



**THE LEASEHOLD ADVISORY SERVICE  
(LEASE)**

**CODE OF PRACTICE FOR THE CHAIR**

**AND**

**BOARD MEMBERS OF THE LEASEHOLD**

**ADVISORY SERVICE**

Approved by Communities & Local Government,  
and The National  
Assembly for Wales

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## Public Service Values

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

## Relationship with the Sponsor Department

2. The Secretary of State is answerable to Parliament for the policies and performance of all public bodies sponsored by Communities and Local Government (CLG), including their use of resources and the policy framework within which they operate. The relationship with CLG and the National Assembly for Wales (NAfW) is governed by the agreed Management Statement and the Financial Memorandum. Copies are available on request.

## The Role of the Chair

3. The Chair has particular responsibility for providing effective strategic leadership on matters such as:
  - formulating the board's strategy for discharging its statutory duties;
  - encouraging high standards of propriety and promoting the efficient and effective use of staff and other resources throughout LEASE;
  - ensuring that the board, in reaching decisions, takes proper account of any guidance provided by the sponsoring departments;
  - representing the views of the board to the general public; and

- providing an assessment of the performance of individual board members and the Chief Executive, on an annual basis, and when they are being considered for re-appointment to the board or some other public body.
4. The Chair should ensure that the board meets at regular intervals throughout the years and that minutes of meetings accurately record the decisions taken, and where appropriate, the views of individual board members.
  5. Communications between the board and the Ministers of the sponsoring departments will normally be through the Chair except where the board has agreed that an individual member should act on its behalf. Nevertheless, an individual member has the right of access to Ministers on any matter which he or she believes raises important issues relating to his or her duties as a member of the board. In such cases the agreement of the rest of the board should normally be sought.
  6. The main point of contact between the board and the sponsoring departments on day to day matters will normally be the Chief Executive or another member of staff who is authorised to act on behalf of LEASE.
  7. The Chair will ensure that all members of the board, when taking up office, are fully briefed on the terms of their appointment and on their duties, rights and responsibilities. The Chair and other members of the board should have a copy of the Code of Practice for LEASE, including copies of LEASE's Management Statement and Financial Memorandum; its latest corporate plan and annual reports and accounts; the treasury's memorandum *'The responsibilities of a NDPB Accounting Officer'*; the Treasury's handbook *'Regularity and Propriety'*; notes describing LEASE's organisational structure and statutory basis of operation; and the rules and procedures of the Board. The Chair should encourage new board members to attend an induction course on the duties of board members of public bodies or some other suitable form of induction programme.

### **Corporate Responsibilities of Board Members**

8. Members of the board have corporate responsibility for ensuring that LEASE complies with any statutory or administrative requirements for the use of public funds. Other important responsibilities for the board include:
  - ensuring that high standards of corporate governance are observed at all times;
  - establishing the overall strategic direction of LEASE within the policy and resources framework agreed with the sponsoring departments;

- ensuring that the board operates within the limits of its statutory authority and any delegated authority agreed with the sponsoring departments, and in accordance with any other conditions relating to the use of public funds;
- ensuring that, in reaching decisions, the board had taken into account any guidance issued by the sponsoring departments;
- formulating a strategy for implementing the *Code of Practice on Access to Government Information*, including prompt responses to public requests for information, and meeting other requirements for openness and responsiveness as set out in part J of *Non Departmental Public Bodies: A Guide for Departments*;

### **Responsibility of Individual Board Members**

9. Individual board members should be aware of their wider responsibilities as members of the board. Like others who serve the public, they should follow the Seven Principles of Public Life set out by the Committee on Standards in Public Life. The principles are printed at Appendix 1. Board members must:
  - undertake on appointment to comply at all times with the Code of Practice that is adopted by LEASE and with the rules relating to the use of public funds;
  - act in good faith and in the best interests of LEASE;
  - not misuse information gained in the course of public service for personal gain or for political purpose, nor seek to use the opportunity of public service to promote private interests or those of connected persons, firms, businesses or other organisations; and to declare publicly any private interests which may be perceived to conflict with public duties; and
  - ensure that they comply with the board's rules on the acceptance of gifts and hospitality.
  
10. Board members, whether full or part-time, are expected not to occupy paid party political posts or hold particularly sensitive or high-profile unpaid roles in a political party. Subject to that, part-time members are free to engage in political activities, provided that they are conscious of their general public responsibilities and exercise a proper discretion, particularly in regard to the work of the boards of which they are members. On matters directly affecting that work, they should not make political speeches or engage in other political activities. Should a full-time position on the board arise those members appointed to that position should abstain from all controversial political activities.

11. The restrictions in paragraph 10 do not apply to board members who are MPs (in those cases where MPs are eligible to be appointed), to local councillors or to Peers in relation to their conduct in the House of Lords. The position of Peers in this regard is covered by a statement made by Lord Addison in 1951 in relation to Peers who are members of public bodies. See appendix 3.
12. The arrangements for appointing individual board members normally make it possible to remove them from office if they fail to perform the duties required of board members to the standards expected of persons who hold public office.

### **Handling of Conflicts of Interest**

13. The chair and other board members should declare any personal or business interests which may conflict with their responsibilities as board members at the earliest available opportunity. This should include notation in a register of interests which should be open to the public.
14. In board meetings, board members must ensure that their interests are declared as soon as practicable after the beginning of a meeting and minuted as appropriate in board resolutions. It is at the discretion of the Chair whether the individual board member should withdraw from the meeting during discussions of matters which they have registered an interest. Where the interest is not of a direct pecuniary kind, members should consider whether to participate in the discussion or determination of a matter would suggest a real danger of bias.
15. Because executive NDPBs are required, other than exceptionally, to follow generally accepted accounting practice, board members must facilitate compliance with the need under Financial Reporting Standard 8 for material transactions with related parties to be disclosed in financial statements. “Related Parties” in FRS 8 include (in addition to business contacts) close members of the family of an individual, who are defined for the purposes of the standard as those family members, or members of the same household, who may be expected to influence, or be influenced by, that person in their dealings with the reporting entity.
16. The board should adopt safeguards to prevent conflict of interests arising from the acceptance of outside appointments during or after tenure as a board member, taking account of guidance from CLG.
17. Members of the Board will inform the Chair and CLG, at the earliest available opportunity, of their decision to accept an appointment to any other Board.

## **Register of Members' Interests**

18. Board members are required to ensure that their interests are recorded in a Register of Interests and to ensure that this register is updated as these interests occur. This register should be updated annually even if the interests remain the same.
19. The Register should as a minimum list all direct or indirect pecuniary interests of Board members which members of the public might reasonably think could influence judgement; list non-pecuniary interests of Board members where these have a direct bearing on the business of LEASE, and interests of spouses and of children under 18 and of persons living in the same household as the board member.<sup>1</sup>
20. The Register of Board member's interests should be open for public inspection and should be available on LEASE's website. Details of how access can be obtained should be widely available and included in annual reports.

## **Personal Liability of Board Members**

21. Although any legal proceedings initiated by a third party are likely to be brought against the Board, in exceptional cases proceedings (civil, or in certain cases, criminal) may be brought against the Chair or other individual Board members. For example, a Board member may be personally liable if he or she makes a fraudulent or negligent statement which results in loss to a third party. Board members who misuse information gained by virtue of their position may be liable for breach of confidence under common law or may commit a criminal offence under insider dealing legislation.
22. In the case of a Board which is incorporated under the Companies Act or the Companies Act (Northern Ireland) Order, an individual Board member will be subject to the duties of directors under company law.
23. However, the Government has indicated that individual Board members who have acted honestly and in good faith will not have to meet out of their own personal resources any personal civil liability which is incurred in execution or purported execution of their Board functions, save where the person has acted recklessly. Subject to their own specific statutory powers, NDPBs should issue to their Board members suitable indemnities consistent with this paragraph.
24. Board members who need further advice should consult the Board's legal advisers.

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

## **Delegation**

25. The Board may agree delegation to the Chief Executive or other staff for day-to-day management of LEASE so far as is practical, within a clearly understood and written framework of strategic control . Issues likely to be reserved for decision by the board are likely to include issues of corporate strategy, key strategic objectives and targets (agreed with sponsor departments as necessary), major decisions involving the use of financial and other resources.
26. The Board may delegate responsibility to individual members or committees of the Board for such matters as the Board deem appropriate, or for those matters referred by any of the sponsoring bodies, for example in the form of working parties. Any decisions taken by individual members or committees of the board under delegated powers should be recorded in written minutes available to the Board as a whole.

## **Strategic Planning and Control**

27. One of the main tasks of the Board is oversight of the production of a Corporate Plan. This is the basis for agreeing, with the responsible Minister or Ministers, the policy and resources framework within which LEASE will discharge its duties, and for determining its key strategic objectives and targets, including financial performance, quality of services, and efficiency and effectiveness of LEASEs operations.

## **Openness and Responsiveness**

28. Board members and their staff should conduct all their dealings with the public in an open and responsible way and ensure full compliance with the *Code of Practice on Access to Government information*. They should take account as far as possible of the Standard of Best Practice or Openness in Executive NDPBs and NHS bodies in the *First Report of the Committee on Standards in Public Life* (Cm 2850-1). They must make publicly available annual reports, and, where practical and appropriate, should hold open meetings, release summary reports of meetings, and invite evidence from members of the public on matters of public concern. NDPBs should adhere to the nine principles of public service delivery that can be found at <http://www.ogc.gov.uk/sdtoolkit/deliveryteam/briefings/businesschange/checklist.html>.
29. The Board is responsible for providing Parliament (including its Select Committees - see Appendix 2) and the public with as full information as may be requested concerning their policy decision and actions, including full compliance with the Freedom of Information Act 2000 and any subsequent complaints procedures that need to be adopted.
30. The board should ensure they can demonstrate that they are using resources to good effect, with propriety, and without grounds for criticism that public funds are being

used for private, partisan or party political purposes. They will need to act consistently with the nature of LEASEs business and the possible need for confidentiality on commercial or other grounds, always subject to the rights of Parliament and the Comptroller and Auditor General to obtain information.

31. There should be a well publicised and easy to use complaints procedures which covers both maladministration and failure to provide access to information.

### **Accountability for Public Funds**

32. Members of the Board have a duty to ensure that public funds – including all forms of receipts from fees, charges and other sources – are properly safeguarded and that, at all time, LEASE conducts its operations as economically, efficiently and effectively as possible, with full regard to the relevant statutory provisions and to relevant guidance in Government Accounting.
33. Members of the Board are responsible for ensuring that LEASE does not exceed its powers or functions, including any limitations on its authority to incur expenditure. They are normally advised on these matters by the Chief Executive and its legal advisers.

### **Annual Report and Accounts**

34. As part of its responsibilities for the stewardship of public funds, the Board will ensure that a full statement of the use of such resources is included in LEASE's Annual Report and Accounts. Such accounts are prepared in accordance with the Accounts Direction issued by the principal Accounting Officer for CLG and such other guidance that may be issued, from time to time, by CLG or Treasury. The Annual Report will be made publicly available.
35. The Annual Report provides a full description of the Board's activities; states the extent to which key strategic objectives and agreed financial and other performance targets have been met; lists the names of the current Board members and Senior staff, and provides details of any remuneration that Board members may receive. It should contain information on access to the register of interests, and should normally contain at least a summary of the annual Accounts, and in any case give details of how to obtain the full accounts. A statement by the auditors should be included in the summary to confirm that it is consistent with the Annual Accounts, and state whether the report was qualified, with details if necessary.

### **The Role of the Chief Executive**

36. The Chief Executive has responsibility, under the Board, for the overall organisation, management and staffing of an executive NDPB and for its procedures in financial and other matters, including conduct and discipline. This involves the promotion by leadership and example of the values embodied in the

Seven Principles of Public Life. Board members should support the Chief Executive in undertaking this responsibility.

### **The Role of the Accounting Officer**

37. The Chief Executive of LEASE shall be designated as the Accounting Officer. NDPB Accounting Officers are responsible to Parliament and the Accounting Officer of the responsible Department for the resources under their control. The essence of the role is a personal responsibility for the propriety and regularity of the public finances for which they are answerable; for the keeping of proper accounts; for prudent and economical administration; for the avoidance of waste and extravagance; and for the efficient and effective use of all the resources in their charge. The Accounting Officer has a responsibility to see that appropriate advice is tendered to the Board on all these matters. Satisfactory performance of these responsibilities is fundamental to the role of the Chief Executive. Guidance on the role of an accounting officer is set out in "*The Responsibilities of a NDPB Accounting Officer*" and all board members should ensure that they have a copy of this document, and should ensure the Chief Executive also has a copy.

### **Audit Committee**

38. All public bodies should establish an audit committee as a committee of the Board. The responsibilities of the audit committee will overlap with those of the Accounting Officer. It is envisaged that he/she will normally attend all meetings of the audit committee, unless, exceptionally, his or her own performance is being discussed. More detailed guidance on the role of an Audit Committee and specimen terms of reference are at Appendix 5.

### **The Board as Employer**

39. The Board shall, with the express agreement of CLG, appoint the Chief Executive.
40. The Board shall ensure that as a responsible employer it complies with all the relevant employment legislation and that it employs suitably qualified staff who will discharge their responsibilities in accordance with the high standards expected of staff employed by LEASE. All staff should be familiar with LEASEs main aims and objectives.
41. The Board shall ensure that LEASE's arrangements for the recruitment and management of all employees provides for appointment and advancement on merit on the basis of equal opportunity for all applicants and staff, and that rules of conduct for its employees reflect the public service values set out in this code and management practices which will use resources in the most economical and efficient manner. The board shall satisfy itself that an adequate field of suitable

candidates is considered, and should always consider the merits of full and open competition.

42. The board shall ensure that its staff and the boards own members have appropriate access to advice and training opportunities in order to enable them to exercise their responsibilities effectively.
43. The Board has responsibility for monitoring the performance of the Chief Executive, and they should ensure a code of conduct is in place and agreed with the sponsor departments.

### **THE SEVEN PRINCIPLES OF PUBLIC LIFE**

#### **Selflessness**

Holders of public office should take decisions solely in terms of the public interest. They should not do so in order to gain financial or other material benefits for themselves, their family, or their friends.

#### **Integrity**

Holders of public office should not place themselves under any financial or other obligation to outside individuals or organisation that might influence them in the performance of their official duties.

#### **Objectivity**

In carrying out public business, including making public appointments, awarding contracts, or recommending individuals for rewards and benefits, holders of public office should make choices on merit.

#### **Accountability**

Holders of public office are accountable for their decisions and actions to the public and must submit themselves to whatever scrutiny is appropriate to their office.

#### **Openness**

Holders of public office should be as open as possible about all the decisions and actions that they take. They should give reasons for their decisions and restrict information only when the wider public interest clearly demands.

#### **Honesty**

Holders of public office have a duty to declare any private interests relating to their public duties and to take steps to resolve any conflicts arising in a way that protects the public interests.

#### **Leadership**

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

## EVIDENCE TO SELECT COMMITTEES

1. Departmental Select Committees have an important role in examining the expenditure, administration and policies of NDPBs. The Government fully supports this role. Lords Committees and other Committees may also seek evidence from NDPBs from time to time.
2. NDPB Board members may, on occasion, be invited to give evidence to Select Committees. When they do so, they should be as helpful as possible in providing accurate, truthful and full information refusing to provide information only when disclosure would not be in the public interest. This should be decided in accordance with the relevant statutes and the Government's Code of Practice on Access to Government Information (which will be superseded by Freedom of Information legislation from January 2005). Board members should bear in mind in this context the need to respect legitimate Board confidences.
3. Before giving evidence, Board members may find it helpful to see *Departmental Evidence and Response to Select Committees* (also known as the *Osmotherly Rules*). This gives general advice on dealing with Select Committees including their powers to summon witnesses and papers and responses to Select Committee reports. Copies are available from the Propriety and Ethics team in the Cabinet Office on 020-7276- 2474 or it can be accessed at [www.cabinetoffice.gov.uk/propriety and ethics/select\\_committees/index.asp](http://www.cabinetoffice.gov.uk/propriety_and_ethics/select_committees/index.asp).
4. Similarly, the Chief Executive of an NDPB may be called, as an Accounting Officer, to give evidence to the Public Accounts Committee (PAC). Guidance on giving evidence to the PAC is set out in the *Accounting Officer Memorandum* which can be obtained from the Treasury Officer of Accounts.
5. Board members wishing to give evidence should, as a matter of courtesy, advise their Chairman and colleagues on the NDPB Board and its sponsoring department of their intention. They should discuss with them the handling of any oral or written evidence they want to submit and whether they expect to be giving evidence on behalf of the NDPB or in a personal capacity. The Select Committee should be advised of the status of the witness.
6. Subject only to a Committee's power to decide to require the attendance of a witness, the decision on whether to give evidence is solely for the individual concerned. There must be no pressure placed on individuals to deter them, or action taken against them as a consequence of giving evidence to a Select Committee. Any such actions might be regarded as a contempt of the House, with potentially serious consequences for those involved.

### **Addison Rules**

1. A peer who is a member of a public board, whether commercial or non-commercial in character, is not by reason of such membership debarred from exercising his or her right to speak in the House of Lords, even on matters affecting the Board of which he or she is a member; and it is recognised that, in the last resort, only the Peer concerned can decide whether he or she can properly speak on a particular occasion.
2. The following guidance (based upon that given by the then Leader of the House Viscount Addison, after consultation and agreement between the parties) may be helpful to Peers, who are considering whether or not to take part in a particular debate.
  - i. When questions affecting a particular board or public board in general arise in Parliament the present Minister and the Government of the day generally are alone responsible to Parliament. The duty of reply rests with Ministers only, and cannot devolve upon members of public boards who may also be members of the House of Lords. There can be no question of Board members replacing, or usurping the functions of, Ministers and dealing with matters of Ministerial responsibility. In the Commons, of course, the possibility could not arise, because a Member of the House must resign his seat on accepting an appointment of this nature.
  - ii. It is important that, as contemplated in the Statutes and, in the case of the BBC, by the Charter, the Boards shall be free to conduct their day to day administration without the intervention of Parliament or Ministers, except where otherwise provided. If Board members who happen also to be peers were to give the House information about the day to day operations of the Board or to answer criticisms respecting it, the House would in fact be exercising a measure of Parliamentary supervision over matters of management. It would also be difficult for the responsible Minister not to give similar information to the House of Commons.
  - iii. There is no duty upon the board member to answer questions put to him in debate, and that no criticism should attach to any Board member who refrains from speaking in a debate. Nor should the fact that a member spoke in a particular debate be regarded in any way as precedent for him or any other member speaking in any other debate.
  - iv. The above applies only to debates relating to public boards. Experience acquired as a member of a public board will often be relevant to general debates in which the same contributions do not arise, and the contributions of board members who are peers may be all the more valuable because of that experience.
3. The statement below, taken from the memoranda, best sums up the intentions behind Lord Addison's Rules.

“The House of Lords is a sensible body; and the latitude to speak or refrain from speaking, inherent in a peer, is not likely to cause embarrassment. Indeed, any attempt to lay down a hard and fast rule would be more likely to cause embarrassment”.

## APPENDIX 4

### PUBLICATIONS

**Committee on Standards in Public Life, First Report**, Cm 2850-I, 1995, available from The Stationery Office, 020 7863 9090, price £11.80 (ISBN 0 10 1285027) [www.public-standards.gov.uk/](http://www.public-standards.gov.uk/)

**The Government's Response to the First Report of the Committee on Standards in Public Life**, Cm 2931, July 1995, available from The Stationery Office, 020 7873 9090, price £7.10 (ISBN 0 10 129312 7).

**Executive Non-Departmental Public Bodies: Annual Reports and Accounts Guidance**, 2004/05, available from Central Accountancy Team, HM Treasury, 020 7270 4535/61  
[http://www.hm-treasury.gov.uk/media//1816E/reports\\_accounts\\_guidance\\_210704.pdf](http://www.hm-treasury.gov.uk/media//1816E/reports_accounts_guidance_210704.pdf)

**Government Accounting**, available from Treasury Officer of Accounts (TOA) Team, HM Treasury, 020 7270 5524.  
[www.government-accounting.gov.uk/current/frames.htm](http://www.government-accounting.gov.uk/current/frames.htm)

**The Responsibilities of a NDPB Accounting Officer**, Annex 8.2 of Government Accounting December 1994, available from TOA Team, HM Treasury, 020 7270 5524  
[www.government-accounting.gov.uk/current/frames.htm](http://www.government-accounting.gov.uk/current/frames.htm)

**Government Internal Audit Standards**, October 2001, available from Assurance Control and Risk Team, HM Treasury, 020 7270 5174  
[www.hm-treasury.gov.uk/Documents/Public\\_Spending\\_and\\_Services/Audit\\_and\\_Accounting/pss\\_aud\\_gias.cfm](http://www.hm-treasury.gov.uk/Documents/Public_Spending_and_Services/Audit_and_Accounting/pss_aud_gias.cfm)

**Government Internal Audit Standards, Good Practice Guide, May 2002** available from Assurance Control and Risk Team, HM Treasury, 020 7270 5174  
[www.hm-treasury.gov.uk/Documents/Public\\_Spending\\_and\\_Services/Audit\\_and\\_Accounting/pss\\_aud\\_gias.cfm](http://www.hm-treasury.gov.uk/Documents/Public_Spending_and_Services/Audit_and_Accounting/pss_aud_gias.cfm)

**Audit Committee Handbook, October 2003** available from Assurance Control and Risk Team, HM Treasury, 020 7270 5174  
[www.hm-treasury.gov.uk/Documents/Public Spending and Services/Audit and Accounting/pss\\_aud\\_index.cfm](http://www.hm-treasury.gov.uk/Documents/Public_Spending_and_Services/Audit_and_Accounting/pss_aud_index.cfm)

**Non-Departmental Public Bodies: A Guide for Departments**, available from Agencies and Public Bodies Team, Cabinet Office, 020 7276 2040.  
[www.civilservice.gov.uk/improving\\_services/agencies and public bodies/publications/pdf/ndpb-guide 2004](http://www.civilservice.gov.uk/improving_services/agencies_and_public_bodies/publications/pdf/ndpb-guide_2004)

**Regularity and Propriety: A Handbook**, July 1997, available from Treasury Officer of Accounts Team, HM Treasury, 020 7270 5524.  
<http://www.hm-treasury.gov.uk/media/5AAE6/162.pdf>

**Code of Practice on Access to Government Information**, Second Edition 1997  
[www.dca.gov.uk/foi/ogcode981.htm](http://www.dca.gov.uk/foi/ogcode981.htm)

**A better quality of life: a strategy for sustainable development for the United Kingdom**, May 1999, £11.80, Cm 4345. Published by The Stationery Office and available from the Publications Centre: 0345 02 34 74.  
[www.sustainable-development.gov.uk/ar2003/index.htm](http://www.sustainable-development.gov.uk/ar2003/index.htm)

**Achieving a better quality of life. Review of progress towards sustainable development: Government annual report 2003**  
[www.sustainable-development.gov.uk/ar2003/index.htm](http://www.sustainable-development.gov.uk/ar2003/index.htm)

## APPENDIX 5

### AUDIT COMMITTEES

1. The guidance on Codes of Practice recommends that all public bodies, unless otherwise agreed with their sponsor Department, should set up an Audit Committee of the Board. This appendix provides further guidance.
2. The Audit Committee is an advisory body with no executive powers. Its main function should be:
  - To help promote the highest standards of propriety in the use of public funds and encourage proper accountability for the use of those funds;
  - To improve the quality of financial reporting by reviewing internal and external financial statements on behalf of the Board;
  - To promote a climate of financial discipline and control which will help to reduce the opportunity for financial mismanagement; and
  - To promote the development of internal control systems which will help satisfy the Board that the body concerned will achieve its objectives and targets and is operating:
    - i. in accordance with any statutory requirements for the use of public funds;
    - ii. within delegated authorities laid down by the principal sponsoring Department and the public body's own rules on what matters should be referred to the Board; and
    - iii. in a manner which will make most economic and effective use of resources available.
3. The Audit Committee should be chaired by a non-executive board member, other than the Chair, who has relevant experience and expertise. Other members of the Committee should be non-executive board members.
4. The Treasury has issued *The Audit Committee Handbook* for Accounting Officers in Departments and Executive Agencies. The Dear Accounting Officer letter DAO(GEN) 17/03 [www.hm-treasury.gov.uk/media/1B6/40/dao1703.pdf](http://www.hm-treasury.gov.uk/media/1B6/40/dao1703.pdf) which advises Accounting Officers about the publication of the Handbook points out that the handbook has been developed based on the accountability structure of a Department or Executive Agency and that NDPBs may need to translate the guidance to suit their own particular circumstances.
5. Specimen terms of reference are shown below. They are for guidance only and will need to be tailored to the particular circumstances of the body concerned. A checklist for evaluating audit committee arrangements is available from the

## **SPECIMEN TERMS OF REFERENCE**

### Constitution

- 1) The Board hereby resolves to establish a committee of the Board to be known as the Audit Committee.

### Membership and attendance

- 2) The Chair, members and secretary of the Audit Committee shall be non-executive Board members and shall be appointed by the Board. The Chair shall be a non-executive member of the Board other than its Chair.
- 3) Board members who are not members of the Audit Committee should have the right of attendance. The secretary will circulate minutes of meetings of the Audit Committee to all members of the Board.
- 4) The Chief Executive in his/her role as Accounting Officer, the Finance Director (if any) and the Head of Internal Audit (if any) will normally attend meetings of the committee.

### Frequency of meetings

- 5) The Board shall determine how often the Committee shall meet. The external auditor may request a meeting if he considers one necessary.

### Authority

- 6) The Audit Committee is an advisory body with no executive powers. However, it is authorised by the Board to investigate any activity within its terms of reference, and to seek any information it requires from staff, who are requested to co-operate with the Committee in the conduct of its inquiries. Requests for work, and reports received, from internal audit will be channelled through the Accounting Officer, to whom the Head of internal audit (if any) reports.
- 7) The Audit Committee is authorised to obtain independent professional advice if it considers this necessary.

### Duties

- 8) The specific duties of the Committee shall be:
  - a) to review the body's internal and external financial statements and reports to ensure that they reflect best practice;

- b) to discuss with the external auditor the nature and scope of each forthcoming audit and to ensure that the external auditor has the fullest co-operation;
- c) to consider all relevant reports by the Comptroller and Auditor General or the appointed external auditor, including reports on the body's accounts, achievement of value for money and the response to any management letters;
- d) to review the effectiveness of the body's internal control system established to ensure that the aims, objectives and key performance targets of the organisation are achieved in the most economic, effective and environmentally preferable manner;
- e) to ensure that the body's internal audit service meets, or exceeds, the standards specified in the Government Internal Audit Manual, complies in all other respects with these guidelines and meets the agreed levels of service;
- f) to consider and advise the Board on the body's annual and long-term audit programme;
- g) to consider internal audit reports, including value for money reports and the arrangements for their implementation;
- h) to review the operation of the body's code of practice for board members and code of conduct for staff;
- i) to consider any other matters where requested to do so by the Board;  
and
- j) to report at least once a year to the Board on the discharge of the above duties.