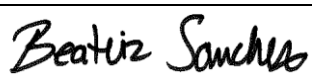



# THE POLICE INVESTIGATIONS AND REVIEW COMMISSIONER GOVERNANCE AND ACCOUNTABILITY FRAMEWORK DOCUMENT

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Approved	Version	Next Review	Signed by
15 April 2024	1.0	As required, but before [15 April 2027]	 Beatriz Sanchez, PIRC Sponsor Team Lead    Sharon Smit, Head of Corporate Services (Accountable Officer) 8/5/24

## Introduction

1. This framework document is agreed between the Police Investigations and Review Commissioner (PIRC) and the Scottish Ministers. It summarises how the PIRC and Scottish Government (SG) will work together, and the key roles and responsibilities of:
  - The PIRC Audit and Accountability Committee (AAC)
  - The Commissioner and Accountable Officer of PIRC.
  - The Scottish Ministers; and
  - The Portfolio Accountable Officer (AO) within the SG whose remit includes PIRC.

While this document does not confer any legal powers or responsibilities, it forms a key part of the accountability and governance framework and as a live document it should be reviewed by SG and PIRC regularly, and at least every 3 years. Any significant changes will be agreed between PIRC and the Scottish Ministers.

2. Any question regarding the interpretation of the document will be determined by the SG after consultation with PIRC. Legislative provisions, including the independence of the Commissioner, take precedence over any part of the document.

3. PIRC is not permitted to establish any subsidiaries or enter into joint ventures without express approval from Scottish Ministers.
4. Copies of the document will be published on the PIRC website and copy placed in Parliament.

## **Purpose**

PIRC is established under the Police, Public Order and Criminal Justice (Scotland) Act 2006 as amended by the Police and Fire Reform (Scotland) Act 2012.

While PIRC is an individual Commissioner, the term "PIRC" in this document should be read as including that wider organisation where appropriate. PIRC is a public officeholder and the wider organisation consisting of the PIRC and their staff is classified by Scottish Government as an Executive Non-Departmental Public Body (NDPB). As a public body, PIRC will also be subject to a range of other statutory functions, including duties under the Freedom of Information (Scotland) Act 2002 and the Equality Act 2010.

PIRC's role is to conduct independent investigations into serious incidents involving the police and to provide independent examination of the way police bodies operating in Scotland respond to complaints from the public.

PIRC will:

- undertake independent and effective investigations into certain matters involving the police when directed to do so by the Crown Office and Procurator Fiscal Service (COPFS) or at the request of the Chief Constable or Scottish Police Authority (SPA); and relevant police matters which the Commissioner considers would be in the public interest.
- through independent scrutiny, examine the way in which police bodies in Scotland handle complaints; and seek to ensure that the Police Service of Scotland (Police Scotland) and the SPA have in place efficient and effective procedures for handling relevant complaints.
- provide re-assurance to the public that complaint handling reviews and investigations involving the police are carried out, independently efficiently and effectively; and
- help promote and support continuous improvement in the policing of Scotland.

## **Governance and Accountability**

### **Legal Origins of Powers and Duties**

PIRC is established under the Police, Public Order and Criminal Justice (Scotland) Act 2006 as amended by the Police and Fire Reform (Scotland) Act 2012.

The constitution of PIRC is set out in the 2006 Act.

The Commissioner is not a Servant or Agent of the Crown, and has no status, immunity, or privileges of the Crown.

The Commissioner's property is not the property, or property held on behalf of the Crown. However, the PIRC, in its day-to-day work, will carry out its functions under the direction of:

- the Crown Office and Procurator Fiscal Service (COPFS);  
and at the request of:
- the Chief Constable of Police Scotland.
- the Scottish Police Authority (SPA).

Additionally, the Commissioner can:

- consider investigating cases where it would be in the public interest to do so.

### **Ministerial Responsibilities**

The Scottish Ministers are ultimately accountable to the Scottish Parliament for the activities of the PIRC and its use of resources. They are not however, responsible for day-to-day operational matters.

Their responsibilities include:

- agreeing PIRC's strategic aims and objectives and key targets as part of the strategic planning process.
- agreeing the budget and the associated Grant-in-Aid requirement to be paid to PIRC and securing the necessary Parliamentary approval.

- carrying out responsibilities specified in the Police and Public Order and Criminal Justice (Scotland) Act 2006 as amended, such as appointment of the Commissioner, approving terms and conditions of the Commissioner; and other matters such as considering any submissions to approve the staff pay remit proposals and laying the PIRC's accounts together with the Annual Report before the Scottish Parliament.

## **PIRC Senior Management Team Responsibilities**

PIRC is supported by a Senior Management Team (SMT), comprising of Commissioner, Director of Operations, Head of Corporate Services (Accountable Officer), Head of Legal Services, Head of Investigations, Head of Reviews and Policy, Finance Manager and Communications Manager.

The role of the SMT is to provide leadership, direction, support, and guidance to ensure that PIRC is committed to delivering its functions effectively, efficiently, and independently whilst recognising the aims, policies, and priorities of the Scottish Ministers. The responsibilities include:

- taking forward the strategic objectives agreed by the Scottish Ministers, as set out in PIRC's Strategic Plan.
- advising the Commissioner on the discharge of her/his responsibilities – as set out in this document, in the founding legislation and in any other relevant instructions and guidance issued by or on behalf of the Scottish Ministers.
- promoting the efficient, economic, and effective use of staff and other resources consistent with the principles of Best Value, including, where appropriate, participation in shared services arrangements.
- determining the steps needed to deal with changes which are likely to impact on the strategic aims, objectives of the PIRC or on the attainability of its operational targets.
- (in reaching decisions) taking into account relevant guidance issued by the Scottish Ministers.
- acting consistently with principles of good governance, accountability and transparency while demonstrating high standards, including openness in its decision making at all times; determining the steps needed to deal with wider changes which are likely to impact on the strategic aims and objectives of the PIRC or its attainability of its operational targets.

- maintaining suitable management information systems for each area of the business, assessing on a continuous basis to ensure efficient and effective working practices and processes are in place and provide updates to the sponsor unit on request.
- ensuring that requests for appropriate information from PIRC, in relation to briefings for Scottish Ministers, Parliamentary Questions, ministerial and official correspondence, is forwarded timeously to the sponsor unit.
- ensuring that effective arrangements are in place to provide assurance on risk management (including in respect of personnel, physical and cyber risks / threats / hazards), governance and internal control.
- ensuring that the sponsor unit receives, and reviews regular financial information concerning the management and performance of PIRC and is informed in a timely manner about any concerns regarding the activities of the PIRC.
- demonstrating high standards of corporate governance at all times, including openness and transparency in its decision making.
- ensure that effective governance is established and maintained, including ensuring that decision-taking is open and transparent and, with support from the Accountable Officer and the Audit and Accountability Committee, ensure that key risks are identified and managed.

## **PIRC Audit and Accountability Committee**

Members of the PIRC Audit and Accountability Committee (AAC) are appointed under the principles of Public Appointments and Public Bodies etc. Scotland (Act) 2003.

Their role is to provide constructive challenge and financial scrutiny and to support the Accountable Officer with their responsibilities for issues of risk, control and governance and associated assurance through a process of constructive challenge.

The AAC will be responsible for advising the Accountable Officer on:

- the strategic processes for risk, control and governance and the Statement on Internal Control.
- the accounting policies, the statutory financial statements, and the annual report of the Commissioner, including the process for reviewing accounts prior to submission for audit, levels of error identified and management's Letter of Representation to the External Auditors.

- the planned activity and results of both Internal and External Audit, including:
  - discussion with the Accountable Officer of the PIRC's annual Internal Audit programme for the forthcoming year.
  - reviewing all audit reports presented by the Internal Auditors.
  - monitoring the implementation of audit recommendations; and
  - the appropriateness of management response to the findings and recommendations identified by audit activity, including the External Auditor's Management Letter.
- Assurances relating to the proper consideration of risks.
- Assurances relating to the corporate governance requirements of the organisation.
- The corporate and business planning process and ensure that any significant issues are drawn to the attention of the Accountable Officer.
- Monitoring policies for preventing and detecting fraud such as whistleblowing.
- Effective working relationships with criminal justice organisations and stakeholders.
- PIRC compliance with legislation, including equality obligations and providing an accessible and inclusive service.
- Carrying out its responsibilities in accordance with PIRC's core values and other policy and strategy documents.
- Promoting the aims and objectives of the PIRC.
- The Committee will also periodically review its own effectiveness and report the results of the review to the Accountable Officer.
- The Chair will:
  - lead the committee, ensuring that all members have suitable induction to understand the role and their responsibilities, that the skills and experience of all members are used effectively and that the AAC undertakes regular self-assessment of its performance.

- ensure that the performance of each member is reviewed at least once per year and that the members undertake development activity when required to ensure the effectiveness of the AAC.
- ensure that the AAC reviews its effectiveness annually.

## **The Commissioner's Responsibilities**

The Commissioner is accountable to Scottish Ministers and, in common with any individual with responsibility for devolved functions, may also be held to account by the Scottish Parliament.

The Commissioner is responsible for ensuring that PIRC's policies and actions support the Scottish Ministers' wider strategic policies and that its affairs are conducted with probity.

The Commissioner has overall responsibility for the resourcing, performance, and management of PIRC staff.

In leading the PIRC, the Commissioner must ensure that:

- PIRC is subject to regular self-assessment and is working effectively and efficiently.
- the SMT, in accordance with recognised good practice in corporate governance, is diverse both in terms of relevant skills, experience and knowledge appropriate to directing the PIRC business, and in terms of protected characteristics under the Equality Act.
- he / she, together with the SMT, receives appropriate induction training including financial management and reporting requirements.
- succession planning takes place to ensure the SMT are diverse and effective.
- there are effective relationships with SG officials and wider stakeholder groups.
- PIRC maintain and secure suitable arrangements for the handling of relevant complaints by the Chief Constable of Police Scotland and the SPA.
- PIRC seek to maintain and secure suitable arrangements for the handling of relevant complaints with all other police bodies operating in Scotland.
- PIRC maintain and secure suitable arrangements for undertaking effective



independent investigations into serious incidents involving the police and allegations of misconduct of senior officers.

- there is a Code of Conduct in place, which is consistent with the code approved by the Scottish Ministers
- there are suitable performance appraisal system in place and performance is assessed on a continuous basis with formal appraisals being taken at least annually.

## **PIRC Accountable Officer Responsibilities**

The Principal Accountable Officer for the Scottish Administration (the Permanent Secretary of the Scottish Government) will designate the Head of Corporate Services as the Accountable Officer for PIRC.

1. The Accountable Officer is personally responsible for the propriety and regularity of the public finances of the PIRC and ensuring that its resources are used economically, efficiently, and effectively, as required by section 15 of the Public Finance and Accountability (Scotland) Act 2000 and may be called to give evidence to the Public Audit Committee of the Scottish Parliament.”. The responsibilities of the Accountable Officer are set out in full in the [Memorandum to Accountable Officers for Other Public Bodies](#) in the Scottish Public Finance Manual.

These include:

- ensuring that financial considerations are taken fully into account at all stages in reaching and executing PIRC’s decisions, and that appropriate financial appraisal and evaluation techniques, consistent with the Appraisal and Evaluation section of the Scottish Public Finance Manual (SPFM), are followed;
- having robust performance and risk management arrangements, consistent with the Risk Management section of the SPFM, in place that support the achievement of the PIRC’s priorities and that facilitate comprehensive reporting to the Commissioner, SG and the wider public;
- ensuring that effective arrangements are in place to provide assurance on risk management, governance, and internal control.
- ensuring that PIRC has set up an audit committee, which consists of a Chair and a minimum of 3 independent external members with at least one of the committee members having recent and relevant financial experience. The Committee will provide independent advice and assurance on the effectiveness of the internal control and risk management systems; ensuring that the resources of the PIRC are

used economically, efficiently, and effectively and that arrangements are in place to secure Best Value and deliver Value for Money as a whole.

- ensuring compliance with relevant guidance issued by the Scottish Ministers, in particular the SPFM and SG Pay Policy.
- promoting the efficient, economic and effective use of staff and other resources by the PIRC consistent with the principles of Best Value, including, where appropriate, participation in shared services arrangements and ensuring that effective arrangements are in place so that the body acts corporately in accordance with the priorities set out in the National Performance Framework, the Programme for Government and Scotland's Economic Strategy in collaboration with the SG and other public bodies;
- ensuring that timely forecasts and monitoring information on performance and finance are provided to the SG; that the SG is notified promptly if over or under spends are likely and that corrective action is taken, and that any significant problems whether financial or otherwise, and whether detected by internal audit or by other means, are notified to the SG in a timely fashion.
- signing the accounts of the PIRC and associated governance statements and publishing both accounts as part of the Annual Report on the website.
- approving the annual accounts and ensuring Scottish Ministers are provided with an Annual Report and Accounts which is thereafter provided to the sponsor unit to allow laying in the Scottish Parliament by end December.
- a statutory duty to obtain written authority from the Commissioner before taking any action which he/she considered would be inconsistent with the proper performance of the Accountable Officer functions. The Accountable Officer should also notify the relevant Portfolio Accountable Officer.
- ensuring that the sponsor unit receives regular financial updates concerning the management and performance of the PIRC and is informed in a timely manner about any concerns regarding the activities of the PIRC.
- advising the Commissioner and SMT on the performance of the PIRC compared with its aim(s) and objectives.
- ensuring that an effective pay and conditions negotiating framework is in place which will allow a negotiated settlement within the parameters of the SG's Public Sector Pay policy.

- together with the SMT, preparing the PIRC's strategic and business plans, annual report and pay remit in light of its strategic aims and objectives agreed by Scottish Ministers; and
- It is important for the Chair and AAC members to recognise that one aspect of these duties is the requirement under section 15(8) of the Public Finance and Accountability (Scotland) Act 2000, where the Accountable Officer considers that any action they are required to take is not consistent with their Accountable Officer responsibilities, they must obtain written authority from the Committee and send a copy of the written authority to the Auditor General for Scotland as soon as possible and sent to the Clerk of the Public Audit Committee. The Accountable Officer should consult the Portfolio AO before seeking written authority from the Committee in these circumstances and should always notify the Portfolio Accountable Officer when such a written authority has been issued.
- ensuring that the PIRC adheres, where appropriate, to the SG Programme and Project Management Principles

## **SG Portfolio Accountable Officer**

The Principal Accountable Officer for the SG will designate the Director General for Education, Communities and Justice (or their equivalent) as the Accountable Officer for the SG portfolio budget for the PIRC.

The responsibilities of a Portfolio AO are set out in detail in the Memorandum to Accountable Officers for Parts of the Scottish Administration.

He/she is personally answerable to the Scottish Parliament for ensuring that:

1. the financial and other management controls applied by the SG are appropriate and sufficient to safeguard public funds and, more generally that those being applied by the PIRC conform to the requirements both of propriety and of good financial management.
2. the key roles and responsibilities which underpin the relationship between the SG and the PIRC are set out in a framework document - and that this document is regularly reviewed.
3. compliance with the framework document is effectively monitored by the sponsor unit.
4. effective relationships are in place at Director and Deputy Director level between the

SG and the PIRC in accordance with the strategic engagement principles; and

5. there is effective continuous assessment and appraisal of the performance of the Commissioner.

The Director for Safer Communities will be responsible for assessing the performance of the Commissioner at least annually.

## **Relationship between Scottish Government and PIRC**

Strategic engagement between the SG and PIRC is essential in order that they work together as effectively as possible to maintain and improve public services and deliver improved outcomes. Specific governance and accountability roles are described in the section above, but more generally, both the SG and PIRC will take all necessary steps to ensure that their relationship is developed and supported in line with the jointly agreed principles set out in the statement on 'Strategic Engagement between the Scottish Government and Scotland's NDPB's'. This emphasises the need for cooperation and good communication, and particularly early warning from either side about any emerging risk or issue with significant implications for the operation or governance of PIRC.

## **Scottish Government Director and Deputy Director's Responsibilities**

The Director of Safer Communities and Deputy Director for Safer Communities (or their equivalents) have responsibility for overseeing and ensuring effective relationships between the SG and the PIRC, which support alignment of the PIRC business and SG's Purpose and National Outcomes and high performance of PIRC. They will be supported by a sponsor unit in discharging these functions who are responsible for the day to day liaison with PIRC.

The Sponsor Team's primary function is to carry out the responsibilities delegated to it by the Portfolio AO, directly or via the Senior Sponsor, as described above. In addition to ensuring that the arrangements in this framework document operate effectively, managing public appointments and providing assurance to the Portfolio AO, the Sponsor Team will usually be the first point of contact for the body on any issue with SG. As part of the assurance, they provide to the Portfolio AO, they must ensure that key actions and decisions agreed are documented and implemented. This includes ensuring that SG teams implement any agreed actions.

Specific responsibilities include:

- The sponsor unit will meet with the PIRC formally, every quarter to discuss performance and on-going business. These meetings will take place at PIRC's Hamilton offices and SG offices alternately or via Microsoft Teams with the Commissioner and Deputy Director of Safer Communities Division (or a nominated deputy) chairing, respectively. The aim is to distribute the agenda and papers to attendees no later than one week in advance of the performance meeting.
- In addition, the sponsor unit will liaise with members of the SMT to discuss any ad-hoc issues and general overview of business.
- discharging sponsorship responsibilities in line with the principles and framework set out in the document [Strategic Engagement between the SG and Scotland's NDPB's](#) and ensuring that sponsorship is suitably flexible, proportionate and responsive to the needs of the Scottish Ministers and the PIRC.
- ensuring that appointment of the Commissioner is made timeously and where appropriate in accordance with the [Code of Practice for Ministerial Appointments to Public Bodies in Scotland](#);
- working with PIRC to ensure alignment of its strategic priorities and annual plans to the National Performance Framework.
- supporting regular senior level engagement with the PIRC which ensures a shared understanding of priorities to inform its strategic and annual planning.
- promoting the PIRC within the SG and ensuring that it is treated as a key stakeholder holder in the development of policy.
- proportionate monitoring of the PIRC's activities through an adequate and timely flow of appropriate information, agreed with the PIRC, on performance, budgeting, control, and risk management.
- addressing in a timely manner any significant problems arising in the PIRC, alerting the Portfolio AO and the responsible Minister(s) where considered appropriate.
- ensuring that the priorities of the PIRC and the risks to it are properly and appropriately taken into account in the SG risk assessment and management systems; and
- informing the PIRC of relevant SG policy in a timely manner.

## **NDPB Staff Management Responsibilities**

The Commissioner, challenged and supported by the AAC, has responsibility for the recruitment, retention, and motivation of their staff. The broad responsibilities toward staff are to ensure that:

- HR policies, practices and systems comply with employment and equalities legislation, and standards expected of public sector employers.
- the level and structure of staffing, including grading and staff numbers, are appropriate to its functions and the requirements of economy, efficiency and effectiveness (subject to the SG Pay Policy for Staff Pay Remits).
- the performance of staff at all levels is regularly appraised and performance management systems are reviewed from time to time.
- staff are encouraged to acquire the appropriate professional, management, and other expertise necessary to achieve the body's objectives.
- proper consultation with staff takes place on key issues affecting them, as appropriate, including working in partnership with trade unions.
- effective grievance and disciplinary procedures are in place and ensures that staff know where to access and how to use.
- effective whistle-blowing policy and procedures consistent with the Public Interest Disclosure Act 1998 are in place and ensures that staff know where to access and how to use; and
- a code of conduct for staff and members of the Audit and Accountability Committee is in place.

## **Pay and Conditions of Service**

PIRC will comply with SG Pay Policy in relation to staff and the Commissioner. The Commissioner will ensure that a pay remit, in line with the Public Sector Pay Strategy, is submitted to the SG for approval in line with any timetable notified and negotiate a pay settlement within the terms of the approved remit. This should normally be done annually unless a multi-year deal has been agreed. Payment of salaries should also comply with the Tax Planning and Tax Avoidance section of the SPFM. Proposals on non-salary rewards will comply with the guidance in the Non-Salary Rewards section of the SPFM.

## **Pensions, redundancy, and compensation**

Superannuation arrangements for the PIRC staff are subject to the approval of the SG. PIRC staff shall normally be eligible for a pension provided by MyCSP. Staff may opt out of the occupational pension scheme provided by PIRC, but the employers' contribution to any personal pension arrangement, including stakeholder pension, shall normally be limited to the national insurance rebate level.

Any proposal by PIRC to move from existing pension arrangements, or to pay any redundancy, or compensation for loss of office, requires the prior approval of the SG. Proposals on compensation payments must comply with the Settlement Agreements, Severance, Early Retirement and Redundancy terms section of the SPFM. This includes referral to the SG of any proposed severance scheme (for example, a scheme for voluntary exit), business case for a settlement agreement being considered for an individual, or proposal to make any other compensation payment. In all instances, a body should engage with the SG prior to proceeding with proposed severance options prior to making any offer either orally or in writing.

## **Corporate and Business Plans**

The PIRC must ensure that a Strategic Plan, agreed with the Scottish Ministers, is in place and published on the PIRC's website.

The PIRC shall agree with the SG the issues to be addressed in the plan and the timetable for its preparation and review. The finalised plan shall reflect the PIRC's strategic aims and objectives as agreed with the Scottish Ministers, indicative budgets and any priorities set by the Scottish Ministers. It shall demonstrate how the PIRC contributes to the achievement of the SG's primary purpose of increasing sustainable economic growth and alignment with the SG's National Performance Framework (NPF).

The Strategic Plan and Business Plan for the PIRC should include:

- the purpose and principal aims of the PIRC.
- key objectives and associated key performance targets for a period of the plan, the strategy for achieving those objectives and how these will contribute towards the achievement of the SG's primary purpose and alignment with the NPF.
- indicators against which performance can be judged as set out in the

Performance Management Framework.

- details of planned efficiencies describing how the PIRC proposes to achieve better value for money, including through collaboration and shared services.
- alternative scenarios and an assessment of the risk factors that may significantly affect the execution of the plans, but that cannot be accurately forecast; and
- other matters as agreed between the SG and the PIRC.

The Strategic Plan should inform the development of a separate business plan outlining key points for each financial year. The Business Plan for the PIRC should include key targets and milestones for the year immediately ahead, aligned to the NPF, and be linked to budgeting information, so that, where possible, resources allocated to achieve specific objectives can be identified.

## **Annual Report and Accounts**

The PIRC must publish an annual report of its activities together with its audited accounts after the end of each financial year and publish by the end of December each year. The annual report must cover the activities of any corporate, subsidiary, or joint ventures under the control of the PIRC. It should comply with the Government Financial Reporting Manual (FReM) and outline the PIRC'S main activities and performance against agreed objectives and targets for the previous financial year.

The accounts must be prepared in accordance with relevant statutes and the specific accounts direction, (including compliance with the FReM) and other relevant guidance issued by the Scottish Ministers. Any financial objectives or targets set by the Scottish Ministers should be reported on in the accounts and will therefore be within the scope of the audit. Any subsidiary or joint venture owned or controlled by the PIRC shall be consolidated in its accounts in accordance with International Financial Reporting Standards as adapted and interpreted for the public sector context.

The draft report should be submitted to the SG for comment and the draft accounts for information by the end of October each year. Whilst the statutory date for laying and publishing accounts audited by the AGS is by 31 December, following the close of the previous financial year, there is an expectation on the part of Scottish Ministers that accounts will be laid and published as early as possible. The accounts must not be laid before they have been formally sent by the AGS to Scottish Ministers and must not be published before they have been laid.



## External Audit

The Auditor General for Scotland (AGS) audits, or appoints auditors to audit, the PIRC annual accounts and passes them to Scottish Ministers who shall lay them before the Scottish Parliament, together with the auditor's report and any report prepared by the AGS. For audit, the auditors have a statutory right of access to documents and information held by relevant persons. The AGS, or examiners appointed by the AGS, may also carry out examinations into the economy, efficiency, and effectiveness with which the body has used its resources in discharging its functions and/or carry out examinations into the arrangements made by PIRC to secure Best Value.

The AGS, or the AGS's appointed auditors or examiners, have a statutory right of access to documents and information held by relevant persons, including any contractors to or recipients of grants from PIRC. PIRC will ensure that this right of access to documents and information is made clear in the terms of any contracts issued or conditions of any grants awarded and will also use its best endeavours to secure access to any other information or documents required which are held by other bodies.

## Internal Audit

The PIRC will:

- establish and maintain arrangements for internal audit in accordance with the Public Sector Internal Audit Standards and the Internal Audit section of the SPFM;
- set up an Audit Committee, in accordance with the Audit Committees section of the SPFM, to advise the Accountable Officer.
- ensure that the Sponsor Team and the Portfolio AO/Senior Sponsor receive promptly after they are produced or updated: the audit charter, strategy, periodic audit plans and annual audit assurance report, including the Head of Internal Audit opinion on risk management, control, and governance – and provide any other relevant audit reports as requested by sponsors.
- keep records of and prepare and forward promptly to the SG an annual report on fraud and theft suffered by PIRC and notify the Portfolio AO or Senior Sponsor immediately of any unusual or major incidents.

The SG's Internal Audit and Assurance Directorate has an expectation of cooperation and access to relevant material when required, the parameters for which would be set out in an engagement document before information was shared. PIRC should make it

clear on their own Privacy Notice that material may be shared with SG's Internal Audit and Assurance Directorate in certain circumstances.

## **Budget Management and Delegated Authority**

Each year the Sponsor Team will send PIRC a Budget Allocation and Monitoring letter, notifying them of the budget provision, any related matters and details of the budget monitoring information required. PIRC will comply with the format and timing of the monitoring information requested and with any requests for further information.

The statement of budgetary provision will set out the budget within the classifications of Resource Departmental Expenditure Limits (RDEL), Capital DEL (CDEL) and Ring-fenced (non-cash) (RfDEL) – and, where applicable, Annually Managed Expenditure (AME). These categories are explained in Annual Budget Processing in the SPFM, and PIRC will not transfer budgetary provision between the categories without the prior approval of the SG Finance Directorate, which should be sought via the Sponsor Team.

Transfers within the categories are at the discretion of the Commissioner or the Accountable Officer, if these do not breach any other constraints, for instance the approved pay remit.

Where budgetary provision includes projected income, including any income from disposal of non-current assets, the Commissioner will ensure that the SG Finance Directorate and Sponsor Team are made aware promptly of any forecast changes in income – usually via the monthly budget monitoring statement. The Scottish Ministers expectation is that any shortfall in income will be offset by a matching reduction in gross expenditure, and prior approval from the SG Finance Directorate and the Sponsor Team must be sought for any alternative arrangement. Similarly, if income is higher than originally projected, this may only be used for additional spending or to meet pressures with the prior approval of the SG Finance Directorate and Sponsor Team. Failure to obtain prior approval for the use of excess income to fund additional expenditure may result in corresponding reductions in budgets for the following financial year. The only exception is where the income is from gifts, bequests, and donations but this must be spent within the same financial year as the receipt.

PIRC's specific delegated financial authorities - as agreed in consultation with Scottish Ministers - are set out in Annex A. PIRC will obtain the prior written approval from sponsors and SG Finance before entering into any undertaking to incur any expenditure that falls outside these delegations, and before incurring expenditure for any purpose that is or might be considered novel, contentious or repercussive or which has or could have significant future cost implications.

## Governance and Risk

Guidance on governance requirements is available in several documents referred to earlier in this framework document:

- [the Scottish Public Finance Manual \(SPFM\)](#)
- [the Audit and Assurance Committee Handbook](#)
- [On Board – A Guide for Members of Statutory Boards](#)

If in any doubt about a governance issue, the Chair or Commissioner should consult the Senior Sponsor or Sponsor Team in the first instance, and sponsors may in turn consult the SG Public Bodies Unit, the SG Governance and Risk Branch and/or other teams with relevant expertise.

The Commissioner and AAC are advised to pay particular attention to guidance on the following issues.

### Risk Management

The PIRC shall ensure that the risks that it faces are dealt with in an appropriate manner, in accordance with relevant aspects of generally recognised best practice in corporate governance, and develop a risk management strategy, consistent with the [Risk Management](#) section of the SPFM. Reporting arrangements should ensure that the sponsor unit is made aware of relevant risks and how they are being managed, a separate update on outstanding risks should be submitted to the sponsor unit for information at agreed intervals. The PIRC audit committee is also required, at the earliest opportunity, to notify the relevant SG Audit and Risk Committee if it considers that it has identified a significant problem which may have wider implications.

The PIRC must develop an approach to risk management consistent with the Risk Management section of the Scottish Public Finance Manual and establish reporting and escalation arrangements with the Portfolio AO or Senior Sponsor.

The AAC should have a clear understanding of the key risks, threats and hazards it may face in the personnel, accommodation and cyber domains, and take action to ensure appropriate organisational resilience, in line with the guidance in: [Having and Promoting Business Resilience](#) (part of the Preparing Scotland suite of guidance) and the [Public Sector Cyber Resilience Framework](#).

## Internal Control

The Commissioner should establish clear internal delegated authorities with the Senior Management Team, who may in turn delegate responsibilities to other members of staff and establish an assurance framework consistent with the internal control framework in the SPFM.

- Counter-fraud policies and practices should be adopted to safeguard against fraud, theft, bribery and corruption - see the Fraud section of the SPFM.
- Any major investment programmes or projects undertaken should be subject to the guidance in the Major Investment Projects section of the SPFM and in line with delegated authorities. The Sponsor Team must be kept informed of progress on such programmes and projects and Ministers must be alerted to any developments that could undermine their viability. ICT investment plans must be reported to the SG's Office of the Chief Information Officer.
- PIRC must comply with the requirements of the Freedom of Information (Scotland) Act 2002 and ensure that information is provided to members of the public in a spirit of openness and transparency. The PIRC must also register with Information Commissioners Office and ensure that it complies with the Data Protection Act 2018 and the General Data Protection Regulations, commonly known as GDPR.

## Budget and Finance

Unless covered by a specific delegated authority, financial investments are not permitted without the prior approval of sponsors and SG Finance. This includes equity shares in ventures which further a body's objectives. Public bodies should not invest in any venture of a speculative nature.

Non-standard tax management arrangements should always be regarded as novel and/or contentious and must therefore be approved in advance by the Portfolio AO and SG Finance. Relevant guidance is provided in the Tax Planning and Tax Avoidance section of the SPFM. PIRC must comply with all relevant rules on taxation, including VAT, recover input tax where it is entitled to do so.

*PIRC's income will be by means of Grant in Aid. No other regular income is envisaged. Should other sources of income become apparent, the PIRC shall discuss with the sponsor unit any implications this may have on budgets and funding.*

Gifts, bequests or donations received score as income and should be provided for in the agreed resource DEL and capital DEL budgets but should not fund activities or assets normally covered by SG grant-in-aid, trading or fee income, and conflicts of interest must be considered – see the principles in the Gifts section of the SPFM. Note that this relates to gifts to the body - gifts to individuals are covered in the Model Code of Conduct.

Borrowing cannot be used to increase PIRC's spending power. All borrowing - excluding agreed overdrafts - must be from the Scottish Ministers in accordance with guidance in the Borrowing, Lending & Investment section of the SPFM.

Any lending must be in line with the guidance in the Borrowing, Lending & Investment section of the SPFM on undertaking due diligence and seeking to establish a security. Unless covered by a specific delegated limit PIRC must not lend money, charge any asset, give any guarantee or indemnity or letter of comfort, or incur any other contingent liability (as defined in the Contingent Liabilities section of the SPFM), whether or not in a legally binding form, without the prior approval of sponsors, SG Finance and where necessary the relevant committee of the Scottish Parliament. Guarantees, indemnities and letters of comfort of a standard type given in the normal course of business are excluded from this requirement.

An accurate and up-to-date record of current and non-current assets should be maintained, consistent with the Property: Acquisition, Disposal & Management section of the SPFM. PIRC is also subject to the SG Asset Management Policy, including the requirement for acquisition of a new lease, continuation of an existing lease, decision not to exercise a break option in a lease or purchase of property for accommodation / operational purposes, to be approved in advance by Scottish Ministers. The Property Controls Team should be consulted as early as possible in this process.

Assets should be recorded on the balance sheet at the appropriate valuation basis in accordance with the FReM. When an asset (including any investment) suffers impairment, when there is significant movement in existing provisions and/or where a new provision needs to be created, this should be communicated to sponsors and SG Finance as soon as possible to determine the implications for the NDPB's budget.

Any funding for expenditure on assets by a third party should be subject to appropriate arrangements to ensure that they are not disposed of without prior consent and that a due share of the proceeds can be secured on disposal or when they cease to be used by the third party for the intended purpose, in line with the Clawback guidance in the SPFM.

Unless covered by a specific delegated authority, prior approval from sponsors and SG Finance is required before making gifts or special payments or writing off losses. Special payments and losses are subject the guidance in the Losses and Special

Payments section of the SPFM. Gifts by management to staff are subject to the guidance in the Non-Salary Rewards section of the SPFM.

Unless covered by a specific delegated authority PIRC must not enter into any finance, property, or accommodation related lease arrangement – including the extension of an existing lease or the non-exercise of a tenant’s lease break - without prior approval from sponsors. Before entering/ continuing such arrangements the PIRC must be able to demonstrate that the lease offers better value for money than purchase and that all options of sharing existing public sector space have been explored.

Non-property / accommodation related operating leases are subject to a specific delegated authority. There must be capital DEL provision in the budget allocation for finance leases and other transactions which are in substance borrowing.

Procurement policies should reflect relevant guidance in the Procurement section of the SPFM and any other relevant guidance issued by the SG’s Procurement and Property Directorate. The SG’s directory of SG Framework Agreements, is available to support organisations but they should check the Framework Agreement’s ‘buyer’s guide’ before proceeding to ensure they are eligible to use the Framework

All matured and properly authorised invoices relating to transactions with suppliers should be paid in accordance with the Expenditure and Payments section of the SPFM wherever possible and appropriate within Scottish Ministers’ target of payment within 10 working days of their receipt.

PIRC is subject to the SG policy of self-insurance. Commercial insurance must however be taken out where there is a legal requirement to do so and may also be taken out in the circumstances described in the Insurance section of the SPFM - where required with the prior approval of sponsors and their finance business partner subject to the level of inherent financial risk. In the event of uninsured losses being incurred the SG shall consider, on a case-by-case basis, whether or not it should make any additional resources available to the NDPB. The relevant sponsor team will provide a Certificate of Exemption for Employer's Liability Insurance.

Unless covered by a specific delegated authority PIRC must not provide grant funding to a third party without prior agreement from sponsors and SG Finance. Guidance on a framework for the control of third-party grants is provided as an annex to the Grant & Grant in Aid section of the SPFM. Subsidy control requirements for any such funding are discussed below.

The EU State aid regime was effectively revoked from UK law from 1 January 2021 and subsidy control provisions are now covered by the UK-EU Trade and Cooperation Agreement (TCA). They are also covered by the UK’s international obligations, including various Free Trade Agreements and those arising as a consequence of World

Trade Organisation membership. Currently, any activity that PIRC undertakes itself, or funds other bodies to undertake, that can be offered on a commercial market for goods and services, is subject to the TCA subsidy rules. A full assessment is required prior to disbursing any funding, subject to the guidance in the subsidy regime section of the SPFM. The UK Subsidy Control Act received Royal Assent in April 2022 and the current position will be subject to change when the new regime comes into force.

## **Remuneration**

Remuneration, allowances, and any expenses paid to the Commissioner must comply with the latest SG Pay Policy for Chief Executives and any specific guidance on such matters issued by the Scottish Ministers.

Staff pay, pensions and any severance payments must be in line with the requirements of Public Sector Pay Policy and the responsibilities described in the section on NDPB Staff Management Responsibilities.

All individuals who would qualify as employees for tax purposes should be paid through the payroll system with tax deducted at source.

## **Banking and Cash Management**

Banking arrangements must comply with the Banking section of the SPFM.

Cash management arrangements need to be addressed as well as overall budget management. Any Grant in Aid (i.e., the cash provided to PIRC by the SG to support the allocated budget) for the year in question will be authorised by the Scottish Parliament in the annual Budget Act. PIRC will normally receive monthly instalments based on updated profiles and information on unrestricted cash reserves and will not seek any payment in advance of need. PIRC will keep its unrestricted cash reserves held during the year to the minimum level needed for efficient operation and any relevant liabilities which have to be met at the year-end. Grant in Aid not drawn down by the end of the financial year will lapse. PIRC will not pay Grant-in-Aid into any restricted reserve it holds.

## **Helpful Information**

The Public Bodies Support Unit has produced a register of reporting requirements for devolved public bodies which will help in regard to compliance with certain legislative asks. Copies of the register can be obtained from the PBSU mailbox.

## Annex A - Specific Delegated Financial Authorities

Capital investment projects.

	<b>Delegated Limit</b>
<b>External business and management consultancies</b>	£100,000
<b>Non-competitive action</b>	£25,000
<b>Operating leases – other than property/ accommodation related leases</b>	Lease at market value up to 5 years with a rental up to £10k per annum
<b>Gifts</b>	£1,000
<b>Special payments</b>	£1,000
<b>Claims waived or abandoned</b>	£10,000
<b>Write-off of bad debt and/or losses</b>	£1,000
<b>Capital Investment Projects</b>	