the senior executive team should evaluate the effectiveness of the appraisal system and advise the Board accordingly.
23	76.	The Board should consider a staff survey to systematically capture the mood of staff within the next three months.
24	79.	OFMDFM should give early consideration to the case for a new database for VSS.
25	80.	The Board needs to ensure it is satisfied that the assessment process is appropriately designed to meet the needs of individuals whilst at the same time meets public accountability requirements.
26	84.	The performance management system in VSS in a favour of a reduced number of key performance indicators that focus on those that are essential to monitor the quality of service to clients/users and also to meet the needs of the Board and sponsor Department.
27	91 & 92.	VSS should explore finding an efficient and effective way to monitor outcomes from the funding provided to individuals and groups in partnership with all relevant stakeholders (including representatives of funded organisations) with the aim of finding a workable solution that is acceptable to both parties.
28	95.	VSS should consider whether any of the practical steps to reduce bureaucracy set out in the April 2013 Northern Ireland Executive report 'Addressing Bureaucracy : A report on tackling bureaucracy in government funding to the voluntary and community sector', might be applied to the VSP.
29	96.	VSS should conduct a systematic review of each of its funding requirements necessitating action by applicants/funded organisations, considering whether each requirement could be removed/reduced or met in a different way.
30	101.	The VSS Board should gain assurance that VSS does not stray into a management role for the organisations it funds.
31	104.	The Board of VSS should oversee the future production of financial statements in line with statutory requirements.
32	107.	The VSS Audit and Risk Assurance Committee should oversee the implementation of the 2013 internal audit recommendations.

Introduction

1. In December 2013, the Commissioner for Victims and Survivors appointed the Chartered Institute of Public Finance and Accountancy (CIPFA) to carry out an independent assessment of the Victims and Survivors Service (VSS), a Company Limited by Guarantee and an arm's length body of the Office of the First Minister and Deputy First Minister (OFMDFM). The VSS is responsible for administering OFMDFM funding that is set aside specifically for victims and survivors.
2. The purpose of this assessment is to consider and make recommendations in two key areas:

Governance, Strategy and Policy including:

- Legal basis of Victims and Survivors Service
- Policy development and implementation
- Role of the Board
- Relationship with OFMDFM and the Commission

Management of People, Resources and Information including:

- Recruitment and selection of staff
- Management of information
- Financial management
- Monitoring and evaluation

3. CIPFA is a professional accountancy institute and the only professional body that seeks to improve financial management, governance and performance in public bodies. To achieve these objectives CIPFA provides a range of services including information and guidance, courses and conferences, audits and consultancy aimed at Central Government, Local Government and arm's length bodies in the United Kingdom, Ireland and overseas.
4. This report contains recommendations that flow from conclusions based on CIPFA's findings, which come from evidence objectively and professionally gathered in a variety of ways. In particular, CIPFA carried out desk research to examine legal framework documents, corporate plans, structures, policies and procedures and minutes of meetings. CIPFA also conducted semi-structured interviews with key people in VSS and OFMDFM and with the Commissioner. A list of participants in this review is shown in Appendix 1.

Structure of Report

5. This report is structured to address the two main parts of the Commission's terms of reference, namely:
 - Governance, strategy and policy
 - Management of people, resources and information

6. In addressing each of the above issues, CIPFA identifies good practice where it is appropriate to do so, outline findings, come to conclusions and make recommendations. A consolidated list of all recommendations is provided on Page 5.

Governance of the Victims and Survivors Service

7. In this section CIPFA assesses governance in the VSS, particularly focusing on its legal basis, its strategy and policy, the role of the Board of VSS as its governing body and its key relationships. To help our assessment, CIPFA referred to Managing Public Money in Northern Ireland (MPMNI) and has used the 'Good Governance Standard for Public Bodies' (2005). This was published by CIPFA and the Office for Public Management and identifies six core principles of good governance:

- Focussing on purpose and outcomes
- Performing effectively in clearly defined functions and roles
- Promoting values and demonstrating good governance through behaviour
- Developing the capacity and capability of the governing body to be effective
- Taking informed, transparent decisions and managing risk
- Engaging stakeholders and making accountability real

Business case

8. When considering the options for the establishment of VSS, ten different options were initially considered by OFMDFM with the following five options taken forward for full appraisal:

- Out to tender
- Statutory NDPB
- Company Limited by Guarantee (not for profit)
- Status quo i.e. do nothing
- Health Trust runs the Service on behalf of OFMDFM

9. The preferred option was identified as the one that would provide OFMDFM with the lowest cost, highest benefits and least risks. Originally, OFMDFM identified the creation of a Charitable Company as the preferred option overall and identified the following benefits for this option:

- No need to draft new legislation at the outset
- Consistency in provision of funding to groups
- OFMDFM control over management and staffing, therefore obtaining greater assurance to meet departmental objectives
- Reduced resource requirement to set up

10. The non-monetary criteria used to assess the options included factors such as experience and understanding relevant to the victims sector, quality of service, corporate governance, support within the sector (identified as probably the main differentiating factor) and ability to meet timescales required.

11. VSS was established in April 2012 as a Company Limited by Guarantee under the Companies Act 2006 with Office of the First Minister and Deputy First Minister (referred to as 'The Office' in the Memorandum and Articles of Association) being the sole member of the company.
12. The business case identified the importance of good governance in VSS – “It is imperative that the new service is subject to best practice with respect to governance and audit controls”.

Legal basis

13. VSS is also a Non Departmental Public Body sponsored by OFMDFM with the relationship being governed by a Management Statement and Financial Memorandum (MSFM). The VSS Chief Executive is the delegated Accounting Officer with responsibility to ensure personal and organisational compliance with 'Managing Public Money in Northern Ireland' (MPMNI) which includes probity, regularity, stewardship, controls and safeguard of public expenditure. CIPFA found no evidence that this role was not being carried out.
14. The Accounting Officer role and the Chief Executive role are different appointments with different accountabilities and reporting lines. The Accounting Officer is appointed by the Department of Finance and Personnel (DFP) and reports to the Departmental (i.e. OFMDFM) Accounting Officer. The Chief Executive appointment is by the Board and is accountable to the Board. There is a link between the two jobs, as specified in the DFP Corporate Governance Code of Good Practice NI (Para 2.7) – “The Board must support the Accounting Officer for the discharge of obligations set out in MPMNI for the proper conduct of business and maintenance of ethical standards”.
15. The VSS is therefore required to comply with two sets of governance rules - the Companies Act, as it applies to limited companies, and the MSFM agreed with OFMDFM. Under the Companies Act, initially an Interim Board of Directors of VSS was established, comprising of two officials from OFMDFM. The Interim Board met 13 times between April 2012 and September 2013. In growing recognition of the direct conflict of interest that existed by having VSS governed by officials from their own sponsoring Department, on 30 September 2013 three additional Directors were appointed to the VSS Board from other Departments of the Northern Ireland Civil Service. Given that this still represented conflicting interests and lacked independence, those three Directorships were terminated on 28 October 2013 and four new independent Board Members (who had been interviewed 13 months earlier), were formally appointed as VSS Directors on 3 December 2013. Companies House records show that the original two Directorships were terminated on 24 December 2013.
16. In addition to the governance weaknesses arising from the Board makeup to December 2013 i.e. lack of independence and conflicts of interest, CIPFA found the following inconsistencies in the terms and operational implementation of the Memorandum and Articles of Association and the MSFM:
 - The Memorandum & Articles of Association show that Directors are appointed for a period not exceeding three years, and may from time to time be re-appointed by the Office. This is at odds with the MSFM which states the terms of office are for a period of not exceeding four years.

- The Memorandum & Articles of Association show the quorum for the transaction of the business of the Directors may be fixed from time to time by the Office, but it must never be less than three, and unless otherwise fixed is three. The Interim Board, which operated from April 2012 until September 2013 only had two Directors.
 - The MSFM states that it has been drawn up by OFMDFM in consultation with the VSS, and yet the Directors of VSS at that time (January 2013) were OFMDFM officials.
 - Although the MSFM requires that it should be tabled for the information of Board Members at least annually at a full Board meeting, CIPFA found no evidence of this happening so far.
 - Although the MSFM requires that a copy shall be made available to members of the public on the VSS's website, CIPFA does not believe this has been done.
17. CIPFA found governance training for the original Interim Board was very limited. This consisted of a half-day introductory training course run by the Chief Executives' Forum and a one-day governance course run by the Centre for Applied Learning (delivered by CIPFA) aimed at central government (and not NDPBs). The Directors did not receive training on the legal duties of Company Directors, and on the Board's responsibility for defining the vision and values to drive culture and behaviours in the organisation.
18. CIPFA found that during the interim governance arrangements (April 2012 to December 2013), oversight of internal controls in VSS was weak:
- There was no VSS internal audit function to provide assurances to the Accounting Officer and the Board on internal controls. An internal audit of aspects of VSS was conducted by the Department of Finance and Personnel (commissioned by OFMDFM) that reported its findings on 14 November 2013.
 - An Audit and Risk Committee of VSS only met for the first time on 1 February 2013, and had three further meetings during 2013. Minutes of the Interim Audit and Risk Committee do not show clearly the members of the Committee, as distinct from those 'in attendance'. CIPFA recommends that this is clear in future minutes.
 - Initially, the Chair of the Interim Board was appointed as Chair of the Interim Audit and Risk Committee and chaired the first three meetings. A new Chair of the Committee was appointed on 3 June 2013, and the Interim Board Chair remained as a Committee Member. This does not comply with HM Treasury guidance in their Audit and Risk Assurance Committee Handbook (April 2013) which requires the Audit and Risk Assurance Committee to have the right mix of skills and also to be independent.
19. CIPFA concludes that when VSS was established, it was envisaged that VSS would be independent of OFMDFM and held to account by its Board and by OFMDFM through the MSFM. However, in reality VSS was simply an extension of OFMDFM, a fact that was recognised by OFMDFM officials and was a key driver for reconstitution of the Board. It is clear that the requirement for good governance highlighted in the business case was not met.

20. CIPFA recommends that the new VSS Board becomes fully conversant with the requirements of the Companies Act and the MSFM.
21. The inconsistencies between the Memorandum and Articles of Association and the MSFM also need to be urgently addressed.
22. CIPFA also recommends that a senior executive in VSS is specifically charged with advising the Board on the legal framework within which VSS is required to be governed.
23. The appointment of the new independent Board of VSS in December 2013 is welcomed, and its first Board meeting took place on 21 January 2014. In CIPFA's view, the Chairman understands the priority issues that VSS needs to address and is determined to strengthen governance, Board leadership and oversight.
24. CIPFA understands that it took OFMDFM 13 months to appoint VSS Board Members. This delay meant that governance weaknesses inherent in the initial arrangements were prolonged, candidates were not kept informed, and more importantly, there was a vacuum of Board leadership at VSS. Currently, VSS legislation means it does not fall within the scope of the Code of the Commissioner for Public Appointments in Northern Ireland. Although OFMDFM state these appointments were made in the spirit of the Code of Practice for Ministerial Public Appointments in Northern Ireland, given the length of time and lack of communication with applicants, it appears the appointments did not comply with the Code (or the spirit of the Code).
25. CIPFA recommends that OFMDFM make the necessary arrangements for public appointments in VSS to fall within the scope of the Office of the Commissioner of Public Appointments in Northern Ireland and ensure compliance with the Code in future Board appointments.
26. While the appointment of the new Board provides fresh leadership for VSS, CIPFA suggests there are a number of key risks to the governance of VSS:
 - The number of Board members is unusually low. Our experience suggests that eight to ten Board Members is an appropriate number to ensure the Board fulfils its function effectively.
 - In CIPFA's experience of Boards of public bodies in Northern Ireland, the demand on Board Members' time to carry out their duties often far exceeds the contractual arrangements. Letters of appointment to the new Board members state they will meet approximately twelve times per year and on such other occasions as circumstances require. Remuneration for Board Members is £125 per day, up to a maximum of £3,000 per annum (except for the Chairman, who receives a fixed salary of £5,600).
 - Modern governance demands much more attention from Board members than was the case in the past. Generally, there is growing concern that the level of responsibility, and the time required to govern effectively, are not reflected in the level of remuneration for public appointments. In the case of VSS, given the volume and complexity of issues to be addressed, and the scale of public funding (circa £20 million over two years) CIPFA would suggest that it would be important that the new Board is able to commit to a much greater number of days than has been agreed.

- A small Board of four members may not have the range of skills required to effectively fulfil its role and responsibilities, e.g. for a Board of a public body specialist professional finance skills are important to enable scrutiny and challenge of financial performance.
- The newly appointed independent Board will need to ensure that the Audit & Risk Assurance Committee follows best practice in terms of membership, independence, skills and practices. Given the responsibility of VSS for managing, distributing and overseeing significant public expenditure, CIPFA recommends that a qualified accountant should Chair the Audit and Risk Committee.

27. CIPFA therefore recommends the VSS Board should review its priorities and work with OFMDFM to identify suitable ways of augmenting the numbers and skills on the VSS Board.

Strategy and policy development

28. The Strategy for Victims and Survivors (2009), which had been developed by OFMDFM, set out the high level approach to support victims and survivors in Northern Ireland, defined the overarching aims and principles and described the role of the proposed VSS.

29. The Transition Plan developed in 2011, states ‘the objective is to transform current services from being grants-led to needs-led’. Previously, OFMDFM had funded two intermediary bodies to provide help and support to victims and survivors:

- The Community Relations Council (CRC) funded victims and survivors groups
- The Northern Ireland Memorial Fund (NIMF) funded individual victims and survivors

30. OFMDFM had also provided funding to four Trauma Advisory Panels (TAPs) and the Victims and Survivors Matters Programme.

31. At the heart of good governance is a focus on the organisation’s purpose, and outcomes for citizens and service users (The CIPFA Good Governance Standard). In practice this means:

- Being clear about the organisation’s purpose and its intended outcomes for citizens and service users
- Making sure that users receive a high quality service
- Making sure that taxpayers receive value for money

32. The VSS has a forward strategy entitled ‘Corporate Plan & Strategic Priorities, 2013-2015’ which sets out the vision, mission, strategic priorities and principles of VSS. These form the basis of strategic objectives and performance targets of VSS.

33. CIPFA found there is no evidence in the Interim Board minutes of any Board role in setting strategic direction, and the document appears to have been developed by staff. In addition, there has been a lack of Board oversight of implementation of the Plan.

34. As well as being a grant-funding body, the VSS provides support for groups, and for individuals, and this is done through a range of services related to health and well-being, including therapies. To provide individual support, assessments are carried out called Individual Needs Reviews (INRs). CIPFA understands these assessments have now been deferred.
35. Given the risks, and regulation requirements of such services for individuals and the recent deferment of INRs, CIPFA recommends that the new Board should re-visit the purpose of VSS and explore whether these services fit within the future strategy, or are better provided by specialist organisations.
36. CIPFA recommends that the new Board should review the VSS Corporate Plan, revise it as appropriate and monitor progress of its implementation.

Role of the Board

37. Good governance requires all concerned to be clear about the functions of governance and their own roles and responsibilities and those of others, and to behave in ways that are consistent with those roles.
38. It is essential that the VSS Board is clear about its role, and how it relates to the executive team, to the sponsor Department, to the Commissioner for Victims and Survivors and to the public. Clarity about roles also helps all stakeholders to understand how the governance system works and who is accountable for what.
39. In the MSFM, the primary functions of the VSS Board are to:
 - Establish the organisation's strategic direction and aims, in conjunction with the executive
 - Ensure accountability to the sponsor Department and to the public for the organisation's performance
 - Assure that the organisation is managed with probity and integrity, setting the tone for culture and behaviours by defining values
 - Demonstrate good governance of VSS
40. CIPFA found no evidence of the Interim Board establishing the organisation's strategic direction and aims. For example, the Interim Board minutes of VSS often show the VSS Chief Executive reporting to the Board, and bringing papers to the Board, e.g. the minutes of the meeting held on 31 May 2012 report "The Board was issued with the draft Business Plan". There is no evidence of any Board discussion about the Plan. The minutes of the meeting held on 10 January 2013 report "The first draft of the Corporate Plan and Business Plan are drafted ..."
41. On providing assurances that the organisation is managed with probity and integrity and agreeing values and measuring their application, there is no evidence of the Interim Board doing this although several times in the minutes of Board meetings, the Chairman of the Interim Board is recorded as emphasising the need for an Internal Audit service.

42. Ways of achieving these primary functions include the Board constructively challenging and scrutinising the executive team. CIPFA found a lack of evidence of Board challenge and scrutiny when papers are brought to it. For example, at the meeting of 28 February 2013, the minutes state “ ... presented the Information and Engagement paper. No queries were raised”.
43. There is no Schedule of Matters Reserved for the Board or Scheme of Delegation in place that clearly sets out those decisions that must be taken by the Board and those decisions that can be taken by the executive team.
44. CIPFA recommends that the new Board should review its structures and processes to have a Schedule of Matters Reserved for the Board and a Scheme of Delegation that clearly sets out decisions that must be taken by the Board.
45. In order to direct strategy and ensure that this is implemented and that the organisation achieves its goals, the role of the VSS Board is to:
- Allocate resources and monitor organisational and executive performance
 - Delegate to management
 - Oversee the appointment and contractual arrangements for senior executives, and make sure that effective management arrangements are in place
 - Understand and manage risk
46. CIPFA found the Interim Board of VSS did not fulfil this role or these functions because of a number of weaknesses:
- The role of the Chair and the Department on the VSS Board was confusing. Our analysis of Board minutes show that whilst the Chairman of the Interim Board states at the first meeting “... there should be a clear recognition of separate roles for himself and ... regarding their position on the VSS Board and as officials of OFMDFM”, the language used during Board meetings implies the Board was external to VSS, e.g.
 - > “VSS will update the Board on the HR strategy at the next Board meeting”
 - > “VSS will be consulting with stakeholders ...”
 - > “VSS confirmed that advised that the Department will shortly be confirming the 2013/14 budget available to VSS”
 - > “VSS to issue finalised Corporate Plan to OFMDFM by the end of June 2013”
 - It is not clear from past Board papers who is a Board Member and who is an executive reporting to the Board as it is not clear there is a distinction between those ‘present’ at meetings and those ‘in attendance’. Senior staff are not members of the Board but this would not be clear to anyone reading the minutes.
 - Matters reported and discussed at Board meetings were often operational, and there was very little debate on strategic issues.

- The concept of conflicts of interest and practical implications were not understood or acted upon by the Board. For example, at the first meeting it was recorded that the two Board members “declared their employment with OFMDFM as interests. This was not held to be an impeding conflict of interest by any attendees”. The Companies Act states that a Director of a company must avoid a situation in which he has, or can have, a direct or indirect interest that conflicts, or possibly may conflict, with the interests of the company (section 175, Companies Act 2006). CIPFA believes there was a clear conflict of interest here which required the Directors to stand down and be replaced. It was not sufficient to “declare interests” and then ignore them.

- CIPFA’s analysis of Interim Board meetings shows that there was more focus on processes and pressures on the system than a focus on vulnerable clients. For example, in the minutes of the meeting of 7 June 2013 “... requested that the VSS captures information on the levels of awards of funding for individuals to enable better budgetary, audit and compliance process management”.

- Regarding the Board understanding and manage risk, we found no evidence of the Interim Board doing this. For example, at the meeting of 31 May 2012 it is reported that the “Draft Risk Register was presented to the Board” and “a Non-Executive Director would be required to head the Audit Committee”.

- Currently the VSS Strategic Risk Register lists only three risks (insufficient programme budget, limited psychological resource, and negative publicity). Clearly there are key risks that have not been identified and managed on the strategic risk register, e.g. lack of board skills, experience and independence; client dissatisfaction with service; and poor relationships with key stakeholders.

47. In conclusion, there has been a lack of leadership in the Boardroom from the establishment of the organisation until December 2013. In effect, there has been no Board in place to properly govern VSS. Examples of the impact of that leadership deficit are:

- Lack of clear, agreed vision and values, to ensure that the culture and behaviours deliver services in appropriate ways. In addition to the service needing to be physically accessible, it also needs to be emotionally accessible. For example, in CIPFA’s view the corporate nature of the VSS offices and its city centre location is not appropriate for clients.

- Crucial weaknesses in the strategic risk register, including no recognition of the risks of poor relationships with OFMDFM and the Commission, or of client dissatisfaction with services

48. As a result of our findings CIPFA recommends:

- That the new Board is properly inducted to VSS to ensure that it understands and is able to fulfil its role and responsibilities. It may also be helpful for OFMDFM officials and officials in the Commissioner’s office to participate in this.

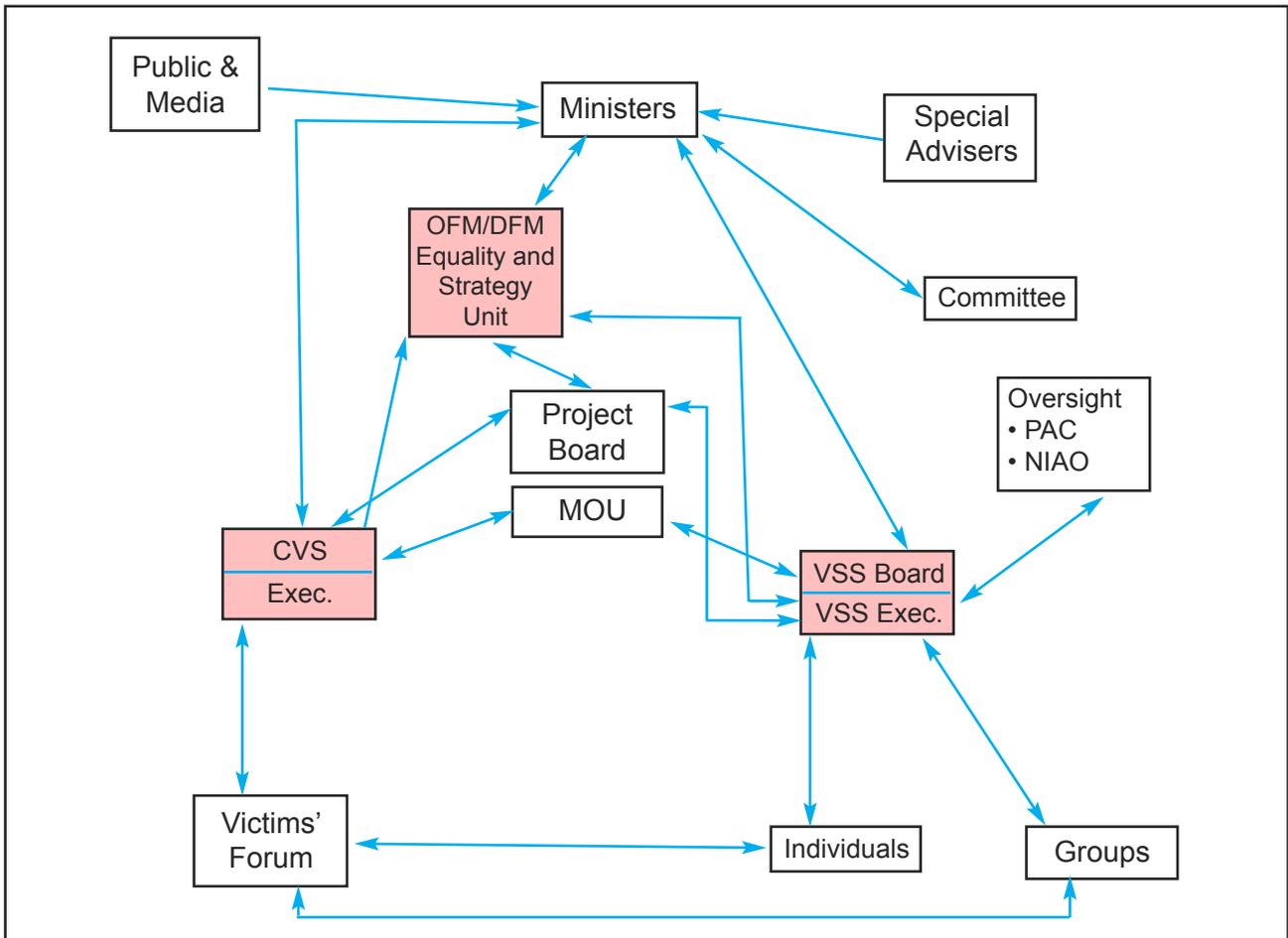
- Given the issues that the Board is facing, intensive support should be provided to the Chair and other Board Members including tailored governance training, coaching and mentoring.

- Support is provided to the executive team and those charged with ensuring good governance within VSS.
 - The Board clearly identifies its information needs and identifies the best way for executives to provide this to members.
 - The Board (with support) should identify key strategic risks, prioritise them, and ensure clear plans are in place for their mitigation.
 - The VSS Audit and Risk Assurance Committee has appropriate skills, training as required and support to ensure it fulfils its function effectively.
49. CIPFA found that VSS has standard governance policies in place such as Anti-Fraud policy, Whistle-blowing policy, Gifts & Hospitality policy and Conflicts of Interest policy.
50. CIPFA recommends that the Board seeks assurance that these key governance policies are operating effectively in practice.

Relationship with key stakeholders

51. The VSS is at the heart of a complex set of relationships which includes OFMDFM as the sponsor Department; the Commission for Victims and Survivors as the regulator and policy adviser to Ministers; and the sector itself through its individual clients and groups. Because of the sensitive nature of the sector, the public interest to ensure the sector's needs are properly met, the political interest and the need for public accountability of spending, there is a wider set of stakeholders that the VSS is required to build strong relationships. We have depicted this framework of relationships in Figure 1 on the following page.
52. There are a number of documents that set out the framework for the relationships among VSS, OFMDFM and the Commission:
- Strategy for Victims and Survivors, November 2009
 - The Transition Plan, produced before VSS was set up in April 2012
 - The MSFM, January 2013
 - VSS Corporate Plan 2013-2016
 - Memorandum of Understanding between the Commission for Victims and Survivors and the Victims and Survivors Service
 - Corporate Governance in Central Government Departments: Code of good practice NI (2013)
 - Terms of Reference for the Programme Board
53. These are essential to guide relationships and working arrangements between organisations. However, it is the leaders and people within the various organisations that will determine whether these relationships are effective or not.

Figure 1 – Key relationships for the Victims and Survivors Service



54. CIPFA found that key relationships between OFMDFM, the Commission and VSS have been sub-optimal to date and this has led to the establishment of the Project Board shown in Figure 1. There are a number of reasons for these poor relationships hitherto, including:

- The VSS has been established very quickly ‘from a standing start’ with a focus by the Department on processes and procedures, rather than vision, values, culture, behaviours and governance
- Concerns over service delivery provided by VSS, caused by for example a much higher volume of clients than had been anticipated and the unexpected deep psychological needs among clients
- Concerns that the organisation is unable to run a client focused service in a sensitive sector and in a very challenging political environment and focusses too much on systems and processes
- Failure to identify proper roles and to develop professional relationships in practice, as opposed to on paper
- A focus on details, rather than on the strategic issues when the VSS business case was being developed
- Lack of real understanding of governance – focus by OFMDFM and the Board only on regularity, propriety, value for money, stewardship with no attention given to vision, values, culture, behaviours
- Weak governance in practice which CIPFA has already highlighted

55. Understandably, these concerns have resulted in greater scrutiny of VSS which has increased pressure on the service. However, CIPFA also found a strong willingness to strengthen relationships to improve the services provided by VSS because:

- All stakeholders have the same vision for a victims led service that delivers results which is well governed, led and managed
- There is a high level of commitment in the VSS staff team to improve the service
- The recently appointed Chair of VSS is providing leadership for the Board and is building a good working relationship with the Commissioner
- The Department has recognised past weaknesses and is keen to learn from these

56. In light of our findings, CIPFA recommends that:

- Collaborative relationships are developed further among key stakeholders including the Victims Forum
- A fresh communications strategy should be developed to help gain confidence of the public, victims and other stakeholders
- The Programme Board should be placed in abeyance at an appropriate time in order to create space for the VSS Board to focus on its priorities, but there should be regular communication on progress of the VSS

Summary

57. In summary, we believe there should be no change to the legal basis of VSS at this stage as a variety of delivery options have already been considered and VSS needs some time and space to bring the service up to standard.

58. At a strategic level, expectations about VSS were unrealistic with an emphasis on speed of setting up the service rather than ensuring good governance from the outset. There was a lack of understanding of governance among OFMDFM officials with a focus on compliance aspects of governance, not on the importance of defined values to influence culture and behaviours. In previous Board meetings, the pressures on VSS were only seen from a Department perspective – not from clients' perspective.

59. There is an opportunity for the new Board, with appropriate support and augmentation, to address strategic priorities and address fundamental service delivery issues in VSS. The Board and the senior executive team will need some space to enable changes in approach, culture and services to be effectively implemented.

Management in the Victims and Survivors Service

60. In this section we assess aspects of management in the VSS, particularly focusing on its people, resource management and information that supports its objectives.

Staffing

61. As an organisation, the VSS was established in April 2012 and currently has 42 staff. Our analysis of staff employed by VSS shows:

- There are currently 33 staff working full-time (79%) and 9 staff are part-time (21% and 4.8 FTE) a total of 37.8 FTE staff.
- The original staff complement (from the business case) was 37 staff including 15 assessors (planned to work one day per week), a total of 27.5 FTE staff. Therefore, there has been an increase of 10 FTE staff from the original business case setting up VSS. FTE staff increases have been fairly even in all functions.
- Staff are currently organised into a clear structure, shown in Appendix 2, consisting of the following three functions:
 - > Programme management (11 staff or 26%)
 - > CEO and corporate services, including audit and verification (14 staff or 34%)
 - > Client assessment and victim support (17 staff or 40%, this includes 2 programme staff moved temporarily to this function)

62. We found that VSS is a very new organisation. Most staff (63%) in VSS have been employed for less than a year with the balance (37%) being employed for between one and two years. Of the current staff, 13 (31%) had been transferred from CRC or the NIMF to the programme management function.

63. Individual job roles are clear and job descriptions exist for staff.

64. Between April 2013 and December 2013 the rate of absenteeism in VSS was in line with the Northern Ireland Civil Service average of seven days per person. There were no significant reported absences in VSS during November and December 2013.

65. CIPFA has not calculated staff turnover rates but were informed by the VSS that this varies e.g. there is a relatively low 'churn' in corporate services but is higher in client services. Within the client services team of seven posts, two are full-time permanent; four are employed on one-year fixed-term contracts (3.4 FTE); and two are agency staff.

66. Therefore, the most important client-facing function in VSS is one with the least security of tenure, characterised by fixed-term and agency staff.

67. In total, there are 13 agency staff (31%) currently employed in VSS. CIPFA considers this to be too high, although we understand the need for staff to provide cover when required. CIPFA recommends that VSS should seek to reduce the number of agency staff in favour of more permanent resourcing arrangements.

68. A case was made to the Department in September 2013 to add three additional posts to the staffing establishment (the roles of Personal Secretary, IT Officer and Front of House) and to upgrade an existing post from a finance role to an audit role. Staffing proposals submitted by VSS should be updated to reflect the overall outcome of this review and resubmitted for the Department to give early consideration to decide on the future staffing needs of VSS.
69. CIPFA was advised that all permanent posts are recruited to VSS through open competition. Following weaknesses highlighted in the 2013 Internal Audit Report, there is now a robust set of recruitment policies and procedures in place to recruit staff.
70. There is a senior management team in VSS consisting of:
- Chief Executive (start date 19/11/2012 – in a part-time shadow role prior to this date)
 - Head of Client Services (start date 17/6/2013)
 - Client Services Manager (start date 22/7/2013)
 - Head of Corporate Services (start date 25/2/2013)
 - Programmes Manager (start date 12/11/2012, but prior service from 5/4/2000)
71. Prior to October 2013, there were no formal meetings of the senior management team. CIPFA was informed that meetings between senior staff and the CEO did take place on a regular and informal basis. Since October 2013, the management team has met on a monthly basis and is serviced by CEO's personal secretary. CIPFA found regular reporting at these meetings on a variety of corporate and client services. CIPFA was advised by VSS that the team also meets informally on a regular basis as needs arise.
72. Overall, whilst in the past there has been a lack of formal 'corporate' management in VSS, the senior team are now meeting regularly, there is an understanding that performance in some aspects of VSS needs to improve and there is a determination at this level for VSS to succeed. This is an area for the Board to monitor in future.
73. The method of communication of information internally through VSS is good. As well as senior management team meetings, there are a series of team meetings and there were also regular staff briefings/meetings for all staff during 2013. These provided an opportunity to disseminate information as well as consult on important issues to all staff.
74. In CIPFA's experience, the level of professional finance skills in VSS is relatively high compared with public bodies of a similar size and scale. The CEO and the Head of Corporate Services in VSS are both qualified accountants and therefore bring professional finance skills to the senior management team and also the Board. In addition, a qualified accountant manages the finance function in VSS.
75. The VSS has a staff appraisal process that sets clear objectives, monitors progress and identifies training and development needs which are summarised in a professional development plan. As this is still operating in its first year of operation, it is too early to analyse its effectiveness although CIPFA observed the scheme focusses on targets and not behaviours. CIPFA recommends that the senior executive team should evaluate the effectiveness of the appraisal system and advise the Board accordingly.

76. CIPFA focussed on the programme management and corporate services functions of VSS, and given overall pressures on the service, we found staff morale amongst those we met to be buoyant. CIPFA was informed that in the past staff morale had been low at times because of the high volume of demand on the service, client expectations and political pressures. In order to systematically capture the mood of staff in VSS, a periodic staff survey would be helpful. CIPFA recommends the VSS Board considers such a survey in the next three months.

Information

77. CIPFA's review addressed information needs from three aspects in VSS – to enable support to be provided to victims, to monitor overall performance and to enable grants to be paid to groups. In our experience, public bodies that administer grant schemes have specific risks that need to be considered by the Board and by management.

78. In order to provide financial and other support for victims and survivors, VSS needs information. Information needs to be systematically, sensitively and confidentially gathered about individuals in order to meet their specific needs and for processing purposes. The VSS also needs information on whether their support to individual and groups has met those needs and to help develop policies and practices to enhance future support. This means gathering information about outcomes of the service provided.

79. CIPFA found that gathering and providing information has been a difficult area for VSS. For example, the databases to store client information have been inherited from NIMF and CRC do not meet the needs of VSS. A case is being considered to replace these. CIPFA recommends that early consideration is given by OFMDFM to the case for a new database for VSS.

80. For CIPFA, gathering information exemplifies the difficult balance required between the needs of a bureaucracy (that can be characterised by hierarchy, rules, regulations, systems, etc.) and the needs of victims (that in the extreme may be characterised by trauma, vulnerability, poverty and insecurity). The VSS needs to ensure the application and assessment process is primarily designed around the needs of individuals (especially vulnerable clients). CIPFA recommends that the Board ensures it is satisfied the assessment process is appropriately designed to meet the needs of individuals whilst at the same time meets public accountability requirements.

Performance management

81. There is a performance management system in VSS based on four strategic objectives. There are 28 key targets that seek to deliver the annual business plan which are monitored internally on a regular basis e.g. at the senior management team meetings. Monitoring at this level is by a report based on a 'traffic light' system. There are 92 operational targets that have been set across the various functions in VSS and which are monitored in this way.

82. The December 2013 monitoring report shows that 79 targets have either been completed (86%), are on track for delivery, or are justifiably close to being delivered and 13 targets (14%) are at risk where progress is less than planned or is not expected to be achieved.

83. CIPFA's observations about the performance system are:

- This is comprehensive, wide ranging and inclusive set of performance measures
- It must be time consuming collating data and reporting on 92 targets which needs to be balanced against the value and use of the information
- It is acknowledged by VSS there are too many targets and these need to be more focussed on users and customers (many are operational and potential for some duplication of reporting to multiple stakeholders)
- Many targets are about processing i.e. inputs and outputs, rather than about the quality of service provided or whether needs of service users have been met
- Where there are risks about non achievement of performance targets, remedial actions should be identified (e.g. risk about individual needs assessments)

84. CIPFA recommends that the performance management system should be reviewed to reduce the number of key performance indicators and to therefore focus on those that are essential to monitor the quality of service to clients/users and also to meet the needs of the Board and sponsor Department.

Grant processes

85. Grants paid to groups that provide support to victims are paid by VSS through the Victims Support Programme (VSP) which commenced on 1 April 2013, replacing the previous Strategic Support Fund and Development Grant Scheme, which were administered by the CRC. The VSP has a budget of £2.2m in 2013/14 which is split into two main funding streams: Large Grants (amounting to more than £75,000) and Small Grants (up to £75,000).

86. CIPFA conducted a high level review of the VSP as set out in the VSP Operating Manual and held discussions with relevant VSS staff. This review focussed on administration of the VSP in the context of recognised good practice principles applicable to funding relationships between the government and voluntary and community sectors.

87. Operational processes for the VSP have not been reviewed in detail nor has any testing of implementation of these processes been carried out. However it should be noted that the processes for the VSP are broadly based on those used by CRC to administer previous funding programmes and are therefore essentially 'tried and tested'. CIPFA was advised that some positive changes have been made, such as the introduction of independent assessment panels which consist of four independent people who assess grant applications.

88. It should be noted that it was clear from discussions held with staff that they were aware of many of the issues highlighted and indeed drew our attention to some of them.

89. It is clear that efforts have been made by VSS to move towards an outcome funding approach which places an emphasis on the change or difference from funding. This can be seen both in the definition of aims and objectives for the VSP, for example, an objective of the Health and Wellbeing strand is ‘...to monitor progress made and the outcomes for individuals..’ and in the monitoring systems established. Staff highlighted the fact that the need to strengthen outcome monitoring was raised in the economic appraisal of the VSP.
90. Difficulties, however, have arisen in implementing the outcome funding approach. CIPFA understands that VSS encountered resistance from some funded organisations to the processes established to monitor outcomes for individuals, which resulted in suspension of this aspect of monitoring in November 2013. Staff informed us that not all funded organisations oppose this form of monitoring, and indeed many welcome the opportunity to demonstrate the benefits that funding has made to individuals.
91. Monitoring and evaluating outcomes is clearly good practice and also essential if an evidence-based case for future funding is to be made. Therefore, CIPFA recommends VSS should explore finding a way to monitoring outcomes for individuals efficiently and effectively.
92. CIPFA noted that the original working group established to consider this matter had no representation from funded organisations. Taking into consideration the resistance encountered, CIPFA recommends that this issue should be revisited in partnership with all relevant stakeholders (including representatives of funded organisations) with the aim of finding a workable solution that is acceptable to both parties.

Simplicity and proportionality of information

93. A high level review of the Operational Manual noted many similarities to the processes adopted for EU funding programmes which themselves are generally considered to be at the bureaucratic end of the scale. Indeed, some of the processes adopted for the VSP go further than EU funding processes, such as the requirement to obtain returned cheques from the bank (VSS advised CIPFA this was a OFMDFM directive).
94. The VSS indicated that current processes reflect concerns, mainly around fraud, in previous funding schemes and acknowledged that steps could be taken to rebalance risk and hence reduce the level of bureaucracy. In addition, CIPFA understands there are concerns about governance of some funded organisations.
95. CIPFA recommends that VSS consider whether any of the practical steps to reduce bureaucracy set out in the April 2013 Northern Ireland Executive report ‘Addressing Bureaucracy : A report on tackling bureaucracy in government funding to the voluntary and community sector’, might be applied to the VSP.
96. In addition, CIPFA recommends a systematic review of each of the requirements necessitating action by applicants/funded organisations. This would involve consideration of whether each requirement could be removed/reduced or met in a different way. For example, the requirement for an applicant to submit five signed hard copies of an application? Could one signed hard copy be considered? Could electronic submission be considered?

97. It should be noted that VSS did provide some examples of actions being taken to simplify processes. For example, recognising that the application process can be difficult for smaller organisations, more officer support is being provided so that better quality applications are brought forward.

Funding relationships

98. Funders and funded organisations have distinct roles in the funding relationship and care should be taken to ensure that these roles do not become blurred. The point of contact in a funding relationship is essentially the Funding Agreement/Letter of Offer.
99. It can be tempting for funders, often for the best reasons, to effectively start to dictate how a funded organisation runs its business. This is not a funder role.
100. There are some elements of the VSP funding manual which could be interpreted as crossing the line in this regard, for example, 'The maximum balance of petty cash at any time must not exceed £100'. Funded organisations should clearly be free to hold whatever amount in petty cash is considered appropriate for its purposes. Equally, it is totally appropriate that VSS set requirements to be met in relation to governance and financial management either as a pre-requisite for eligibility for funding or as a condition of funding. It should be clear however that this is the context in which the requirements are being set.
101. Ultimately financial management is the responsibility of the Board/Management Committee of the funded organisation and care should be taken by VSS to ensure that this responsibility is not undermined or usurped. CIPFA recommends the VSS Board should gain assurance that VSS does not stray into a management role of the organisations it funds.

Financial management & controls

102. The VSS is now in its second financial year, the first complete accounting period being 27th March 2012 to 31 March 2013.
103. Financial accounts for 2012/13 year (which includes the annual governance statement) have not been signed-off by the Board or returned to Companies House and the external audit of accounts by the Northern Ireland Audit Office is currently being finalised.
104. Although accounts for a Ltd company should be filed within nine months of year end, an extension has been given for 2012/13 accounts to be submitted by the 31 March 2014. CIPFA has been advised there are a number of reasons for this delay, such as the complexity of some aspects of the accounts, 2012/13 year is the first return, changes in finance personnel and the availability of personnel to formally sign-off the accounts. We are unable therefore at this stage to report on the opinion on the accuracy of financial transactions and reports. However, the process to publish the VSS financial statements for the 2013/14 financial year should be easier and quicker than for the 2012/13 accounts. CIPFA recommends that the Board of VSS oversees the future production of financial statements in line with statutory requirements.

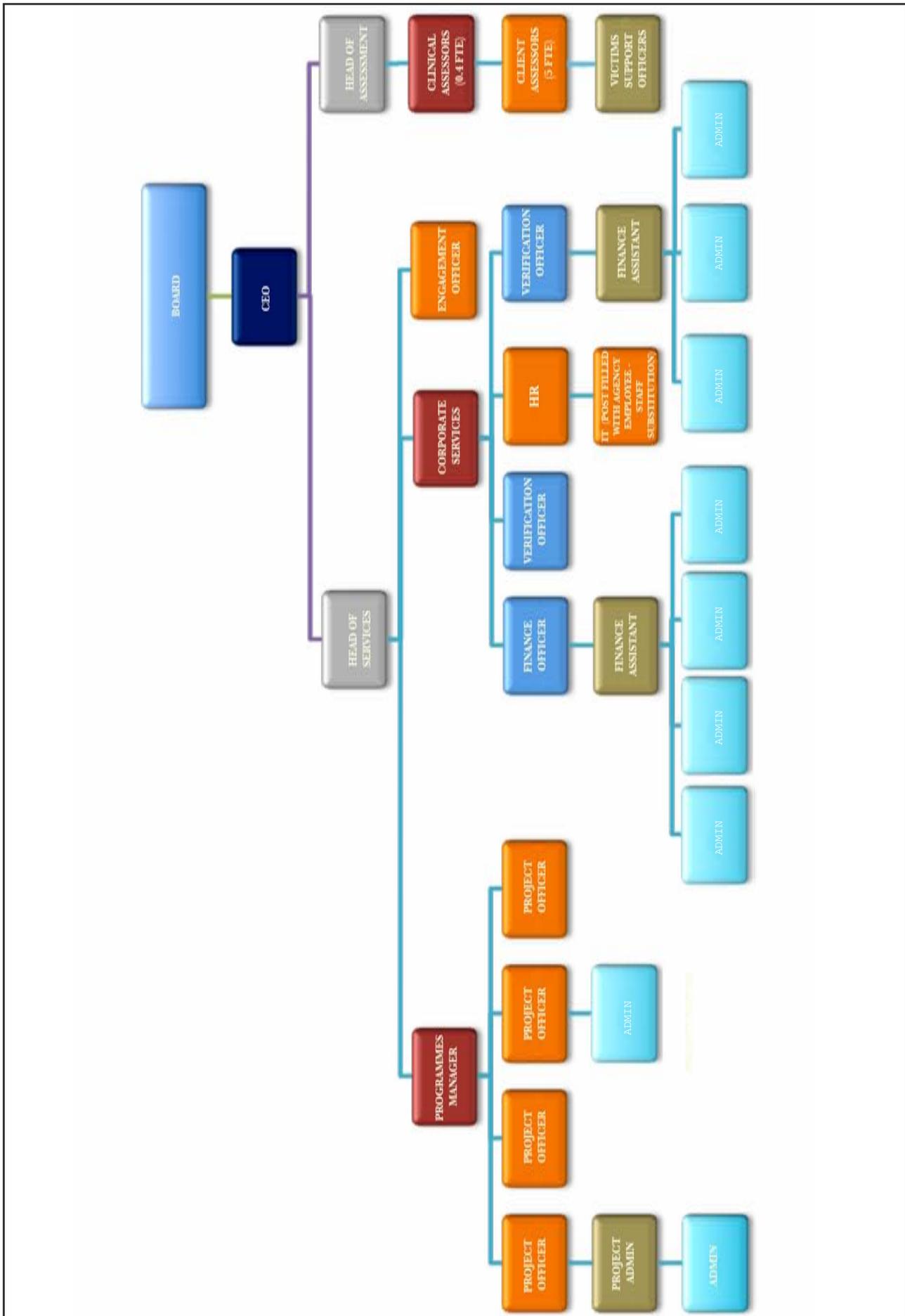
105. CIPFA noted evidence of ongoing financial management and scrutiny of the VSS budget through reports to the senior management team and to the Department.
106. Up to now the VSS has had no Internal Audit function and has just procured Internal Audit services from an external supplier. However, to provide the Departmental Accounting Officer with an opinion on the adequacy and effectiveness of the system of internal control in VSS, the Sponsor Branch of OFMDFM arranged for an audit of VSS by the Department of Finance and Personnel as part of their annual audit plan. The scope of the audit included the following activities in VSS:
- Payments Processing
 - Procurement of Goods and Services
 - Recruitment Process
 - Policies and Procedures
 - Verification/Vouching of groups funded by VSS
 - Information Assurance
 - Risk Management
107. The auditors reported their findings in November 2013 and included a scheduled of recommendations that were largely accepted by VSS management. The report highlighted many weaknesses including the areas of procurement and recruitment which have, and continue to be, addressed by VSS management. CIPFA recommends that the VSS Audit and Risk Committee oversees the implementation of the 2013 internal audit recommendations.
108. Clearly a functioning internal audit service should have been in place in VSS from the outset to help provide assurances to management, the Board and to OFMDFM.

Summary

109. The VSS has 42 staff that are structured and led by a management team which has evolved since the organisation was relatively recently set up (in April 2012). There is a relatively high proportion of agency staff and more stable and permanent arrangements should be in place, especially in the client-facing function of the organisation.
110. To perform its role effectively, VSS needs information about victims and to understand the impact of its funding. The assessment process should be balanced so it is designed to meet the needs of individuals whilst at the same time meets public accountability requirements.
111. Grant programmes need to move towards an outcome based focus and the sector should work with VSS to determine the best way to advance this in a practical and proportionate way. The VSS should continue to streamline its grant processes and be aware of the risks of intruding on funded organisation's business.
112. Finances are managed at a senior level but there needs to be Board scrutiny and oversight. The recent appointment of an internal audit service will help to provide assurances to the Board and to the Accounting Officer.

Appendix 1

Participants in the Review	
Name	Position
Margaret Bateson	Head of Corporate Services, VSS
John Beggs	Secretary, Commission for Victims and Survivors
Anne Dorbie	Chief Executive and Accounting Officer, VSS
Peter Gay	Chairman of the Board, VSS
Katrina Hinfey	Head of Client Services, VSS
Ricky Irwin	Equality and Strategy Unit, OFMDFM
Bertha McDougall	Board member, VSS
Denis McMahon	Equality and Strategy Unit, OFMDFM
Cathy McMullan	Head of Victims Unit, OFMDFM
Brian Mullan	Programmes Manager, VSS
Commissioner Kathryn Stone OBE	Commissioner for Victims and Survivors



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