



Guidance on Codes of Practice for
Board Members of Public Bodies

Cabinet Office (OPS)
January 1997

FOREWORD

Following discussion with other Government departments, the Treasury published a code of Best Practice for Board Members of Public Bodies in June 1994. Because of the great diversity of public bodies it was not practicable to draw up a code that could be applied uniformly to all such bodies. The document was therefore intended as a basis on which executive non-departmental public bodies (NDPBs) and similar organisations could construct their own codes. There are separate codes for National Health Service bodies.) In adopting such codes, bodies have had, in agreement with their sponsor department, to take account of their own particular characteristics and circumstances.

2. The original model code was prepared against a background of criticism by the Committee of Public Accounts of the lack of general guidance on the responsibility of board members of executive NDPBs and similar bodies, and recognition that the accountability of public bodies should be improved. This revision takes account of subsequent developments, including

- the recommendations in the First Report of the Committee on Standards in Public Life (the Nolan Committee) (Cm 2850-I);
- the Government's response to that report (Cm 2931); and
- the consultation paper published subsequently by the Government ("Spending Money: Governance and Audit Issues", Cm 3179) and the responses to that paper.

The statement on personal liability in the section on "Responsibilities of individual board members" accords with a Dear Accounting Officer letter issued by the Treasury on 29 January 1996 (DAO(GEN) 3/96). (The Northern Ireland equivalent is DAO(DFP) 2/96.)

Status

3. This guidance does not itself have legal force. Most public bodies are covered by specific legislation which sets out the powers and duties of the body concerned. Some public bodies are set up by other means, eg by Royal Charter, incorporation under the Companies Act or registration as a charity. It will be necessary to ensure that the code applying to a particular body is consistent with the legislation or other provisions under which it is established.

Implementation

4. Subject to paragraph 3 above, departments should ensure that all executive NDPBs have taken steps by 1 April 1997 to adopt new or revised codes taking account of the attached guidance. New codes should be in place for all executive NDPBs by 1 June 1997. Departments may find that the guidance is applicable, at least in part, to some bodies that are classified as advisory NDPBs, especially those which nonetheless have some executive functions.

Updating the guidance

5. Cabinet Office (OPS), in consultation with other Government departments, will review progress from time to time and update this guidance as necessary. It will include it in "Non Departmental Public Bodies: A Guide for Departments".

Further information

6. Any queries on this guidance should be addressed as below.

7. Publications mentioned are listed at Appendix 3, with details of how to obtain them. Equivalent Northern Ireland publications are noted, where appropriate.

January 1997

Machinery of Government and Standards Group
Cabinet Office (Office of Public Service)
70 Whitehall
LONDON
SW1A 2AS

Summary of the Nolan Committee's First Report on Standards in Public Life

At the request of the Prime Minister, the Nolan Committee has spent six months inquiring into standards in public life. We have concentrated on Members of Parliament, Ministers and Civil Servants, executive Quango and NHS bodies.

We cannot say conclusively that standards of behaviour in public life have declined. We can say that conduct in public life has been more rigorously scrutinised than it was in the past, that the standards which the public demands remain high, and that the majority of people in public life meet those high standards. But there are weaknesses in the procedures for maintaining and enforcing those standards. As a result people in public life are not always as clear as they should be about where the boundaries of acceptable conduct lie. This we regard as the principal reason for public disquiet. It calls for urgent remedial action. This leaflet summarises the Committee's unanimous conclusions and lists its recommendations.

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 organisations which 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 conflicts arising in a way that protects the public interest.

Leadership

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

These principles apply to all aspects of public life. The Committee has set them out here for the benefit of all who serve the public in any way.

General recommendations

Some of our conclusions have general application across the entire public service:

Principles of public life

The general principles of conduct which underpin public life need to be restated. We have done this in the seven principles of

Codes of Conduct

All public bodies should draw up Codes of Conduct incorporating these principles.

Independent Scrutiny

Internal systems for maintaining standards should be supported by independent scrutiny.

Education

More needs to be done to promote and reinforce standards of conduct in public bodies, in particular through guidance and training, including induction training.

Members of Parliament

A fall in public confidence in the financial probity of MPs has coincided with an increase in the number of MPs holding paid consultancies which relate to their Parliamentary role. Some 30% of backbench MPs now hold such consultancies.

The House of Commons would be less effective if all MPs were full-time professional politicians, and MPs should not be prevented from having outside employment.

It reduces the authority of Parliament if MPs sell their services to firms engaged in lobbying on behalf of clients. This should

Other Parliamentary consultancies and the fact that some MPs have more than one are also a cause for concern. It is impossible to be certain that MPs with such consultancies never allow their financial interests to affect their actions in Parliament, yet this would be improper.

Guidance associated with the Register of Members' Interests has led to some confusion among MPs as to what conduct is acceptable. The long-established law of Parliament in this area should be reaffirmed.

Full disclosure of consultancy agreements and payments, and of trade union sponsorship agreements and payments, should be introduced immediately. Over the next year Parliament should review the merits of allowing MPs to hold consultancies, taking into account the wider implications of greater restrictions.

The Register of Interests should be more informative. The rules on declaring interests, and on avoiding conflicts of interest, should be set out in more detail. A Code of Conduct for MPs should be drawn up. We have set out a draft. The Code should be restated

of each new Parliament. More guidance for MPs, including induction sessions, should be available.

The public needs to know that the rules of conduct governing MPs' financial interests are being firmly and fairly enforced. There have been calls for these rules to be put into statute law and enforced by the courts. We believe that the House of Commons should be responsible for enforcing its own rules, but that better arrangements are needed.

By analogy with the Comptroller and Auditor General, the House should appoint as Parliamentary Commissioner for Standards a person of independent standing who will take over responsibility for maintaining the Register of Members' Interests; for advising MPs on matters of conduct; for advising on the Code of Conduct; and for investigating allegations of misconduct. The Commissioner's conclusions on such matters would be published.

When the Commissioner recommends further action, there should be a hearing by a sub-committee of the Committee of Privileges comprising up to seven senior MPs, normally sitting in public, and able to recommend penalties when appropriate. MPs who are heard should be entitled to be accompanied by advisers.

Ministers and Civil Servants

Very high standards of conduct are rightly expected from Ministers and civil servants. While there is public disquiet, this focuses on fairly narrow issues.

A Code of Conduct for civil servants has recently been announced. The existing guidance for Ministers is sound but needs to be brought together into a clear set of principles.

The public interest requires that allegations of ministerial misconduct be promptly investigated. Normally this is a matter for the relevant Minister. Who should investigate, and whether to publish a report, will vary from case to case, but in such cases civil servants should not be drawn into the party debate and their advice should remain confidential.

There has been much concern over Ministers who, on leaving office take positions in companies with which they have had dealings. For two years after leaving office senior civil servants have to seek clearance from an independent advisory committee before joining private companies. The same need to protect the public interest arises with Ministers and special advisers, who should be subject to a similar clearance system.

For both Ministers and civil servants the system should be made more open to public scrutiny than at present.

There is insufficient monitoring of the effectiveness of similar arrangements for more junior civil servants, and these should be regularly reviewed.

Very large changes in the management and structure of the civil service have taken place. Greater delegation and diversity mean that more positive action has to be taken to reduce the risk of impropriety. In particular, political interference in the pay and promotion of individuals must be avoided.

While the new independent appeal system for civil servants is welcome, better arrangements within Departments for the confidential investigation of staff concerns on propriety are needed.

More needs to be done to ensure that all civil servants remain aware of the standards of conduct required in the public sector.

The rules on acceptance of gifts and hospitality for both Ministers and civil servants are sufficiently strict, and need not be changed.

Quangos

(Executive NDPBs and NHS Bodies)

Executive Non-Departmental Public Bodies (NDPBs) and National Health Service bodies are public bodies with executive powers.

whose Boards are appointed by Ministers. They have almost 9000 Board Members and spend some 40bn a year.

There is much public concern about appointments to Quango Boards, and a widespread belief that these are not always made on merit. The Government has committed itself publicly to making all appointments on merit.

While individual posts should always be filled purely on merit, it is important that the overall composition of boards should reflect an appropriate mix of relevant skills and background. This range should be clearly and publicly set out in job specifications.

Ministers should continue to make board appointments, but an independent Public Appointments Commissioner should be appointed to regulate, monitor and report on the public appointments process.

The Government is already taking steps to develop best practice and to ensure that the widest range of candidates is secured. The Commissioner should recommend best practice and Departments should have to justify any departures from it.

Formal and impartial assessment of candidates is essential. The advisory panels being introduced in the NHS should become permanent and they should all include an independent element. All candidates whom Ministers consider for all appointments should have been approved as suitable by an advisory panel.

Following recent scandals, much has been done to improve and standardise arrangements to secure high standards of conduct in NDPBs. This process needs to continue. All NDPBs and NHS bodies should have codes of conduct, in line with the principle that the same standards apply to all public bodies, for board members and staff.

There remain differences in the legal framework governing standards of conduct in NDPBs, NHS bodies and local authorities. The Government needs to review this area and consider whether greater consistency can be achieved.

Further steps are needed to safeguard propriety both internally and externally. Internally, the Accounting Officer's responsibility for propriety as well as financial matters needs to be emphasised, and better confidential avenues are needed for investigation of concerns about propriety.

Externally, the role of auditors in propriety matters needs to be emphasised. Audit arrangements should be reviewed to ensure that the same practice applies to all bodies.

Recommendations

We set out below our specific recommendations.

More details on each are in the relevant chapter of our report.

We believe it would be helpful to those to whom we have addressed the report if we gave some broad indication of the timescale within which we consider that recommendations could be implemented. We therefore place our recommendations into one of three categories:

- A** those recommendations which we believe could be implemented with the minimum of delay
- B** those recommendations which could in our view be implemented—or on which we would expect to see significant progress towards implementation—by the end of this year
- C** recommendations which we recognise will take longer to implement, but on which we wish to re-examine progress in the latter part of next year.

Members of Parliament

1. Members of Parliament should remain free to have paid employment unrelated to their role as MPs. [A]
2. The House of Commons should restate the 1947 resolution which places an absolute bar on Members entering into contracts with the House.

agreements which in any way restrict their freedom to act and speak as they wish, or which require them to act in Parliament representatives of outside bodies. [A]

3. The House should prohibit Members from entering into any agreements in connection with their role as Parliamentarians to services for or on behalf of organisations which provide paid Parliamentary services to multiple clients or from maintaining a or active connections with firms, or parts of larger firms, which provide such Parliamentary services. [B]

4. The House should set in hand without delay a broader consideration of the merits of Parliamentary consultancies generally account of the financial and political funding implications of change. [A]

5. The House should:

require agreements and remuneration relating to Parliamentary services to be disclosed; [B] expand the guidance on conflicts of interest; [B]

introduce a new Code of Conduct for Members; [B]

appoint a Parliamentary Commissioner for Standards; [B]

establish a new procedure for investigating and adjudicating on complaints in this area about Members. [B]

6. On disclosure of interests we recommend:

the Register should continue broadly in its present form, and should be published annually. [B]

However the detailed entry requirements should be improved to give a clearer description of the nature and scope of the interest declared;

updating of the Register should be immediate. The current updated version should be made more widely available electronically; [B]

from the beginning of the 1995/96 session (expected in November) Members should be required to deposit in full with the Register any contracts relating to the provision of services in their capacity as Members, and such contracts should be available for public inspection; [B]

from the same time, Members should be required to declare in the Register their annual remuneration, or estimated annual remuneration, in respect of such agreements. It would be acceptable if this were done in bands: eg under 1,000; 1,000-5,000; 5,000-10,000; then in 5,000 bands. An estimate of the monetary value of benefits in kind, including support services also be made; [B]

Members should be reminded more frequently of their obligations to Register and disclose interests, and that Register should not remove the need for declaration and better guidance should be given, especially on first arrival in the House. [B]

7. Members should be advised in their own interests that all employment agreements which do not have to be deposited should be supported by an exchange of letters, which make it clear that no activities relating to Parliament are involved. [B]

8. The rules and guidance on avoiding conflict of interest should be expanded to cover the whole range of business pertaining to Parliament, and particular attention should be paid to Standing Committees. [B]

9. The House should draw up a Code of Conduct setting out the broad principles which should guide the conduct of Members. This should be restated in every new Parliament. [B]

10. The Government should now take steps to clarify the law relating to the bribery of or the receipt of a bribe by a Member of Parliament. [C]

11. On procedure we recommend:

the House should appoint a person of independent standing, who should have a degree of tenure and not be a career member of the House of Commons staff, as Parliamentary Commissioner for Standards; [B]

the Commissioner should have the same ability to make findings and conclusions public as is enjoyed by the Compt Auditor General and the Parliamentary Commissioner for Administration; [B]

the Commissioner should have independent discretion to decide whether or not a complaint merits investigation or an investigation; [B]

the Commissioner should be able to send for persons, papers and records, and will therefore need to be supported by authority of a Select Committee with the necessary powers; [B]

we consider that a sub-committee of the Committee of Privileges, consisting of up to seven very senior Members, would be the best body to take forward individual cases recommended by the Commissioner for further consideration; we recommend that such a sub-committee should be established; [B]

in view of the fact that there would be a prima facie case to investigate, we recommend that hearings of the proposed committee should normally be in public. We also recommend that the sub-committee should be able to call on the advice of specialist advisers and that a Member who so wishes should be able to be accompanied by advisers before the sub-committee; [B]

the sub-committee should be given discretion to enable an adviser to act as the Member's representative at hearings; [B]

as the sub-committee would report to the full Privileges Committee this would have the practical effect of giving the right of appeal to that Committee. Only the most serious cases should need to be considered by the whole House. [B]

The Executive: Ministers and Civil Servants

12. The first paragraph of Questions of Procedure for Ministers (QPM) should be amended to say: 'It will be for individual Ministers to judge how best to act in order to uphold the highest standards. It will be for the Prime Minister to determine whether or not to do so in any particular circumstance.' [A]

13. The Prime Minister should put in hand the production of a document drawing out from QPM the ethical principles and rules it contains to form a free-standing code of conduct or a separate section within a new QPM. If QPM is to remain the home for guidance, we recommend that it is retitled 'Conduct and Procedure for Ministers' to reflect its scope. [A/B]

14. Careful consideration should be given to ensuring that the most appropriate means is used for the investigation of cases of impropriety affecting Ministers. Other than in exceptional circumstances, the general rule that advice from civil servants to Ministers should not be made public should apply in these cases. [A]

15. A system similar to the civil service business appointment rules should apply to Ministers. The system should operate on an advisory basis, and it should be administered by the existing Advisory Committee on Business Appointments. [A]

16. In parallel with the civil service arrangements for permanent secretaries, an automatic waiting period of three months should apply to former Cabinet Ministers, but not to other Ministers or Whips. In cases where a further waiting period is recommended, the maximum waiting period should be set at two years from the date of leaving office. [A]

17. The advisory committee should be able to advise an applicant, whether a civil servant or a former Minister, that they feel their application is not appropriate, and to make public that advice if it is not taken. [A]

18. Former Ministers, having received the advice of the advisory committee, should have the right of appeal to the Prime Minister, who would be able to reduce any waiting period or relax any conditions if the appeal were well-founded. [A]

19. The system should be as open as possible, while protecting the personal privacy of Ministers. [A]

20. The Government should monitor the workload of the advisory committee under the new arrangements and put in place contingency arrangements for its staffing to be augmented to deal with the aftermath of any change of administration. [B]

21. Departments, as well as maintaining records of gifts, should maintain records of hospitality accepted by Ministers in their official capacity and should make these records available if asked to do so. [A]

22. The new performance pay arrangements for the senior civil service should be structured so as not to undermine political i [A]
23. The draft civil service code should be revised to cover circumstances in which a civil servant, while not personally involv aware of wrongdoing or maladministration taking place. [A]
24. The operation of the appeals system under the Code should be disseminated as openly as possible, and the Commissioner report all successful appeals to Parliament. [B]
25. Departments and agencies should nominate one or more officials entrusted with the duty of investigating staff concerns re confidentially. [A]
26. The new civil service code should be introduced with immediate effect, without waiting for legislation. [A]
27. The Cabinet Office should continue to survey and disseminate best practice on maintaining standards of conduct to ensur principles of conduct are being properly observed.[A]
28. There should be regular surveys in departments and agencies of the knowledge and understanding staff have of ethical sta which apply to them; where such surveys indicate problem areas, guidance should be reinforced and disseminated appropriat particularly by way of additional training. [A]
29. The Advisory Committee on Business Appointments should, when an appointment has been taken up, give the reasons fo decision in that particular case. [A]
30. The operation, observance and objectives of the civil service business appointment rules should be reviewed. [B]
31. Special advisers should be subject to the business appointment rules. [A]
32. A central or local record of invitations and offers of hospitality accepted should be kept in all departments and agencies. 7 should be clear rules specifying the circumstances in which staff should seek management advice about the advisability of ac invitations and offers of hospitality. [A]
-

Quangos

(Executive Non-Departmental Public Bodies and National Health Service Bodies)

Appointments

33. The ultimate responsibility for appointments should remain with Ministers. [A]
34. All public appointments should be governed by the overriding principle of appointment on merit. [A]
35. Selection on merit should take account of the need to appoint boards which include a balance of skills and backgrounds. 5 on which members are appointed and how they are expected to fulfil their role should be explicit. The range of skills and bac which are sought should be clearly specified. [A]
36. All appointments to executive NDPBs or NHS bodies should be made after advice from a panel or committee which incl independent element. [C]
37. Each panel or committee should have at least one independent member and independent members should normally accou least a third of membership. [C]
38. A new independent Commissioner for Public Appointments should be appointed, who may be one of the Civil Service Commissioners. [B]
39. The Public Appointments Commissioner should monitor, regulate and approve departmental appointments procedures. [C]
40. The Public Appointments Commissioner should publish an annual report on the operation of the public appointments sys

41. The Public Appointments Unit should be taken out of the Cabinet Office and placed under the control of the Public Appointments Commissioner. [B]
42. All Secretaries of State should report annually on the public appointments made by their departments. [B]
43. Candidates for appointment should be required to declare any significant political activity (including office-holding, public office and candidature for election) which they have undertaken in the last five years. [B]
44. The Public Appointments Commissioner should draw up a code of practice for public appointments procedures. Reasons for departures from the code on grounds of 'proportionality' should be documented and capable of review. [C]
-

Propriety

45. A review should be undertaken by the Government with a view to producing a more consistent legal framework governing public appointments and accountability in public bodies, including executive NDPBs, NHS bodies and local government. This should involve all relevant departments and be co-ordinated by the Cabinet Office and the Treasury. [C]
46. The adoption of a code of conduct for board members should be made mandatory for each executive NDPB and NHS body. [B]
47. It should be mandatory for the board of each executive NDPB and NHS body to adopt a code of conduct for their staff. [B]
48. Board members and staff of all Executive NDPBs and NHS bodies should be required on appointment to undertake to uphold and abide by the relevant code, and compliance should be a condition of appointment. [B]
49. Sponsor departments should develop clear disciplinary procedures for board members of executive NDPBs and NHS bodies and appropriate penalties for failing to observe codes of conduct. [C]
50. The role of NDPB and NHS accounting officers should be redefined to emphasise their formal responsibility for all aspects of propriety. [B]
51. The Audit Commission should be authorised to publish public interest reports on NHS bodies at its own discretion. [B]
52. The Treasury should review the arrangements for external audit of public bodies, with a view to applying the best practice. [C]
53. Each executive NDPB and NHS body that has not already done so should nominate an official or Board Member entrusted with the duty of investigating staff concerns about propriety raised confidentially. Staff should be able to make complaints without going through the normal management structure, and should be guaranteed anonymity. If they remain unsatisfied, staff should also have a clear route for raising concerns about issues of propriety with the sponsor department. [B]
54. Executive NDPBs, supported by their sponsor departments, should:
- develop their own codes of openness, building on the government code and developing good practice on the lines recommended in this report; [B]
 - ensure that the public are aware of the provisions of their codes; [B]
- sponsor departments should:
- encourage executive bodies to follow best practice and improve consistency between similar bodies by working to the highest standards of all up to those of the best; [B]
- the Cabinet Office should:
- produce and periodically update guidance on good practice for openness in executive NDPBs and NHS bodies. [B]
55. New board members should on appointment make a commitment to undertake induction training which should include awareness of public sector values, and standards of probity and accountability. [B]

Copies of the First Report of the Committee on Standards in Public Life are available from Stationery Office Bookshop and all good booksellers.

Volume 1: Report (Cm 2850-I) 11.80 [sterling]

Volume 2: Transcripts of Oral Evidence (Cm 2850-II) 38.00 [sterling]



Prepared for the Internet by HMSO

[Back to other Stationery Office pages](#)

[To *The Committee on Standards in Public Life* home page](#)

comments

CONTENTS

1. This guidance describes a model code of practice for board members of executive non departmental public bodies (NDPBs) and similar organisations. It is intended to provide a framework which the public bodies concerned should use with any modifications that may be necessary - and that are agreed with their sponsor department - to take account of their own characteristics and circumstances. The material is arranged as follows:

Public service values - paragraph 2

Relationship with the sponsor department - paragraph 3

The role of the chairman - paragraph 4

Corporate responsibilities of board members - paragraph 8

Strategic planning and control - paragraph 9

Delegation - paragraph 10

Responsibilities of individual board members - paragraph 12

Personal liability of board members - paragraph 25

Openness and responsiveness - paragraph 31

Annual Reports and Accounts - paragraph 33

The role of the chief executive - paragraph 36

Audit committees - paragraph 39

The board as employer - paragraph 40

Appendix 1 - The Seven Principles of Public Life

Appendix 2 - Audit Committees

Appendix 3 - Publications Mentioned

Public service values

2. Public bodies and their boards must at all times

- observes the highest standards of propriety involving **impartiality, integrity and objectivity** in relation to the stewardship of public funds and the management of the bodies concerned;
- maximise **value for money** through ensuring that services are delivered in the most economical, efficient and economical way, within available resources, and with independent validation of performance achieved wherever practicable;
- be **accountable** to Parliament, users of services, individual citizens and staff for the activities of the bodies concerned, 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**, comply fully with the principles of the Citizen's Charter and the Code of Practice on Access to Government Information.

Relationship with the sponsor department

3. The Minister of the relevant department is answerable to Parliament for the policies and performance of all public bodies sponsored by the department, including their use of resources and the policy framework within they operate. The respective roles of the sponsor department and the public body should be set out in a Framework Document, Management Statement or agreed Memorandum of Understanding. In the case of grant-aided bodies, this information should be supplemented by a Financial Memorandum specifying the terms on which the body receives and spends its funds.

The role of the chairman

4. The chairman 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 the organisation;
- ensuring that the board, in reaching decisions, takes proper account of guidance provided by the responsible Minister or sponsor department;
- representing the views of the board to the general public; and
- providing an assessment of performance of individual board members, on request, when they are being considered for re-appointment to the board or for appointment to the board of some other public body.

5. The chairman should ensure that the board meets at regular intervals throughout the year and that the minutes of meetings accurately record the decisions taken and, where appropriate, the views of individual board members.

6. Communications between the board and the Minister of the sponsor department will normally be through the chairman 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. The main point of contact between the body and the sponsor department on day-to-day matters will normally be the chief executive or another member of staff who is authorised to act on behalf of the body.

7. The chairman should 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 chairman and other members of the board should each have a copy of the Code of Practice for the body concerned; other relevant background material such as the body'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 the body's organisational structure and statutory basis of operation; and the rules and procedures of the board. The chairman 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 a board have corporate responsibility for ensuring that the public body complies with any statutory or administrative requirements for the use of public funds. Other important responsibilities of board members include:

- ensuring that high standards of corporate governance are observed at all times;
 - establishing the overall strategic direction of the organisation within the policy and resources framework agreed with the responsible Minister;
 - ensuring that the board operates within the limits of its statutory authority and any delegated authority agreed with its sponsor department, 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 sponsor department;
 - formulating a strategy for implementing the Code of Practice on Access to Government Information, including prompt response to public requests for information; and
 - ensuring that the board operates sound environmental policies and practices in accordance with the approach set out in the 1990 White Paper "This Common Inheritance" (Cm 1200) and other relevant guidance.
-
-

Strategic planning and control

9. One of the main task of the board is likely to be oversight of the production of a corporate plan. The process of preparing such a document provides an opportunity for agreeing, with the responsible Minister, or officials on his or her behalf, the policy and resources framework within which the body will discharge its duties; and for determining its key strategic objectives and targets. Such targets should normally cover areas such as the organisation's financial performance; the efficiency and effectiveness of its operations; and the quality of the services it provides. Some public bodies cannot easily measure final outputs. Where this makes it difficult to set suitable performance targets, the board should aim to agree carefully formulated strategic objectives and milestones.

Delegation

10. Board members normally serve on a part-time basis. To the extent permitted by the originating legislation or other provisions under which the public body is established, responsibility for day-to-day management matters should be delegated to staff so far as is practicable, with a clearly understood framework of strategic control. Boards will want to consider internal guidance covering those matters delegated to staff and those reserved for decision by the board. The latter are likely to include issues of corporate strategy; key strategic objectives and targets; major decisions involving the use of financial and other resources; and personnel issues including key appointments and standards of conduct.

11. The board may decide to delegate, where it has power to do so, responsibility for specified matters to individual members or committees of the board. 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.

Responsibilities of individual board members

12. 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 Nolan Committee). 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 the public body concerned and with rules relating to the use of public funds;
- act in good faith and in the best interests of the public body;
- not misuse information gained in the course of their public service for personal gain or for political purpose, nor seek to use the opportunity of public service to promote their private interests or those of connected persons, firms, business or other organisations; and
- ensure that they comply with the board's rules on the acceptance of gifts and hospitality.

13. 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. Full-time members of boards should abstain from all controversial political activities.

14. The restrictions in paragraph 13 do not apply to board members who are MPs (in those cases where MPs are eligible to be appoint), to local councilors 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 reproduced as Annex D to "Non-Departmental Public Bodies. A guide for Departments".

15. 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 person who hold public office.

Handling conflicts of interests

16. The chairman and other board members should declare any personal or business interests which may conflict with their responsibilities as board members. The board, in consultation with the sponsor department, should draw up rules of conduct for board members which ensure that such conflicts are identified at an early stage and that appropriate action can be taken to resolve them.

17. The rules should include the keeping of a register of interests appropriate to the body's activities. The register should, as a minimum, list direct or indirect pecuniary interests which members of the public reasonably think could influence judgement. Boards should consider whether registers of interests should also include non-pecuniary interests of members which relate closely to the body's activities, and interests of close family members and persons living in the same household as the board member.[1]

18. Public bodies should make registers of interests open to the public. They should ensure that details of how access can be obtained are available widely and include such details in annual reports. It will often be appropriate to publish registers of interests annually. Board members should in any case be required to update them as changes occur.

19. In the absence of specific statutory provisions, the common law requires:

- that members of public bodies should not participate in the discussion or determination of matters in which they have a direct pecuniary interest; and
- that when an interest is not of a direct pecuniary kind, members should consider whether participation in the discussion or determination of a matter would suggest a real danger of bias. This should be interpreted in the sense that members might unfairly regard with favour or disfavour, the case of a party to the matter under consideration. In considering whether a real danger of bias exists in relation to a particular decision, members should assess whether they, a close family member, a person living in the same household as the board member, or a firm, business or organisation with which the board member is connected are likely to be affected more than the generality of those affected by the decision in question. This would cover, for example, a decision to invite tenders for a contract where a firm with which a member was connected was significantly better placed than others to win it.

For the avoidance of doubt, this paragraph does not preclude the board of an NDPB from deciding to issue an indemnity in the terms of paragraph 27 below.

20. Where, in accordance with the above, members do not participate in the discussion or determination of a matter, they should normally withdraw from the meeting, even if it is held in public. This is because the continued presence of someone who had declared an interest might be thought likely to influence the judgement of the other members present.

21. Boards should obtain legal advice on the effect of any specific statutory provisions applying to them. In cases where members are authorised by law to represent a group likely to be affected by a body's decisions, the relevant statutory framework may permit members to be involved, notwithstanding any direct pecuniary interest that they may have in the decision. However, boards should not overlook the possibility that specific statutory provisions may impose restrictions that are stricter than those described in the paragraph 19 for interest that are not a direct pecuniary kind.

22. Whether or not board members are able in the light of the considerations above to participate in the discussion or determination of a matter, they should declare as soon as practicable after a meeting begins if they have an interest, pecuniary or other, in a matter being considered. They should also disclose any interests in it of which they are aware on the part of close family members[2] and persons living in the same households as the board member. In addition, board members should consider whether they need to disclose relevant interests of other persons or organisations which members of the public might reasonably think could influence the member's judgement.

23. 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 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.

24. Boards should adopt safeguards to prevent conflicts of interests arising from the acceptance of outside appointments during or after tenure as a board member, taking account of guidance in chapter 10 of "Non-Departmental Public Bodies. A guide for Departments".

[1] 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 and other organisations. Close family members include personal partners, parents, children (adult and minor), brothers, sisters and the personal partners of any of these.

[2]See footnote [1] above.

Personal liability of board members

25. 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 chairman 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.

26. In the case of a board which is incorporated under the Companies Act or the Companies (Northern Ireland) Order, an individual board member will be subject to the duties of directors under company law.

27. However, the Government has indicated that individual board members who have acted honestly, reasonably, in good faith and without negligence 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. Subject to their own specific statutory powers, NDPBs should issue to their board members suitable indemnities consistent with this paragraph.

28. Board members who need further advice should consult the board's legal advisers.

Openness and responsiveness

29. 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 principles of the Citizen's Charter and the Code of Practice on Access to Government Information. They should take account as far as possible of the Standard of Best Practice for Openness in Executive NDPBs and NHS bodies in the First Report of the Committee on Standards in Public Life (Cm 2850-I). Wherever possible, boards should make provision for access to records of their decisions and should publicise the arrangements made.

30. Boards 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 the body's 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. There should be internal procedures available to deal with complaints, including those on failure to provide information.

Accountability for public funds

31. Board members have a duty to ensure the safeguarding of public funds - which for this purpose should be taken to include all forms of receipts from fees, charges and other sources - and the proper custody of assets which have been publicly funded. They must take appropriate measures to ensure that the body at all times 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.

32. Members of the board are responsible for ensuring that the body does not exceed its powers or functions, whether defined in statute or otherwise, or through any limitations on its authority to incur expenditure. They are normally advised on these matters by the body's chief executive and its legal advisers.

Annual Report and Accounts

33. As part of its responsibilities for the stewardship of public funds, the board of a public body must ensure that it includes a full statement of the use of such resources in its Annual Report and Accounts. Such accounts should be prepared in accordance with the Accounts Direction issued by the responsible Minister and such other guidance as may be issued, from time to time, by the sponsor department and the Treasury[3], including "Executive Non-Departmental Public Bodies. Annual Reports and Accounts Guidance".

34. Subject to any existing statutory requirements, all self-accounting executive NDPBs should aim to produce an Annual Report and Accounts as a single document and should give it appropriate publicity. If the Annual Report is published separately, it 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. It should also state whether the report on the annual accounts was qualified and provide details if this was the case.

35 The Annual Report and Accounts should provide a full description of the board's activities; state the extent to which key strategic objectives and agreed financial and other performance targets have been met; list the names of the current members of the board and senior staff; and provide details of remuneration of board members and senior staff in accordance with Treasury guidance. The Annual Report should contain information on access to registers of interests in accordance with paragraph 18 above.

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 Nolan Committee's Seven Principles of Public Life. Board members should support the chief executive in undertaking this responsibility.

37. The chief executive of most NDPBs will be designated as the accounting officer for the body. 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.

38. More detailed guidance on the role of an accounting officer is set out in "The Responsibilities of a NDPB Accounting Officer", which covers appearances before the Committee of Public Accounts of the House of Commons. All board members should ensure that they have a copy of this document. The contents of the memorandum apply to the senior full-time official of an NDPB in cases where there is no formally designated accounting officer. The Treasury's handbook, "Regularity and Propriety", describes what these concepts mean in a financial context. Although the handbook is intended primarily for accounting officer, board members should also familiarise themselves with it.

Audit committees

39. Unless agreed otherwise with the sponsor department, all public bodies should establish an audit committee as a committee of the board. The committee should consist of non-executive board members and should be chaired by a non-executive board member, other than the chairman, who has experience of financial matters. The responsibilities of the audit committee will overlap with those of the accounting officer. It is envisaged that the or 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 the audit committee and specimen terms of reference are at Appendix 2.

The board as employer

40. The board should ensure:

- that it complies with all relevant legislation and that it employs suitably qualified staff who will discharge their responsibilities in accordance with the high standards expected of staff employed by such bodies. All staff should be familiar with the body's main aims and objectives;
- that the organisation adopts management practices which use resources in the most economical, efficient and effective manner;
- that the body's rules for the recruitment and management of staff provide for appointment and advancement on merit on the basis of equal opportunity for all applicants and staff. In filling senior staff appointments, the board should satisfy itself that an adequate field of qualified candidates is considered, and should always consider the merits of full open competition. In recruiting external candidates, this should normally be used;
- that staff, and the board's own members, have appropriate access to expert advice and training opportunities in order to enable them to exercise their responsibilities effectively.

41. The board should adopt a code of conduct for its staff using the model issued for executive NDPBs by Cabinet Office (OPS) in August 1996, subject to any modifications that may be necessary - and that are agreed with the sponsor department - to take account of their own particular characteristics and circumstances. The model code covers arrangements enabling members of staff to raise concerns about propriety with a nominated official or board member of the NDPB in the first instance and subsequently, if necessary, with a nominated official in the sponsor department. There should be safeguards to prevent conflicts of interests when staff leave.

42. All boards have a responsibility to monitor the performance of the chief executive and other senior staff. Where the terms and conditions of employment of the chief executive and other senior staff include an entitlement to be considered for performance-related pay, and where such payments are assessed by board members, the board should ensure that they have access to the information and advice required to make the necessary judgements.

[3]In Northern Ireland, guidance is issued by the Department of Finance and Personnel.

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 organisations 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 merits.

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.

The Government endorsed the Seven Principles of Public Life in "Spending Public Money. Governance and Audit Issues", Cm 3179, March 1996.

AUDIT COMMITTEES

The Guidance on Codes of Practice recommends that all public bodies unless otherwise agreed with their sponsor department, should set up an Audit Committee as a committee of the board. This note provides further guidance.

2. The Audit Committee is an advisory body with no executive powers. It's main functions should be:
 - i. to help promote the highest standards of propriety in the use of public funds and encourage proper accountability for the use of those funds;
 - ii. to improve the quality of financial reporting by reviewing internal and external financial statements on behalf of the board;
 - iii. to promote a climate of financial discipline and control which will help to reduce the opportunity for financial mismanagement;
 - iv. to promote a climate of financial discipline and control which will help satisfy the board that the body concerned will achieve its objectives and targets and is operating.
 - in accordance with any statutory requirements for the use of public funds;
 - within delegated authorities laid down by the sponsor department and the public body's own rules on what matters should be referred to the board;
 - 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 chairman, who has relevant experience and expertise. Other members of the committee should be non-executive board members.
4. 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.

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 chairman, members and secretary of the Audit Committee shall be non-executive board members and shall be appointed by the board. The chairman shall be a non-executive member of the board other than its chairman.
- (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 or her role as accounting officer, the Finance Director and the Head of Internal Audit 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 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 of staff;
 - 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 of 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 and effective 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 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;
 - j. to report at least once a year to the board on the discharge of the above duties;
-
-

PUBLICATIONS MENTIONED

Committee on Standards in Public Life (the Nolan Committee), First Report, Cm 2850-I, 1995, available from The Stationery Office, 0171-863 9090, price £11.80 (ISBN 0 10 1285027).

Executive Non-Departmental Public Bodies: Annual Reports and Accounts Guidance*, March 1996, available from Central Accountancy Team, HM Treasury, 0171-270 4502

Government Accounting*, consolidated edition April 1995 and subsequent amendments, available from The Stationery Office, 0171-863 9090 (ISBN 0 11 560063 9).

Government Internal Audit Manual, May 1996, available from the Stationery Office, 0171-863 9090, price £29.95 (ISBN 0 11 702050 8).

Model Code for Staff of Executive Non-Departmental Public Bodies, August 1996, available from Machinery of Government and Standards Group, Cabinet Office (OPS), 0171-270-0381.

Non-Departmental Public Bodies: A Guide for Departments, March 1992 and subsequent amendments, available from Machinery of Government and Standards Group, Cabinet Office (OPS), 0171-270 0381.

Regularity and Propriety: A Handbook*, exposure draft November 1996, available from TOA Team, HM Treasury, 0171-270 5524.

Spending Public Money: Governance and Audit Issues, Cm 3179, March 1996, available from The Stationery Office, 0171-863 9090, price £8.65 (ISBN 0 10 131792 1).

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, 0171-863 9090, price £7.10 (ISBN 0 10 129312 7).

The Responsibilities of a NDPB Accounting Officer*[4], December 1994, available from TOA Team, HM Treasury, 0171-270 5524.

This Common Inheritance. Britain's Environmental Strategy, Cm 1200, September 1990, available from The Stationery Office, 0171-863 9090, price £30.00 (ISBN 0 10 112002 8).

[4]* Equivalent Northern Ireland guidance is available from Accountability and Accountancy Services Branch, Department of Finance and Personnel, 01232 526645.
