

# Corporate Governance Framework

The Audit Commission

July 2009



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# Foreword

Corporate governance has become increasingly important throughout society, since effective governance is the cornerstone of well-managed organisations whether they are in the public, private or voluntary sectors.

The Audit Commission aims to ensure that it maximises the impact of its work, while discharging its statutory duties. In doing so, it seeks to be a model of excellent corporate governance, so as to set the standards it expects of others through its own example and to earn the confidence of its stakeholders.

This Corporate Governance Framework lays down the necessary responsibilities and procedures that are the foundations for an excellent organisation. It was originally approved by the Board of the Commission on 15 July 2004 and is reviewed annually to ensure it remains at the forefront of best practice. It is published on the Commission's website as part of our commitment to openness and accountability.

**Michael O'Higgins**  
Chairman

# Part 1 - Mission, values, aims, principles and accountability

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## Mission

- 1 Our mission is to be a driving force in the improvement of public services; we will promote proper stewardship and governance and we will help those responsible for public services to achieve better outcomes for citizens, with a focus on those people who need public services most.

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## Values

- 2 Good corporate governance arrangements are critical for achieving the Commission's organisational objectives.
- 3 Three essential values lie at the heart of all of the work of the Audit Commission: to be an independent voice in the public interest; to maximise the Commission's impact on the improvement of public services and to ensure that public funds are protected and well spent.

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## Aims

- 4 Through its Governance Arrangements the Commission aims:
  - to ensure that the Commission maximises the impact of its work, while discharging its statutory duties;
  - to ensure that the Commission is a model of excellent Corporate Governance, so as to set standards through its own example and earn the confidence of the Commission's stakeholders;
  - to provide a framework for maximising the value to the Commission of Commissioners' skills and knowledge; and
  - to clarify for Commissioners and staff their respective responsibilities and roles.

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## Principles

- 5 In its Governance, the Audit Commission and Commissioners will at all times:
  - observe the highest standards of propriety involving impartiality, integrity and objectivity in relation to the stewardship of public funds, the management of the Commission and the conduct of its business;

## Part 1 - Mission, values, aims, principles and accountability

- pursue the Commission's strategic priorities: promoting improvement in public services and the assurance of public money; working where practicable with other regulators and maintaining at all times the Commission's independence;
  - maximise value for money through ensuring that its work is performed in the most economical, efficient and effective way, within available resources, and with independent validation of performance achieved wherever practicable;
  - be accountable through the Secretary of State for Communities and Local Government and other ministers to Parliament for the activities of the Commission, stewardship of public funds and the extent to which performance targets and objectives have been met;
  - reflect the Commission's wider responsibilities to carry out its work and use the public money and resources made available to it in the interests of the users of services and the public;
  - be consultative in style, and open and responsive to all stakeholders; and
  - ensure that there is in place an effective system of internal control to enable the Commission to meet its corporate objectives.
- 6 The Commission will review its governance arrangements annually as part of a review of Board effectiveness, to ensure that they remain fit for the Commission's purposes, and continue to reflect these values, aims and principles.

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### Accountability

- 7 The Commission demonstrates its accountability to its stakeholders by:
- a published framework agreement with its principal sponsoring department;
  - laying its report and accounts annually before Parliament;
  - the appointment of the Chief Executive as Accounting Officer;
  - a Strategic Plan which is published and forms the basis of regular meetings with the principal sponsoring department;
  - external audit of its accounts by the National Audit Office;
  - widespread consultation on its Strategic Plan, programme and fees proposals, to which it responds publicly; and
  - a clear complaints process which includes independent assessment.

# Part 2 - Roles, responsibilities and Code of Conduct for Commissioners

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## The Commission

- 8 The Audit Commission is a statutory corporation constituted under the Audit Commission Act 1998. The Commission<sup>1</sup> has the statutory functions given to it by that and other legislation (a summary of the applicable legislation is at Appendix 2 of this document).
- 9 The Commission is a Public Corporation. The Secretary of State for Communities and Local Government and Secretary of State for Health are the joint sponsors of the Commission. The respective roles of the sponsoring Departments and the Commission, and the relationship between them, are described in the Framework Document agreed between the Commission and the sponsoring Departments and dated June 1994<sup>11</sup>.
- 10 Commissioners are appointed by the Secretary of State for Communities and Local Government in consultation with the Secretary of State for Health. They are normally appointed for a period of three years with the possibility of re-appointment for a further period. There is a statutory minimum of 10 Commissioners and a maximum of 15 from 1 August 2009.
- 11 The Audit Commissioners together constitute the Governing Board of the Audit Commission. They are responsible for setting the Commission's values, standards, strategy, and objectives, for determining its budget and for the discharge of its functions. They monitor the Commission's performance and are responsible for the Commission's work and for ensuring that it acts within its statutory remits.
- 12 A full break-down of the Commission's activities can be found in Part 3, which also describes which powers are delegated from the Board to members of staff. The following is a summary of the Commission's main activities.
  - **Audit** – the Commission appoints the external auditors to local authorities (including police and fire authorities), local probation boards and health service bodies in England. It prescribes, through statutory Codes of Audit Practice, how those auditors are to carry out their functions and it sets scales of fees to be paid by bodies subject to audit. Appointed auditors can be either the Commission's own

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<sup>1</sup> In this document to distinguish between 'the Commission' as the whole organisation and the 'Commission' meaning the body of Audit Commissioners together, the term 'Audit Commission', or 'Commission' refers to the former, and 'Board' refers to the latter.

<sup>11</sup> A copy of the Framework Document is available separately from the Audit Commission.

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employees or individuals or firms who are accountants. They have responsibilities which extend beyond the audit of financial accounts to include assessment of the audited bodies' use of resources, consideration of the lawfulness of their actions and public reporting. A Commission officer may also act as auditor to a Foundation Trust if appointed by the Trust.

- **Performance Assessment** – through its auditors and inspectors the Commission assesses the performance of local authorities (including police and fire authorities), NHS bodies and, at the request of the Tenant Services Authority, registered providers of social housing. In the case of local authorities in England the Commission will report on their performance and on the outcomes for their area as part of comprehensive area assessment.
- **Improvement** – the Commission promotes improvement in public services provided by bodies subject to audit in England through the work of its auditors and inspectors, through its national reports and through working with other regulators and stakeholders.
- **Data Matching** – the Commission undertakes data matching exercises in order to assist in the prevention and detection of fraud. The Commission may require bodies that it audits and best value authorities to provide data for its data matching exercises, and may accept data on a voluntary basis from any other body. It maintains a Code of Practice for data matching and sets scales of fees for bodies that are required to participate.

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### The Chairman and the Deputy Chairman

- 13 The Chairman is the leader of the Board. There are three main components to the Chairman's role:
  - **Strategic Leadership** – to lead the development and implementation of the Commission's strategy;
  - **External Communications** – to lead in the Commission's key relationships with government Ministers, other senior politicians and advisers, Chairs of public bodies and other organisations and the media; and
  - **Corporate Governance** – to encourage high standards of propriety and promote the efficient and effective use of staff and other resources throughout the Commission. The Chairman presides at Board meetings and ensures that these are held at regular intervals throughout the year and are accurately minuted. The Chairman will ensure that all Commissioners are able to be fully involved in the work of the Board, will assess the performance of individual Commissioners and will ensure that all Commissioners are fully briefed on the terms of their appointment and on their rights, duties and responsibilities. The Chairman will also ensure that the Board's effectiveness is reviewed periodically, but at least once every two years, in accordance with this Framework.
- 14 The Chairman liaises with the Department for Communities and Local Government over Commissioner appointments to encourage an appropriate blend of complementary skills and experience.

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- 15 The Chairman agrees the objectives and undertakes annual appraisals of the Chief Executive, following consultation with other Commissioners.
- 16 In the absence of the Chairman, the Deputy Chairman acts as necessary to ensure the continuity of Commission business.
- 17 Communications between the Board and the Department for Communities and Local Government will normally be through the Chairman except where the Board has agreed that an individual Commissioner should act on its behalf. Nevertheless, an individual Commissioner 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.

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### Corporate responsibilities of Commissioners

- 18 The Board regulates its own proceedings, and has approved Standing Orders for that purpose (see Appendix 1).
- 19 Commissioners act collectively: they do not have individual executive authority. As individuals they are responsible for upholding the values and principles of the Commission and for contributing (in particular through their work as Portfolio Holders (see paragraph 22) their personal skills, knowledge and experience to the Commission's work.
- 20 Other important responsibilities of Commissioners include:
  - ensuring that high standards of Corporate Governance are observed at all times;
  - ensuring that the Commission identifies and manages its risks effectively;
  - subject to the requirement that the Commission maintains at all times its independence, ensuring that, in reaching decisions, the Board has taken into account directions issued by the Secretary of State, any relevant guidance issued by the sponsoring Departments and has regard to any applicable Government policy; and
  - establishing and maintaining effective arrangements for the discharge of the Commission's functions, including delegating to staff within a clear framework of strategic control, consulting interested bodies on major developments and responding to their views, where appropriate establishing advisory and consultative bodies to inform the Commission's work, and facilitating good communication with external organisations and the public.

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### Responsibilities of individual Commissioners

- 21 Individual Commissioners should at all times comply with the principles and be aware of their responsibilities described in this document. They should act in good faith and in the best interests of the Commission and should follow the Seven Principles of Public Life set out by the Committee on Standards in Public Life (the 'Nolan Principles'). Those Principles are printed at Appendix 3.

## Part 2 - Roles, responsibilities and Code of Conduct for Commissioners

- 22 The Board, acting through the Chairman, from time to time may give an individual Commissioner responsibility for providing oversight and guidance on its behalf in relation to areas of the Board's work. In that event, the relevant Commissioners ('Portfolio Holder') will take an active involvement in the work area of their portfolios, will seek to reflect their own knowledge and expertise in that work area and will take a lead in Board discussions concerning their portfolios.
- 23 Commissioners must not use information gained in the course of their public service for personal gain; nor seek to use the opportunity of the public service to promote their own or other parties' private interests. They should not disclose information or documents which they have obtained through their position as Commissioner without speaking first to the Chief Executive. This should not prevent Commissioners who hold other public offices (for example councillors and Board members of other non-departmental public bodies) from referring to the work of the Commission in the course of their other public work.
- 24 All Commissioners should ensure that they are fully familiar with the Commission's rules and practices on declarations, and avoidance of conflicts of interests. Details of these, and the Commission's rules on gifts and hospitality, are at Standing Orders 8-12.
- 25 In accordance with Schedule 1 of the Audit Commission Act 1998 the Secretary of State may remove a Commissioner if he or she is considered unable or unfit to discharge the functions of a member, including by failing to meet their obligations and responsibilities as described in this document.

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### Personal liability of Commissioners

- 26 Although any legal proceedings initiated by a third party are likely to be brought against the Commission, in exceptional cases proceedings (civil or criminal) may be brought against the Chairman or other individual Commissioners. For example a Commissioner may be liable if he or she makes a fraudulent or negligent statement which results in loss to a third party. A Commissioner who misuses information gained by virtue of his or her position may be liable for breach of confidence under common law or may commit a criminal offence under insider dealing legislation.
- 27 However, an individual Commissioner who acts honestly and in good faith should not normally incur any civil liability in an individual capacity, unless he or she has acted recklessly. The Commission indemnifies Commissioners in such circumstances against any action taken or threatened against them (see Standing Order 13). The Chairman and Chief Executive will ensure that legal advice is provided to any Commissioners who want further clarification of their statutory position.

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### Committee and Advisory Groups

- 28 The Board may from time to time appoint Committees and Advisory Groups, with such membership and terms of reference as the Board deems appropriate. The functions of Committees and Advisory Groups are to exercise functions delegated to them, to provide more detailed consideration of specific work areas and to advise the

Board, and to promote more effective communication between the Commission and particular stakeholders.

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### Complaints

- 29 The Board shall approve, publish and maintain a Complaints Procedure.
- 30 For all complaints other than those referred to the Department for Communities and Local Government pursuant to paragraph 32 below, the Board will appoint an independent reviewer whose role shall be to consider, in cases where complainants remain dissatisfied, whether the complaints procedure has been correctly followed. The independent reviewer will report annually to the Board about the nature and number of complaints and about the Commission's handling of complaints.
- 31 The Chairman shall be responsible for responses to complaints against Commissioners.
- 32 In the event of a complaint against the Chairman personally, the Deputy Chairman and the Chairman of the Audit Committee (or, if they are the same person, another Commissioner selected by the Deputy Chairman) shall consider whether there is a sufficient prima facie case, and if so, shall send it to the Department for Communities and Local Government for consideration.

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### Referrals of Local Authorities to the Secretary of State

- 33 Consideration of the exercise of the Commission's functions under Section 13(2) of the Local Government Act 1999 (recommendation to the Secretary of State that he or she give a direction to a local authority), or Section 10(2) of that Act (responding to a direction from the Secretary of State to the Commission to carry out an inspection of a local authority) ("referrals"), and any decisions in relation to those functions, shall normally be delegated to an ad hoc committee established and appointed in accordance with the Standing Orders at Appendix 1.

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### The Audit Committee

- 34 The Commission's Audit Committee shall comprise no fewer than four Commissioners and meet at least three times per annum. Its Terms of Reference are:
  - to oversee the production of the Commission's annual accounts and to recommend them to the Board for approval;
  - to scrutinise and review:
    - the Commission's financial, accounting and tax policies, practices and processes, including IT;
    - the Commission's internal control systems including policies for addressing fraud and arrangements for internal audit; in particular to appoint the internal auditors, approve their work plan and review their reports and the responses of management;

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- the Commission’s assessment and management of risk, including risk associated with implementation of significant new systems and failure to comply with laws and regulation;
  - the results of the external audit by NAO, including their management letter and the response by management;
  - the implementation of recommendations from audit reports;
  - on behalf of the Board to scrutinise any aspect of the work of the organisation against the criteria of best practice and to report as appropriate;
  - to oversee the Quality Review Process for assessing the performance of auditors and inspectors appointed by the Commission, whether from its own staff or from external suppliers; and
  - to report annually to the Board on its views of the governance of the Commission and its own effectiveness.
- 35** The Board will consider matters raised in the minutes of Audit Committee meetings as soon as possible after each one.
- 36** The Accounting Officer will normally attend Audit Committee meetings in his executive capacity, and never in his capacity as an ex-officio member of the Board.

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### The Remuneration Committee

- 37** The Commission’s Remuneration Committee shall comprise three Commissioners and meet at least once per annum. Its Terms of Reference are:
- to determine the remuneration and other terms and conditions of service of the Chief Executive;
  - to receive reports from the Chairman of the Commission on his annual appraisals of the Chief Executive following consultation with Commissioners;
  - to receive reports from the Chief Executive on his annual appraisals of members of the Management Team, and to determine their remuneration on receipt of recommendations from the Chief Executive;
  - to determine or make recommendations on any issue referred to it by the Board; and
  - to determine or, where matters are reserved to the Board, make recommendations on such other issues as may be proposed by the Chairman or Chief Executive, for example the strategy on staff pay awards.

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### Review of Board effectiveness

- 38** The Board will review its performance at least once every two years. The Chairman may decide to hold a review more frequently if he considers it appropriate. As agreed by the Board, the review may from time to time involve external advisors to provide challenge from an independent, expert perspective.

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- 39 The review will include consideration of the Board as a whole, the operation of committees and advisory groups and the contributions of individual Commissioners. The effectiveness of the Chairman will be reviewed by the Deputy Chairman following consultation with other Commissioners and any external advisors engaged in reviewing the Board.
- 40 The review shall take account of the annual report of the Audit Committee.

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### The Chief Executive

- 41 The Chief Executive is the Commission's chief officer and holds the statutory title of 'Controller of Audit'. He has executive responsibility to the Board for the work of the Commission and for its staff.
- 42 The Chief Executive is responsible for ensuring that the Chairman and Board have timely, accurate and clear information, as required, to carry out their responsibilities.
- 43 The Board has delegated authority for the day-to-day management of the Commission to the Chief Executive. He therefore has responsibility for the overall organisation, management and staffing 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 Principles. Commissioners should support the Chief Executive in undertaking this responsibility.
- 44 The Chief Executive is in turn authorised to delegate matters to other Commission officers. The Commission's Delegated Powers are the arrangements described in Part 3 of this Document.
- 45 The Chief Executive is the designated Accounting Officer for the Commission. The duties of the Accounting Officer are detailed in the Statement of Accounting Officers' Responsibilities attached at Appendix 5, taken from Chapter 3 of the Treasury publication 'Managing Public Money'. In summary, this role carries with it personal responsibility to ensure that appropriate advice is given to the Commission on all matters relating to financial propriety and regularity, for keeping proper accounts and for the efficient and effective use of resources. As Accounting Officer the Chief Executive is answerable to Parliament for ensuring that all the resources available are used properly and give good value for money.

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### The Commission as employer

- 46 The Commission's most valuable asset is its people. It will seek to enhance their skills and experience and is committed to their development in all ways relevant to the work of the Commission.
- 47 The Commission will seek to set an example of best practice as an employer and is committed to offering all staff equality of opportunity. It will ensure that its employment practices are designed to promote diversity and to treat all individuals equally.
- 48 The Commission will ensure that it employs suitably qualified staff who will discharge their responsibilities in accordance with the high standards expected of staff employed by the Audit Commission. All staff will be made aware of the Commission's

## Part 2 - Roles, responsibilities and Code of Conduct for Commissioners

corporate strategy, including its aims and objectives, and all relevant internal management and control systems which relate to their field of work.

- 49 In filling senior staff appointments, the Commission will satisfy itself that an adequate field of qualified candidates is considered, and resolves always to consider the merits of full open competition, which will normally be used for the recruitment of external candidates.
- 50 The Commission will maintain and publish a policy for the employment and remuneration of staff to ensure it can recruit, retain and develop staff of an appropriate calibre.
- 51 The Commission will ensure that its employees have access to such expert advice and suitable training opportunities as they may require in order to exercise their responsibilities effectively.
- 52 The Commission will ensure that its rules for recruitment and management of staff provide for the appointment and advancement on merit on the basis of equal opportunity for all applicants and staff. The Commission will also ensure that employees' behaviour reflects the values, aims and principles detailed above.
- 53 The Commission shall adopt a Code of Conduct for staff, and shall maintain and promote effective 'whistleblowing' procedures to ensure that concerned staff have a means through which their concerns can be voiced.

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# Part 3 - The Commission's business and delegated powers

- 54 Part 3 describes the roles and powers reserved for the Board in relation to the activities and statutory functions of the Audit Commission and those delegated to the Chief Executive. The arrangements in Part 3 are referred to as the Commission's Delegated Powers. The Board may choose to delegate to the Chief Executive specific matters which would otherwise be reserved to the Board under Part 3.
- 55 The Board has delegated to the Chief Executive all responsibility for the day-to-day management of the Commission. Where a matter is not specifically reserved to the Board, the Chief Executive has authority to act. In addition, the Board authorises the Chief Executive to appoint another officer of the Commission to act on his behalf. References in these Arrangements to the Chief Executive include any person to whom the Chief Executive has delegated his authority.
- 56 The activities of the Commission under its statutory framework fall into four broad categories: the work of the Commission's appointed auditors and related matters, inspection activities, data matching exercises and work related to the Commission's statutory study functions.
- 57 Significant<sup>1</sup> Publications: The Commission conducts a wide range of activities under its functions in the Audit Commission Act 1998 to undertake or promote comparative and other studies designed to help improve the services and functions of the Commission's audited and inspected bodies. In these arrangements 'Significant Publications' means any such work of sufficient significance to merit consideration and approval by the Board.
- 58 The inspectorates jointly responsible for comprehensive area assessment have delegated to each other authority to make and publish joint assessments so far as is necessary for CAA. They have also delegated to a Review Panel authority to determine reviews of those joint assessments. The relevant inspectorates are the Audit Commission, Care Quality Commission, Her Majesty's Inspectorates of Police, Prison and Probation, and Ofsted.

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<sup>1</sup>'Significant': in a number of places these arrangements use a test of significance to differentiate between matters which may be dealt with by the Chief Executive or other officers, and those which must be dealt with by the Board. Initially it is for the Chief Executive to assess whether in the relevant circumstances any particular matter is significant and should be dealt with by the Board. He should consider the financial, legal, reputational or other implications for the Commission and where appropriate discuss the matter with the Chairman. The Board has the final authority in any case as to whether or not a matter is significant for the purposes of these arrangements. In any event a financial variation shall be treated as significant if it involves increasing one-off expenditure of £1m or more, or recurring expenditure of £250,000 or more per annum.

**Table 1 Table of Delegations**

<b>Subject</b>	<b>Reserved to the Board</b>	<b>Delegated to/responsibility of the Chief Executive</b>
Corporate Governance	Consideration and approval of the Corporate Governance Framework, including Delegated Powers, Standing Orders and Prime Financial Policies.	<p>Responsibility for all matters of organisational structure below the level of Managing Director.</p> <p>He can delegate authority to other Commission officers and will prepare and maintain a comprehensive scheme of delegation for the organisation.</p>
Strategy	Consideration and approval of the Commission's Strategic Plan.	<p>Under guidance from the Chairman, preparation of the Commission's Strategic Plan for consideration and approval of the Board.</p> <p>Responsibility for ensuring that the Commission has a strategy for sound environmental policies.</p>
Corporate Plans and budget	Consideration and approval of the Commission's Corporate Plans and annual budgets.	Preparation of Corporate Plans and annual budgets in line with the Commission's Strategic Plan, containing proposed work programmes for audit, inspection, data matching and study activities in all of the Commission's business sectors.
	Consideration and approval of a medium term financial plan.	Preparation of a medium term financial plan.
	Variations to the approved budget where the variation would have a significant impact on the overall approved levels of income and expenditure.	Variations to the approved budget where the variation would not have a significant impact on the overall approved levels of income and expenditure. In any event, a financial variation shall be treated as significant if it involves incurring one-off expenditure of £1m or more, or recurring expenditure of £250,000 or more per annum.

### Part 3 - The Commission's business and delegated powers

<b>Subject</b>	<b>Reserved to the Board</b>	<b>Delegated to/responsibility of the Chief Executive</b>
Annual report and accounts	Approval of annual report and accounts.	Drawing up annual report for Board approval. Drawing up annual accounts for Audit Committee consideration and Board approval.
Performance Management	Determination and approval of arrangements for performance management and consideration of regular monitoring reports.	<p>To keep the Board informed of any significant variance from the approved Corporate Plans and budget and of progress in achieving objectives.</p> <p>To report significant successes or failures and internal issues of significance including senior appointments, structural changes and accommodation changes.</p>
Risk Management	Approval of the Commission's Risk Management arrangements and consideration of reports of the Audit Committee.	<p>To maintain the system of internal control and assurance framework within the Commission and to provide the Board and Audit Committee with assurance on its ongoing effectiveness and appropriateness, including the best use of its resources and application of its resources for the purposes given.</p> <p>To advise the Board and Audit Committee as to material changes thereto.</p>

### Part 3 - The Commission's business and delegated powers

Subject	Reserved to the Board	Delegated to/responsibility of the Chief Executive
HR Issues	<p>Approval of significant changes to overall staff terms and conditions of employment.</p> <p>Appointment of the Chief Executive.</p> <p>Decisions relating to the Chief Executive's contract terms and remuneration will be taken by the Remuneration Committee.</p> <p>Appointments at Managing Director level are to be made by an Appointments Panel chaired by the Chairman or Deputy Chairman together with two Commissioners in addition to the Chief Executive.</p> <p>Approval of the structure of the Management Team proposed by the Chief Executive. The Remuneration Committee approves the remuneration of members of the Management Team.</p>	<p>The structure of the Management Team, subject to Board approval.</p> <p>To make recommendations on the remuneration of members of the Management Team to the Remuneration Committee.</p> <p>All appointments and other HR issues below the level of Managing Director.</p> <p>Under guidance from the Chairman, ensure necessary resources and facilities are available to enable Commissioners to develop and maintain knowledge necessary to enable them to discharge their duties.</p>

### Part 3 - The Commission's business and delegated powers

Subject	Reserved to the Board	Delegated to/responsibility of the Chief Executive
Significant Publications	<p>In relation to each Significant Publication, initial approval of the proposal including its purpose, methodology, timescale, cost, intended impact and plan for achieving that intended impact, together with the means by which that impact will be measured.</p> <p>Approval, in good time before publication, in the case of Significant Publications, of the key messages, and the plan for the report's communication and implementation.</p> <p>In all cases, approval of the programme of proposed Significant Publications, and regular review of that programme.</p>	<p>Identify Significant Publications and discuss the full programme of national reports and other studies and publications with the Chairman on an ongoing basis.</p> <p>Responsibility for carrying out work relating to Significant Publications in accordance with the Board's initial approval.</p> <p>To report to the Board significant emerging issues and to ensure that maximum value is obtained from the skills, knowledge and experience of individual Commissioners in relation to the carrying out of any Significant Publication and the drafting of Significant Publications.</p>

### Part 3 - The Commission's business and delegated powers

Subject	Reserved to the Board	Delegated to/responsibility of the Chief Executive
Audit Issues	<p>Approval of the draft Code of Audit Practice for submission to Parliament.</p> <p>Setting the scale of fees annually.</p> <p>Approval of the overall policy objectives for, and approach to, managing the market for audit and related services, and the award of contracts for such services at audited bodies other than small bodies as defined in Schedule 1 to the Code of Audit Practice for Local Government.</p> <p>Approval of the audit supplier and named auditor for audit appointments at audited bodies other than small bodies as defined in Schedule 1 to the Code of Audit Practice for Local Government.</p> <p>Approval of changes to auditors' overall terms of appointment.</p> <p>Directing an extraordinary audit of a body subject to audit under s25 ACA 1998.</p> <p>Consideration of significant issues arising from the work of appointed auditors.</p>	<p>The provision of annual and standing guidance to auditors in relation to their work, including making arrangements to assist auditors in carrying out their functions under s3(9) ACA 1998.</p> <p>To report to the Board matters of significance arising from the work of appointed auditors.</p> <p>Approval of the audit supplier and named auditor for audit appointments at audited bodies that are small bodies as defined in Schedule 1 to the Code of Audit Practice for Local Government.</p>

### Part 3 - The Commission's business and delegated powers

<b>Subject</b>	<b>Reserved to the Board</b>	<b>Delegated to/responsibility of the Chief Executive</b>
<p>Inspection and Performance Assessment Issues</p>	<p>Approval of the overall framework of all inspection and performance assessment methodologies.</p> <p>Setting the scale of fees annually.</p> <p>Decisions in relation to proposed recommendations to the Secretary of State that he give a Statutory Direction to a local authority (“Referrals”). These are normally delegated to an ad hoc committee.</p>	<p>Approval of detailed inspection and performance assessment methodologies.</p> <p>The undertaking of inspections including preparation and publication of inspection reports not containing Referral recommendations.</p>
<p>Data Matching Issues</p>	<p>Approval of the overall strategy for data matching, and of significant new types of data matches and data sets.</p> <p>Approval of the Code of Data Matching Practice to be laid before Parliament.</p> <p>Setting the scale of fees for bodies required to participate in data matching exercises.</p>	<p>Responsibility for the conduct of data matching exercises.</p> <p>The Chief Executive shall make arrangements for the establishment and appointment of members of a Data Matching Strategy Board for this purpose, to include one independent member.</p>
<p>Communication Issues</p>	<p>Approval of communication plans in respect of matters which are of public, political or reputational significance.</p>	<p>The Chief Executive and then Chairman should sign-off all press releases and other statements where the release of statement is of public or political significance.</p>
<p>Grant Claims</p>	<p>Consideration of significant issues arising from the Commission’s statutory function in s28 ACA 1998 (“grant claims”).</p>	<p>Decisions in relations to the exercise of the Commission’s function in s28 ACA 1998 (“grant claims”).</p> <p>Identifications of significant issues to be considered by the Board.</p>

### Part 3 - The Commission's business and delegated powers

Subject	Reserved to the Board	Delegated to/responsibility of the Chief Executive
Commission Administration	The cycle of Board meetings, the composition of Board agendas and approval of minutes of Board meetings.	<p>Ensure the Board can function properly through a Board Secretariat.</p> <p>To make recommendations for the cycle of Board meetings, and for the composition of agendas for meetings.</p> <p>To prepare draft minutes and maintain efficient overall arrangements for the administration of the Commission.</p>
Litigation	Approval of decisions concerning litigation in respect of matters which are of public, political, financial or reputational significance.	Informing the Board about litigation or potential litigation where there is a real prospect that it will be of public, political, financial or reputational significance.
Audit Commission Pension Scheme	<p>Approval of significant amendments to the Trust Deed and Rules of the Scheme.</p> <p>Approval of significant changes in eligibility or benefits under the Scheme but only if they affect all members or a class of members.</p> <p>Approval of transfers of assets of schemes transferring into or out of the Fund and reciprocal arrangements for group transfers.</p> <p>Appointment and removal of Trustees.</p> <p>Decisions concerning cessation or closure of the Scheme in whole or in part.</p>	Responsibility for all other decisions under the Trust Deed and Rules of the Scheme. The Chief Executive shall make arrangements for the establishment and appointment of members of the Founder's Pension Group for this purpose.

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# Appendix 1 – Standing Orders

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## 1 Introduction

- 1.1 Under Schedule 1 of the Audit Commission Act 1998, the Audit Commission is required to regulate its own procedures. These Standing Orders have been drawn up to fulfil that requirement with effect from 15 July 2004. They replace all previous Standing Orders.
- 1.2 Standing Orders, together with Delegated Powers and Financial Policies, provide a procedural framework within which the Audit Commission discharges its business. They deal with the business of the Commission, procedure at meetings of the Board and any committees or panels, delegation of powers, declaration of interests and standards of conduct.
- 1.3 The Delegated Powers and Financial Policies have effect as if incorporated into the Standing Orders. Commission members and members of staff should be aware of the existence of these documents and, where necessary, be familiar with their detailed provisions.

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## 2 Place of Business

- 2.1 The principal place of business of the Audit Commission is First Floor, Millbank Tower, Millbank, London SW1P 4HQ.

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## 3 Meetings of the Board

### Calling meetings

- 3.1 The Board shall meet on such dates and at such times and places as the Board shall from time to time determine. Such meetings shall be known as ordinary meetings.
- 3.2 An extraordinary meeting may be called at any time by the Chairman or by not less than five Commission members lodging with the Chief Executive a written request for such a meeting, stating the business to be transacted. Except as provided by SO 3.7 below, no business shall be transacted at such a meeting other than that specified in the notice of the meeting.

### Notice of meetings

- 3.3 At least four clear working days (a working day excludes Saturday, Sunday, Bank Holidays and other days when the Commission offices are closed) before any ordinary or extraordinary meeting of the Board, written notice of the time and place of such meeting and of the business to be transacted shall be sent by the Chief Executive, or a nominated officer acting on his/her behalf, to each member.

## Appendix 1 – Standing Orders

**3.4** Notice of meetings shall be sent to each member's home address, or to such other address as they have notified for the purpose. Notice of meetings may be sent electronically where a member has specifically requested it. Where notice of meetings is sent electronically it shall be deemed to be a written notice.

**3.5** The accidental omission to give notice to or the non-receipt of notice by any member shall not invalidate the proceedings of the meeting, save that failure to serve such a notice on more than five members will invalidate the meeting.

### Business to be transacted

**3.6** The Chairman is responsible for drawing up the agenda of meetings in consultation with the Board and the Chief Executive.

**3.7** No business other than that specified in the notice of meeting shall be transacted at that meeting unless the business is of an urgent nature or required by statute to be transacted and not less than two-thirds of the members present decide that the business shall be transacted.

**3.8** A member wishing a matter to be included on an agenda shall make his/her request in writing for the Chairman to consider at least 10 clear days before a meeting. Requests made less than 10 days before a meeting may be considered for inclusion on the agenda at the discretion of the Chairman.

**3.9** Agendas for meetings shall include declarations of interest as a standing item.

### Quorum

**3.10** At any meeting of the Board the quorum shall be seven members present. Members may attend meetings of the Board by telephone or video conferencing facility. Members attending a meeting by these means shall be deemed to be present in person at that meeting. The responsible officer shall record the circumstances of any member attending a meeting by telephone or video conferencing facility.

**3.11** If a member has been disqualified from participating in a discussion or resolution to be taken about any matter by reason of the declaration of a conflict of interest (see SO 11.1 below), he/she shall no longer count towards the quorum. If a quorum is then not available for the discussion or resolution to be taken about any matter, that matter may not be subject to a decision. The responsible officer shall record this situation in the minutes of the meeting.

### Record of attendance

**3.12** The responsible officer shall record the names of all members present at a meeting of the Board in the minutes of the meeting.

### Chairmanship of meetings

**3.13** The Chairman shall preside at any meeting of the Board. In his/her absence the Deputy Chairman shall preside. In the absence of both the Chairman and the Deputy Chairman, a member chosen by the members present, or by a majority of them, shall preside.

- 3.14** The Chairman determines the detailed procedure for the conduct of business at meetings of the Board and the Chairman's decision on questions of order will be observed at the meeting, subject to the provisions of Standing Orders and to any decision of the Board to the contrary.

### Voting

- 3.15** Unless these Standing Orders provide otherwise, any question arising before the Board shall be determined by a majority of the members present. A member absent at the time of the vote may not vote by proxy. In the event of an equality of votes, the Chairman shall have a second or casting vote.
- 3.16** The procedure for voting shall be a matter for the Chairman at the meeting, subject to any decision of a majority of the Board to the contrary, including:
- the form that voting shall take, whether by a show of hands or by some other means; and
  - any question whether or not to record the voting in the minutes to show how each member present voted or abstained.
- 3.17** Members may ask for their dissenting views on any matters to be recorded in the minutes.

### Adjournment

- 3.18** Any meeting of the Board may be adjourned from time to time and from place to place at the discretion of the Chairman. Reasonable notice shall be given where practical of the date and time of the reconvening of the adjourned meeting, save that where a meeting has been adjourned for thirty days or more, notice of the reconvening of the adjourned meeting shall be given as for an ordinary meeting of the Board.

### Minutes

- 3.19** Minutes of the proceedings of every meeting of the Board shall be drawn up by the Chief Executive. They will be submitted to the Chairman for agreement at the following meeting of the Board.
- 3.20** No discussion shall take place upon the minutes except upon their accuracy or upon matters arising from the minutes. Any amendments to the minutes shall be agreed and recorded at the following meeting of the Board. Once agreed, the version, including any amendments required by the Board, shall be signed by the Chairman.
- 3.21** Minutes shall be circulated in accordance with the Board's wishes.

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## 4 Delegation of Powers

- 4.1** The Commission has approved Delegated Powers that specify those matters that are reserved to the Board for decision, and those matters that may be delegated to the Chief Executive for decision. The Chief Executive may in turn delegate any matter within his authority to another officer of the Commission. Any person to

## Appendix 1 – Standing Orders

whom a matter is delegated by the Chief Executive or under arrangements approved by him shall carry the authority of the Commission in respect of the matter so delegated.

- 4.2 The Board shall review and approve the Delegated Powers annually.

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### 5 Urgent or Non-Contentious Business

- 5.1 Urgent business is deemed to be any matter requiring a decision of the Board before the date when an ordinary or extraordinary meeting of the Board can be convened. In such cases the Chief Executive should take all practicable steps to consult with the Chairman, with the Deputy Chairman and with as many other Commissioners as the Chief Executive considers appropriate (and if at all possible no fewer than eight Commissioners). The Chief Executive should seek Commissioners' views as to:
- the urgency of the matter requiring decision;
  - the possibility of holding a Board meeting to consider it; and
  - the action to be taken.
- 5.2 The Chief Executive should decide in the light of Commissioners' views what action to take, should notify as many Commissioners as practicable (and in any event no fewer than eight Commissioners) of the proposed action and should allow as much time as he considers reasonable in the circumstances for Commissioners to comment on his proposals. He should then act as he considers appropriate.
- 5.3 The exercise of such powers shall be reported to the next meeting of the Board which will consider whether further action is required.
- 5.4 If in the opinion of the Chairman and the Chief Executive any matter requiring a decision of the Board is unlikely to be contentious, the Chief Executive may give notice of a proposed resolution, together with any necessary explanation and information, to all members of the Board by way of e-mail to their notified e-mail addresses.
- 5.5 A resolution under SO 5.4 shall be valid and effective without a meeting of the Board provided that by the end of the sixth working day following the day on which notice was sent, no member of the Board who would be entitled to attend and vote on the matter at a meeting has indicated dissent.
- 5.6 In the event of such dissent the matter shall be referred to the next meeting of the Board for decision.
- 5.7 Such a resolution shall be reported in the next available minutes of the Board as having been made on the last day of the period referred to in SO 5.5.

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## 6 Committees

- 6.1 The Board may establish standing or ad hoc committees or advisory groups, and the Chairman may establish advisory groups, consisting of such numbers and for such purposes as the Board or, as the case may be, the Chairman, may determine.
- 6.2 The provisions of these Standing Orders shall apply where relevant to the operation of all committees, unless these Standing Orders specify otherwise. They shall not apply to advisory groups.

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## 7 Membership of Committees and Advisory Groups

- 7.1 The appointment of committee and advisory group members shall be a matter for the Chairman, and effective following the approval of the Board (except where an advisory group is established by the Chairman).
- 7.2 Senior officers may be appointed as ex-officio members of committees. In addition, and subject to the approval of the Board, a committee may co-opt such other person or persons, including officers, as they deem necessary for the proper execution of their duties. All such appointments shall be reported to the Board for ratification. A person who is not a member of the Board may participate in discussion and advise but may not take part in any decision on the exercise of any Commission functions unless the Board so determines, and unless the Commissioners form a majority of those present.
- 7.3 Dates and venues of committee meetings shall be set in advance and notified to all Board members. Such meetings shall be known as ordinary meetings. An extraordinary committee meeting may be called at any time by the chairman of the committee in accordance with SO 3, as if the references there to the Chairman were to the chairman of the committee, and the references to the Board were to the committee. Details of all business to be transacted at committee meetings shall be sent to any member of the Board who has specifically requested them. Any Board member shall be entitled to attend any committee meeting of which he/she is not a member as an observer.

### Quorum

- 7.4 At any meeting of a committee, the quorum of members who must be present in person or by telephone or video link shall be half the voting membership of that committee (rounded up in the case of odd numbers of members), save that the Board may set a higher quorum for individual committees.

### Reporting

- 7.5 The chairman of the committee shall report the minutes of committee meetings to the next appropriate meeting of the Board.

### 8 Declaration of Interests

- 8.1** Board members are required to declare any interests that are relevant and material to the Commission and which they might reasonably be expected to know about. All members should declare such interests on appointment, as soon as they arise or as soon as they become aware of them.
- 8.2** Interests that should be regarded as “relevant and material” are circumstances in which there is a real possibility of bias, including those in which a Board member or his/her close family or any nominee of his/hers is:
- a paid employee, partner, Director or proprietor of a company or other body with which the Commission has, is entering into or is proposing to enter into a contract;
  - is a trustee or on the Committee of Management or other controlling body of a non-profit making organisation, eg a charity or a Housing Association, with which the Commission has significant dealings;
  - has a controlling interest or has shares or securities with a nominal value of more than £25,000 or one-hundredth of the total issued share capital in a company or organisation with which the Commission has, is entering into or proposing to enter into a contract; and/or
  - has a direct interest in any land or property that is used by the Commission.
- 8.3** Certain disclosures must be published in the annual accounts. These are disclosures which relate to Commissioners and staff who are in a position of influence resulting from being elected to, receiving remuneration from, or being appointed to any organisation:
- where the Commission appoints the auditor or inspects the body;
  - where there are specific statutory responsibilities to co-operate eg Care Quality Commission;
  - that is a central government department; and/or
  - that is a provider or receiver of significant services to or from the Commission.
- 8.4** In the case of persons living together as a family the interest of one shall, if known to the other, be deemed for the purpose of these Standing Orders to be also an interest of the other.

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### 9 Exemptions

- 9.1** SO 8 above does not apply to membership of or employment under any public body unless such membership gives rise to a real possibility of bias, and a member of a company or other body shall not by reason only of his/her membership be treated as having an interest in any contract, proposed contract or other matter if he/she has no beneficial interest in any securities of that company or other body.

- 9.2** The receipt by a member of any allowance or remuneration under Clause 5 of Schedule 1 of the Audit Commission Act 1998 shall not be treated as a pecuniary interest for the purpose of these Standing Orders. SO 8 above does not apply to an interest in a contract, proposed contract or other matter which a member has as a council tax payer of a local authority.
- 9.3** A member shall not be treated as having a pecuniary interest in any contract, proposed contract or other matter by reason only of an interest of his/hers or of any company, body or person with which he/she is connected as mentioned in SO 8 above which is so remote or insignificant that it cannot be reasonably regarded as likely to influence a member in the consideration of or in voting on any question with respect to that contract or matter.

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### **10 Register of interests**

- 10.1** A general notice given in writing to the Chief Executive by a member to the effect that he/she or his/her spouse or nominee has a relevant and material interest as defined in SO 8 above shall, unless and until the notice be withdrawn, be deemed to be a sufficient disclosure of his/her interest in any contract, proposed contract or other matter that may be the subject of consideration after the date of the notice.
- 10.2** Particulars of any disclosure made under the foregoing provisions shall be recorded in a book to be kept for the purpose. The Register shall include details of all relevant and material interests as defined in SO 8 above. These details shall be updated annually and any changes to interests declared during the previous twelve months shall be incorporated into the Register.
- 10.3** The Register shall be made available for inspection on the Commission's web-site.

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### **11 Procedure at meetings**

- 11.1** If any member has a direct or indirect interest as defined in SO 8 above in any contract, proposed contract or other matter and is present at a meeting of the Board or a committee at which the contract or other matter is the subject of consideration, he/she shall, at the meeting and as soon as possible after its commencement, disclose the fact. The member shall not take part in the consideration or discussion of the contract or other matter or vote on any question with respect to it unless, exceptionally, the Board considers the interest to be of a nature which brings no risk of a real or perceived conflict of interest. Where, in accordance with the above, a member does not participate in the consideration of a matter, he or she shall normally withdraw from the meeting during that item of business. The disclosure of interest shall be recorded in the minutes of the meeting.

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### **12 Standards of Conduct**

- 12.1** Members are required to comply with the Code of Conduct for Commissioners in the Commission's Corporate Governance Framework. Officers are required to

## Appendix 1 – Standing Orders

comply with the standards of conduct set out in the Commission’s Staff Handbook and Human Resources Policies.

### Use of information

- 12.2** No member shall use information gained in the course of their duty for personal gain nor seek to use the opportunity of the public service to promote their own or other parties’ private interests. Members should at all times avoid behaving in a manner which might bring the Commission into disrepute.

### Gifts and hospitality

- 12.3** No member may corruptly solicit or accept any gift or consideration as an inducement for doing or refraining from doing, or showing favour or disfavour to any person in an official capacity.
- 12.4** Members should exercise the utmost care in accepting hospitality or gifts where there could be a real or perceived conflict with their official duties at the Audit Commission. They should declare in the hospitality register all such gifts or hospitality (whether accepted or not) where the cumulative value from any one organisation or individual exceeds £200 in any 12 month period or £50 for any one gift. The hospitality register will be maintained by the Chief Executive and open to public inspection.

### Appointments

- 12.5** No member shall solicit any employment by the Commission for any person with intent to bypass due process. This Standing Order shall not preclude a member from giving written testimonial of a candidate’s ability, experience or character for submission to the Commission.

### Relatives of members

- 12.6** Members shall disclose to the Chief Executive any relationship with a candidate for a staff appointment of whose candidature he/she is aware. The Chief Executive shall report to the Board any such disclosure made.
- 12.7** On appointment, members should disclose to the Chief Executive whether they are related to any other member or holder of any office under the Commission.

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## 13 Indemnity

- 13.1** Provided that a member has acted honestly and in good faith, the Commission will indemnify him/her against any civil liability that may be incurred by him/her in the execution or purported execution of Board functions, save where the member has acted recklessly.

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## 14 Use of the Seal

### Custody of the seal

- 14.1 The Board shall approve the form of the common seal and provide for its safe custody.

### Sealing of documents

- 14.2 The seal shall only be used by authority of the Board or delegated by the Board under the Corporate Governance Framework. A resolution of the Board or a decision under authority delegated by the Board that action be taken, monies expended or received, a contract entered into, or that any act, matter or thing be done shall be sufficient authority to affix the seal of the Commission to any deed or document prepared so as to carry into effect, implement or validate the decision or resolution.
- 14.3 Every instrument to which the seal shall be affixed shall be signed by the Chairman or a member (other than the Chief Executive) and shall be counter-signed by the Chief Executive or some other officer specifically authorised to sign by the Board.

### Register of sealing

- 14.4 A record of every sealing, consecutively numbered, shall be made and kept in a book provided for that purpose. The Seal Register shall contain details of the seal number, the description of the document and the date of sealing.

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## 15 Suspension and Amendment of Standing Orders

### Suspension of Standing Orders

- 15.1 At any meeting the Board may, by a majority of not less than two-thirds of those present and voting, resolve to suspend these Standing Orders for the duration of the meeting or of any item of business to be transacted at the meeting, provided that:
- suspension of Standing Orders does not contravene any statutory provisions or directions;
  - any decision to suspend Standing Orders is recorded in the minutes; and
  - a separate record of matters discussed during the suspension shall be kept.

### Amendment of Standing Orders

- 15.2 These Standing Orders or any of them may be amended by alteration, addition or deletion, provided that:
- amendment or variation of the Standing Orders does not contravene any statutory provisions or directions;
  - at least five days' notice shall be given of the proposed amendment; and

## Appendix 1 – Standing Orders

- the amendment shall be approved by a majority of not less than two-thirds of the members present and voting at the meeting in which it is moved.

**15.3** The Board shall review Standing Orders annually. The review shall include all other documents having effect as if incorporated into Standing Orders.

# Appendix 2 – Summary of the statutory framework for the Commission

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## Administrative Law

- 1 As a public body, the Audit Commission is subject to normal principles of administrative law. The Commission must act reasonably (in the sense that it should not act in a manner in which no reasonable body such as the Audit Commission would act) and should base its decisions on relevant considerations, disregarding irrelevant factors. The Commission, and Commissioners, should be objective and impartial and bear in mind that the Commission is an independent statutory corporation, and not part of the Government.

## A Statutory Body

- 2 The Audit Commission is constituted by the Audit Commission Act 1998. As a statutory body, the Commission is subject to the principle that it can only do the things which Parliament through statute has given it the power or the duty to do ('the ultra vires' principle). It must be possible, in relation to any act or decision of the Commission, to identify the statutory authority upon which the Commission is relying.

## The Audit Commission Act 1998 ('the 1998 Act'):

- 3 The 1998 Act is the principal source of legislation relating to the Audit Commission. The Commission was created by the Local Government Finance Act 1982. Its functions were subsequently enlarged and amended in a piecemeal fashion, and in particular by the addition in 1990 of responsibility for the audit of health bodies. The 1998 Act was therefore a consolidating measure, bringing the earlier statutory provisions together into one document.
- 4 Since 1998, important amendments to the Commission's functions were made by the Local Government Act 1999, the Local Government Act 2003, the Health and Social Care Act 2003, the Public Audit (Wales) Act 2004, the Children Act 2004, the Fire and Rescue Services Act 2004, the Local Government and Public Involvement in Health Act 2007, the Serious Crime Act 2007 and the Housing and Regeneration Act 2008.
- 5 The following is a summary of the most important provisions in the 1998 Act.

## Appendix 2 – Summary of the statutory framework for the Commission

### Appointment of Auditors

- 6 The original reason for the creation of the Audit Commission was to make the audit of local government independent both of local authorities and of Central Government (until that time the District Audit Service had been part of the ministry responsible for local government). Section 2 of the 1998 Act requires the accounts of specified bodies (listed in schedule 2 to the Act) to be audited in accordance with the 1998 Act by an auditor or auditors appointed by the Commission.

### Appointed Auditors

- 7 Under Section 3 of the 1998 Act, the Commission can appoint as auditors either its own officers, or an individual who is not an officer, or a firm, provided in each case they meet certain requirements. Also, the Commission can appoint auditors to act jointly or to carry out different parts of the relevant audit.

### Code of Audit Practice

- 8 The 1998 Act prescribes a statutory audit regime, a key part of which is the requirement for auditors to comply with a Code of Audit Practice prepared and maintained by the Audit Commission. The code has to embody what appears to the Commission to be best professional practice.

### The Statutory Audit

- 9 Auditors appointed by the Audit Commission have a range of functions not normally associated with the conventional audit of accounts. They have to satisfy themselves that the audited body 'has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources'; they have a power to issue a public report, and in some circumstances they can intervene or take a local authority to court to challenge the authority's decision or failure to act where they reasonably believe this would affect the accounts of that authority. The audit of local authorities for which the Audit Commission has responsibility pre-dates the Commission's creation and is the subject of considerable case law. The audit of accounts is further regulated by the Accounts and Audit Regulations 2003.

### The Commission is not the Auditor

- 10 The Commission appoints, and through the Code of Audit Practice, regulates, the Auditor. The Commission does not itself have the functions of the appointed Auditor. In practice this means that the Commission cannot direct an Auditor as to the decision he or she should reach and cannot substitute its own judgement for that of the Auditor. However, with the power to appoint Auditors comes, by implication, the power to consider whether to re-appoint or to remove an auditor.

### Statutory Scales of Fees

- 11 The Commission has a duty to prescribe a scale or scales of fees for the Audit of Accounts under the 1998 Act. The Commission must consult before prescribing these scales (see below).

### Certification of Grant Claims etc

- 12 Under Section 28 of the 1998 Act the Commission has a duty, if required by the relevant audited body, to make arrangements to certify claims or returns made by that body in respect of Central Government grants or subsidies. The Commission has to charge a fee to the relevant body, covering the full cost of this work. Although in principle the Commission has no discretion whether or not to agree to carry out grant claim work, it has taken the view in relation to low value grant claims, where the cost of certification is disproportionate to the value concerned, that it would be manifestly unreasonable to be required to undertake such work. In such cases therefore the Commission suggests to the relevant Government department that alternative arrangements are made for certifying the relevant claim or return.

### Agreed Audit of Accounts

- 13 Under section 29 of the 1998 Act the Commission may, with the consent of the Secretary of State and by agreement with the body concerned, appoint auditors to audit the accounts of any body which is connected with local government or the National Health Service.

### Data Matching

- 14 Sections 32A-32G of the 1998 Act confer on the Commission powers to conduct data matching exercises for the purpose of assisting in the prevention and detection of fraud. These provisions were inserted by section 73 of the Serious Crime Act 2007. Data matching is defined as the comparison of sets of data to determine how far they match. The Commission may require audited bodies and best value authorities to provide data for its data matching exercises, and may include any other body in its data matching exercises on a voluntary basis. The Commission is required to maintain a Code of Practice to which all bodies participating in its data matching exercises must have regard. The Commission has a duty to prescribe a scale of fees for bodies that are required to participate, and must consult before doing so. It may agree fees with voluntary participants. Data Matching must be conducted in accordance with the provisions of the Data Protection Act 1998.

### Studies for Improving Economy, Efficiency and Effectiveness in Services

- 15 Under Section 33 of the 1998 Act the Commission is required to undertake or promote comparative and other studies designed to enable it to make recommendations for improving economy, efficiency and effectiveness in the provision of services by audited bodies (other than NHS bodies) and for improving their financial or other management. Since 1 April 2004, the Audit Commission ceased to have the function of carrying out studies in relation to the health service other than financial management studies. 'Studies' is not defined in the 1998 Act and therefore bears its everyday meaning. The Commission must consult (see below) before undertaking or promoting any study under Section 33. This is the only area in which the Commission still has a remit to carry out work relating to Wales, in the form of cross-border studies.

## Appendix 2 – Summary of the statutory framework for the Commission

### Reports on Impact of Statutory Provisions etc

- 16 The Commission has a separate duty, in Section 34 of the 1998 Act, to undertake or promote studies designed to enable it to report as to the impact of the operation of legislation or ministerial directions or guidance on the economy, efficiency and effectiveness of local authority services (this provision does not apply to Health Service bodies). In the past, when studying a subject the Commission has commonly relied upon both Sections 33 and 34 so as to be able to comment both as to local factors influencing public services, and also the impact of the legislative and ministerial framework. The Commission must consult before carrying out a study under Section 34 of the 1998 Act (see below).
- 17 Sections 33 or 34 of the 1998 Act do not expressly provide for the Commission to charge fees in relation to studies under those sections.

### Other Studies

- 18 The Commission has powers in relation to studies of various Educational bodies and registered providers of social housing.
- 19 It is necessary, in relation to each of these powers, to refer to the detail of the relevant statutory provision to establish its scope, and any steps to be taken in connection with its exercise. The Commission and the other local services inspectorates have mutual duties to cooperate and powers to work jointly and to delegate to each other in relation to their study functions, other than in relation to the Commission's studies of registered providers of social housing.

### Registered Providers of Social Housing

- 20 The Housing and Regeneration Act 2008 established a new framework for regulation of registered providers of social housing that commenced in December 2008. Consequently the Commission's powers to inspect registered social landlords under sections 41-41B of the Act will be withdrawn. In their place the new social housing regulator, known as the Tenant Services Authority, has powers to set standards and to arrange for inspections of registered providers of social housing. Where an inspection is for the purpose of assessing performance against standards as to the nature, extent and quality of accommodation, facilities or services provided, the inspection must be carried out by the Commission, and the regulator must reimburse the Commission's costs.
- 21 Under section 41C of the 1998 Act the Commission has power to provide advice and assistance to registered social landlords (and in the future, to registered providers of social housing) for the purpose of the exercise by them of their functions. Any such advice or assistance may be provided on such terms, including terms as to payment, as the Commission thinks fit.

### Comprehensive Area Assessment

- 22 Under section 47A of the 1998 Act, the Commission has the power to produce comparative and other reports in relation to aspects of performance of nearly all English local authorities and fire authorities in exercising their functions. Together with its inspection powers, this allows the Commission to undertake comprehensive area

## Appendix 2 – Summary of the statutory framework for the Commission

assessment. This power was added to the 1998 Act by the Local Government and Public Involvement in Health Act 2007 and came into effect on 1 April 2008. In exercising the power, the Commission is under a duty to cooperate with the other local services inspectorates and has powers to work jointly with and to delegate to them.

- 23 The Commission and the other local services inspectorates also have mutual duties to cooperate with each other and powers to work jointly and to delegate to each other in respect of their inspection functions. These provisions facilitate the joint working by inspectorates and joint reporting in relation to comprehensive area assessment. So far as regards the Commission, the provisions are set out in Schedule 2A to the 1998 Act, and were also added by the Local Government and Public Involvement in Health Act 2007.

### Advice or Assistance to Public Authorities

- 24 The Commission may provide advice or assistance to another public authority for the purpose of the exercise of that authority's functions. Any such advice or assistance may be provided on such terms, including terms as to payment, as the Commission thinks fit. This also applies to public authorities outside the UK. This provision was added by the Local Government and Public Involvement in Health Act 2007 and came into effect on 31 January 2008.

### Restriction on Disclosing Information

- 25 Under Section 49 of the 1998 Act information relating to a particular body or person and obtained by the Commission or an Auditor in the course of carrying out their functions may only be disclosed in specified circumstances. Of those, the most important are:
- where the disclosure would not, or would not be likely, to prejudice the effective performance of the Commission's or the Auditor's functions;
  - where the disclosure is for the purpose of the functions of the Commission or an Auditor; and
  - where the consent of the body or individual has been obtained.
- 26 Third parties may disclose such information only with the written consent of the Commission or an Auditor as the case may be. Disclosure in any other circumstance is a criminal offence.

### Governance and Proceedings

- 27 Schedule 1 to the 1998 Act contains detailed provisions relating to the Commission's governance. In particular:
- "the Commission shall not be regarded as acting on behalf of the Crown and neither the Commission nor its members, officers or servants shall be regarded as Crown servants";
  - the Secretary of State has power to direct the Commission as to the discharge of its functions, but a direction may not be given in respect of any particular body

## Appendix 2 – Summary of the statutory framework for the Commission

subject to audit, and before giving any direction the Secretary of State must consult the Commission and organisations representing audited bodies;

- the Commission’s power to appoint staff is at paragraph 7 of Schedule 1. The Commission has very wide power “to appoint such officers and servants [in addition to the Chief Executive] as it considers necessary for the discharge of its functions”. They may be appointed at such remuneration and on such other terms and conditions as the Commission may determine;
- finance: it is the duty of the Commission “so to manage its affairs that its income from fees and otherwise will, taking one year with another, be not less than its expenditure properly chargeable to its income and expenditure account” (paragraph 8, Schedule 1); and
- the Commission may delegate any of its functions to a Committee or Sub-Committee established by the Commission or to an officer or servant of the Commission.

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### Education Act 1997

- 28 Under this Act the Commission has the power to assist with the inspection of local education authorities if requested to.

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### The Local Government Act 1999

- 29 The Local Government Act 1999 (“the 1999 Act”) introduced the regime widely described as “Best Value”. Local Authorities were given a new duty in Section 3 of that Act to make arrangements “to secure continuous improvement in the way in which their functions are exercised, having regard to a combination of economy, efficiency and effectiveness”. Much of the remainder of the 1999 Act created a performance management framework designed to facilitate this general duty of continuous improvement. From April 2008, this has been replaced by a performance framework based on Local Strategic Partnerships agreeing Local Area Agreements that contain improvement targets for the area, brought in by the Local Government and Public Involvement in Health Act 2007.
- 30 The Commission has a power in Section 10 of the 1999 Act to carry out an inspection of a best value authority’s performance of its functions, including inspection of its compliance with the best value duty under section 3 of the Act.
- 31 The other local services inspectorates have similar powers to inspect performance of the bodies within their remit. Each inspectorate, including the Commission, is under a duty to prepare an inspection programme setting out what inspections it proposes to carry out, and an inspection framework setting out how it proposes to go about that programme. The Commission’s duty is set out in Schedule 2A to the 1998 Act.
- 32 Each local services inspectorate is also appointed as gate-keeper for certain bodies within its remit. This means it has the power to give notice to prevent an inspection by one of the other inspectorates if it considers it would impose an unreasonable burden. In the case of a dispute, the issue will be determined by the Secretary of State. The

## Appendix 2 – Summary of the statutory framework for the Commission

Commission is the gate-keeper for most local authority functions. The gate-keeper role of the Commission is also set out in Schedule 2A to the 1998 Act.

- 33 Under Section 13 of the 1999 Act, the Commission must issue a report of any inspection and, where the Commission believes as a result of the inspection that the Authority is failing to comply with the requirements of that part of the Act, the Commission may recommend that the Secretary of State give a Direction to the Authority (“referral”).

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### The Freedom of Information Act 2000

- 34 The Commission is listed as a public authority in Schedule 1 to the Freedom of Information Act 2000 and is therefore subject to the Freedom of Information regime. The Commission is required to comply with requests for information unless a defined exemption applies. However, the Commission’s appointed auditors, whether Commission officers or firms, exercise separate statutory powers to the Commission and are not subject to the Freedom of Information Act.

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### The Local Government Act 2003

- 35 Under Section 99 of the Local Government Act 2003 (“the 2003 Act”), the Commission has a duty “from time to time to produce a report on its findings in relation to the performance of English local authorities in exercising their functions”. Such a report must, in particular, categorise each local authority according to how the authority has performed in exercising its functions. This is the provision under which the Commission’s comprehensive performance assessment is conducted. From 1 August 2009, this duty may only be exercised if the Secretary of State so directs. This is because by then it will have come to an end and be fully replaced by comprehensive area assessment.

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### The Health and Social Care (Community Health and Standards) Act 2003

- 36 This Act provided that from 20 November 2003 a Foundation Trust can appoint as its auditor an employee of the Audit Commission. The functions of auditors appointed by the Commission are not otherwise altered by the Act. It is reasonable to assume that the Commission can continue to carry out all activities necessarily ancillary or incidental to its role as the appointer and employer of auditors in the health service. It is also reasonable to assume that the Commission has implied power to ensure that suitable employees are available for appointment as the auditors of Foundation Trusts, and that their availability is brought to the attention of Foundation Trusts. The power to appoint Commission employees as Foundation Trust auditors is now contained in the National Health Service Act 2006, which consolidated various statutes concerning health services.

### Fire and Rescue Services Act 2004

- 37 As of 1 October 2004 this Act extended the Commission’s inspection function under section 10 of the 1999 Act to the inspection of fire and rescue authorities’ compliance with the Secretary of State’s Fire and Rescue National Framework. This Act also specified that a fire and rescue authority falls within the definition of a “local authority” for the purposes of Section 99 of the 2003 Act, which brought them within the comprehensive performance assessment regime.

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### Children Act 2004

- 38 As of 1 March 2005 this Act imposed an obligation on a range of inspectorates including the Commission to conduct joint reviews of children’s services at the request of the Secretary of State. Reviews must be conducted in accordance with a framework for inspection drawn up by the Chief Inspector of Schools, and must be published by him.

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### Public Audit (Wales) Act 2004

- 39 This Act created a single audit office in Wales as from 1 April 2005, by transferring the office of the Audit Commission in Wales to that of the Welsh Auditor General. Following this, as from 1 April 2008 the Local Government and Public Involvement in Health Act 2007 changed the full title of the Commission to ‘The Audit Commission for Local Authorities and the National Health Service in England’.

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### Regulatory Reform (National Health Service Charitable and Non-Charitable Trust Accounts and Audit) Order 2005

- 40 In 2005 this order extended the Commission’s remit to the appointment of auditors to English National Health Service charities, by inserting a new section 43A to the Charities Act 1993.

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# Appendix 3 – The Nolan principles

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## The Seven Principles of Conduct Underpinning Public Life

### The seven principles are:

- **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 other 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 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:** holder of public office should be as open as possible about all the decisions and actions that they take. They should give reasons for their decisions and restrict information only when the wider public interest clearly demands.
- **Honesty:** holders of public office have a duty to declare any private interests relating to their public duties and to take steps to resolve any conflicts arising in a way that protects the public interest.
- **Leadership:** holders of public office should promote and support these principles by leadership and example.

# Appendix 4 – Prime financial policies

- 1 This document sets out the Commission’s prime financial policies.
- 2 The key objective of setting financial policies is to give a framework for maintaining financial control over Commission resources, which enables strategic priorities to be delivered and the Chief Executive to discharge his Accounting Officer responsibilities.
- 3 In support of these policies, further detailed policies have been prepared and approved by the Accounting Officer known as Detailed Financial Policies. The Prime and Detailed Financial Policies together are referred to as the Commission’s financial policies.
- 4 The Commission financial policies comply and are consistent with the financial provisions laid down in the Audit Commission Act 1998 and HM Treasury’s Managing Public Money where applicable.

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## Status and scope of the Commission’s financial policies

- 5 Compliance with Commission financial policies is mandatory on all Commissioners, contractors and staff (temporary or full time) irrespective of their directorate or role. Any member of staff failing to comply with the financial policies may be subject to disciplinary action under the Commission’s disciplinary policy. Any significant breaches of Commission financial policies will be notified to the Audit Committee and to the Head of Assurance. It is the responsibility of the relevant Managing Director to ensure staff are made aware of the existence and content of these and the Detailed Financial Policies and that staff with financial responsibility are fully acquainted with them.

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## Amendment of Prime Financial Policies

- 6 To ensure that these policies remain up to date and relevant, the Managing Director, Finance and Corporate Services will at least annually review them and following consultation with the Accounting Officer and scrutiny by the Audit Committee, recommend amendments, as appropriate, to the Commission Board for approval.

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## Relation to other Policies

- 7 These policies are consistent and should be read with other policies in force within the Commission, particularly the BIS policies and the HR policies as set out in the Staff Handbook.

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## Capital investment and asset management

### Policy

**All assets will be centrally purchased or leased within budgets approved by the Commission.**

- 8 The Managing Director, Finance and Corporate Services will:
  - ensure that the Commission prepares a consolidated capital budget, and performance against the programme will be monitored;
  - ensure that arrangements are in place to define tangible, intangible and investment assets; and when development work may be carried forward;
  - maintain appropriate capitalisation limits and depreciation rates;
  - ensure a central asset register of all items over the capitalisation threshold is maintained;
  - maintain a delegated schedule of authority for asset disposals; and
  - approve procedures for the purchase, control, safe custody and disposal of assets.

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## Treasury management and banking

### Policy

**The Commission will, first and foremost, seek to ensure the security of its deposits and thereafter secure the best interest rate available. The Commission will maintain sufficient liquidity (through cash deposits or overdraft facilities), to meet its current commitments.**

- 9 All banking arrangements will be undertaken through a clearing bank approved by the Audit Committee.
- 10 The Managing Director, Finance and Corporate Services will:
  - ensure that the Audit Committee bi-annually reviews and maintains a list of criteria defining those bodies with which the Commission may deposit surplus funds;
  - ensure that cash flow performance and projections are monitored monthly; and
  - maintain and approve a list of personnel that can have access to the Commission's banking arrangements.

### Debt and work in progress management

#### Policy

**The Commission will allow normal credit terms of 30 days on settlement of its invoices, but will actively chase debts in excess of this.**

- 11 The Managing Director, Finance and Corporate Services will ensure that:
- all Work in Progress is invoiced in a timely manner;
  - there are appropriate systems in place to recover or write off all outstanding debts; and
  - any write-offs of debts are properly authorised in accordance with delegated authorities.

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### Procurement

#### Policy

**The Commission will ensure appropriate competition within all purchasing to ensure only budgeted, authorised and appropriate expenditure is incurred. Value for money will be sought for all goods and services, by taking into account quality, fitness for purpose, service, sustainability and whole life costs.**

- 12 Staff involved in dealing with suppliers should uphold the highest standards of honesty, integrity, impartiality and objectivity and ensure that value for money is obtained from all procurement.
- 13 The Managing Director, Finance and Corporate Services will ensure that:
- orders are properly prepared and authorised, and a schedule of delegated authority to approve orders is maintained and approved by him;
  - a schedule is prepared and maintained showing how orders will be placed and the extent to which Procurement will be involved;
  - appropriately experienced employees are designated as authorised signatories and will maintain a current list of criteria defining those staff who are nominated as signatories;
  - in line with Government policy, the Commission will endeavour to include small firms on tender lists for work, which is compatible with their capacity and capability and where they can reasonably compete on value for money terms;
  - all procurement undertaken gives due regard to sustainability issues and ethical trading issues as permitted by the law and account is taken of the latest case law, European Commission guidance, government policy and good practice; and

- where contracts and framework agreements are in place then all requirements will be purchased through them except as where noted in the Detailed Financial Policies.

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### Creditor payments

#### Policy

**The Commission will aim to pay creditors within 30 days of the invoice date, or earlier within agreed terms of business.**

- 14 The Managing Director, Finance and Corporate Services will:
- ensure that the Commission's Purchase Ordering System will be used for all types of purchases except those as listed in the Detailed Financial Policies;
  - ensure that the Commission operates one central Purchase Ledger from which supplier payments will be made; and
  - approve procedures for the use of the Government Procurement Card (GPC).

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### Taxation

#### Policy

**The Commission will seek to ensure that all taxes due and payable, are settled promptly with the relevant authority.**

- 15 The Managing Director, Finance and Corporate Services will ensure that:
- the Head of Assurance will undertake an audit of our taxation arrangements at least once every three years;
  - all income tax and National Insurance contributions due from Commission staff and schedule E contractors is properly deducted and paid to HM Revenue and Customs; and
  - the Commission levies VAT on appropriate invoices, deducts allowable VAT incurred, and pays the difference to HM Revenue and Customs.

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### Business Planning and Budgetary Control Policy

**The Commission's Strategic Plan is set out in a published document. For internal management the Commission will prepare a three year Plan, backed by Business Plans at directorate and regional level.**

- 16 The Chief Executive will ensure that a Strategic Plan and corporate plans are prepared, approved, published and updated as required by the Board.

## Appendix 4 – Prime financial policies

17 The Managing Director, Finance and Corporate Services will ensure processes are in place so that:

- corporate plans include full resource plans and budgetary implications;
- business plans are prepared annually to implement these activities at Central Directorate and Regional level;
- consolidated reports of progress against plans including an explanation of significant variances are presented to the Commission Board quarterly; and
- risks associated with all strategic and operational plans are reflected appropriately in the Risk Register.

**Table 2**

Document	Timescale	Person responsible for preparation	Status
Strategic Plan	Medium term	Chief Executive	Published
Corporate plans	3 Years	Responsible Managing Director	Internal
Business plans	3 Years	Responsible Managing or Regional Director	Internal

## Risk management and insurance

### Policy

The Commission will have arrangements in place for evaluation, awareness and management of its risks. Insurance arrangements will support evaluated risks.

18 The Managing Director, Finance and Corporate Services will ensure that:

- the Commission has a robust and effective process for risk management approved by the Board. This will include:
  - a process for identifying and quantifying risks and potential liabilities throughout the Commission;
  - management processes to ensure all significant risk and potential liabilities are mitigated as appropriate;
  - arrangements to periodically review the risk management processes; and
- a report is taken to the Audit Committee at least on a bi-annual basis on the key risks that have been identified and the processes for managing them.

19 Any significant changes to insurance cover that increase the risk to the Commission must be approved by the Audit Committee.

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## Internal Control

### Policy

**The Commission will put in place an appropriate control environment and effective internal controls that provide reasonable assurance of effective and efficient operations, financial stewardship, probity and compliance with laws and policies.**

- 20 The Commission will establish an Audit Committee whose terms of reference are specified in the Corporate Governance Framework.
- 21 The Chief Executive, as Accounting Officer, is responsible for the Commission's systems of internal control.
- 22 The Managing Director, Finance and Corporate Services will ensure that:
  - the financial policies are reviewed and updated annually;
  - an appropriate internal audit function is in place and working effectively;
  - a system is in place for proper monitoring and reporting of all breaches of financial policies; and
  - a proper procedure is in place for regular monitoring of the adequacy and effectiveness of the control environment.

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## Audit

### Policy

**The Commission will maintain an effective and independent internal audit function and fully comply with the requirements of external audit and other statutory reviews.**

- 23 The Head of Assurance and external audit will have direct and unrestricted access to all Audit Committee Members, the Chairman of the Commission and the Chief Executive for any significant issues arising from audit work that cannot be resolved with management, and for all cases of fraud or serious irregularity.
- 24 The Head of Assurance and external audit will have access to the Audit Committee and the Accounting Officer to review audit issues as appropriate.
- 25 All Audit Committee Members, the Chairman of the Commission Board and the Chief Executive will have direct and unrestricted access to the Head of Assurance and external auditors.
- 26 The Managing Director, Finance and Corporate Services will ensure that:
  - the Commission maintains a professional and technically competent internal audit function; and
  - any changes to the provision and delivery of assurance services to the Commission are approved by the Audit Committee.

### Annual financial accounts

#### Policy

**The Commission will produce statutory accounts and reports in accordance with all relevant accounting standards, accounting best practice and timetables, as set out in the Accounts Direction issued by the sponsoring department.**

- 27 The Managing Director, Finance and Corporate Services will ensure that:
- a timetable for the production of the annual Report and Accounts is prepared and agreed with external audit and the Board;
  - the accounts are prepared in accordance with the timetable approved by the Board, audited and laid before Parliament;
  - due consideration is given to the external auditor's management letter and all issues are fully addressed within agreed timescales; and
  - the external auditor's management letter will be published on the Commission's internet site.

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### Accounting systems

#### Policy

**The Commission will operate one central accounting system from which management and financial accounts will be generated.**

- 28 The Managing Director, Finance and Corporate Services will ensure that the Commission has appropriate financial and other software to enable it to comply with these policies.

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### Claims and litigation

#### Policy

**The Commission will maintain arrangements to ensure that all claims and existing or potential litigation against the Commission are handled properly having regard to the Commission's statutory functions and position as a public body, the need to achieve value for money and relevant commercial principles.**

- 29 The Managing Director, Finance and Corporate Services will ensure that:
- procedures are in place to report to the Chief Executive as soon as practicable any claim having potential significant consequences. These claims will be reported to the Audit Committee as part of the arrangements for monitoring risks; and
  - any significant potential legal liabilities are notified as soon as practicable to the Commission Solicitor.

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## Fraud

### Policy

**The Commission requires all staff at all times to act honestly and with integrity and to safeguard the public resources for which they are responsible. The Commission will not tolerate any fraud perpetrated against it and will actively pursue any loss suffered. Within the detailed policies the Commission will maintain a Fraud Response Plan and a response to Money Laundering legislation.**

- 30 The Managing Director, Finance and Corporate Services will:
- ensure that the Detailed Financial Policies include a Fraud Response Plan and the Commission’s response to Money Laundering legislation; and
  - ensure that there are regular communications to line managers and to staff in general reminding them of their responsibilities under this policy.

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## Fees and Charging

### Policy

**The Commission will review the scales of audit, inspection and data matching fees annually so that it can meet its statutory responsibility to set scales of fees for audit, inspection and data matching work. An appropriate system of internal charging will also be maintained.**

- 31 The Managing Director, Finance and Corporate Services will:
- with the Managing Director, Audit and the Managing Director, Local Government, Housing and Community Safety review the scales of audit, inspection and data matching fees to ensure there is no cross-subsidy between business sectors, and statutory requirements are met;
  - approve the method of calculating fees within tender documents where the Commission is involved in a competitive tender situation;
  - approve the methodology for calculating ad hoc fees; and
  - approve the methodology for internal recharges.

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## Expenses

### Policy

**All reasonable expenses properly incurred while on Commission business will be reimbursed. However, it is the employee’s responsibility to ensure that costs are reasonable. The Commission reserve the right not to pay back expenses where a claim is not compliant with the expenses policy. Any attempt knowingly to claim expenses in breach of this policy or to submit a false claim will result in disciplinary action.**

## Appendix 4 – Prime financial policies

32 The Managing Director, Finance and Corporate Services will:

- maintain a schedule of specific rates or maximum allowances;
- set out the principles governing travel, accommodation and incidental expenses in the Detailed Financial Policies; and
- maintain the procedures for authorisation and reimbursement of expenses.

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# Appendix 5 – Statement of Accounting Officers’ responsibilities

This statement is taken from Chapter 3 of the Treasury publication “Managing Public Money”, 1 October 2007, which sets out the responsibilities of Accounting Officers. We have left out (or very slightly adapted) some wording so as to exclude matters not relevant to the Audit Commission, marked [...].

This chapter sets out the personal responsibilities of all Accounting Officers, both in government departments and in other parts of central government. Essentially Accounting Officers must be able to assure Parliament and the public of high standards of probity in the management of public funds. This chapter is drawn to the attention of all Accounting Officers when they are appointed.

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## 3.1 Role of the Accounting Officer

- 3.1.1** Each organisation in central government – department, agency, trading fund, NHS body, NDPB or significant arm’s length body – must have an Accounting Officer. This person is usually the senior official in the organisation. [...]
- 3.1.2** Formally the Accounting Officer is someone who may be called to account in Parliament for the stewardship of the resources within the organisation’s control. The standards the Accounting Officer is expected to deliver in the organisation are summarised in box 3.1. [...]

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## 3.2 Appointment of Accounting Officers

- 3.2.1** The Treasury appoints the permanent head of each central government department to be its Accounting Officer. Where there are several Accounting Officers in a department, the permanent head is the Principal Accounting Officer.
- 3.2.2** [...]
- 3.2.3** In turn the Accounting Officer of each department normally appoints the permanent heads:
- of its executive agencies, as Agency Accounting Officers for their agencies; and
  - of all its NDPBs, and of most other significant arm’s length bodies, as Accounting Officers for these bodies.

### 3.3 Special responsibilities of Accounting Officers

3.3.1 It is important that each Accounting Officer takes personal responsibility for ensuring that the organisation he or she manages delivers the standards in box 1.1. In particular, the Accounting Officer must personally sign:

- the resource accounts
- the annual report
- the statement of internal control (SIC);

and, having been satisfied that they have been properly prepared to reflect the business of the organisation, must personally approve:

- any Request(s) for Resources; and
- the associated Estimates Memorandum.

### **Box 3.1: standards expected of the Accounting Officer's organisation**

Acting within the authority of the [Board] to whom he or she is responsible, the Accounting Officer should ensure that the organisation, and any subsidiary to it or organisation sponsored by it, operates effectively and to a high standard of probity. The organisation should:

#### **governance**

- have a governance structure which transmits, delegates, implements and enforces decisions;
- have trustworthy internal controls to safeguard, channel and record resources as intended;
- operate with propriety and regularity in all its transactions;
- treat its customers and business counterparties fairly and honestly;
- offer redress for failure to meet agreed customer standards where appropriate;
- give timely, transparent and realistic accounts of its business, underpinning public confidence.

#### **decision-making**

- support ministers [of its sponsoring department] with clear, well reasoned, timely and impartial advice;
- make all its decisions in line with the strategy, aims and objectives of the organisation set [...] in legislation [and in any ministerial direction];
- meet the Treasury's requirements about limits on use of public resources;
- manage its staff fairly, with inclusive policies designed to promote and integrate diversity;
- communicate its decisions openly and transparently.

#### **financial management**

- use its resources efficiently, economically and effectively, avoiding waste and extravagance;
- carry out procurement and project appraisal objectively and fairly, seeking good value for the public sector as a whole;
- use management information systems to secure assurance about value for money and the quality of delivery and so make timely adjustments;
- avoid overdefining detail and imposing undue compliance costs, either on its own staff or on its customers and stakeholders;
- have practical documented arrangements for working in partnership with other organisations;
- use internal and external audit to improve its internal controls and performance.

## Appendix 5 – Statement of Accounting Officers’ responsibilities

**3.3.2** In the case of Accounting Officers of corporate arm’s length bodies, the Accounting Officer should also arrange for a board member to sign the accounts as well, if (unusually) he or she is not a member of the board.

**3.3.3** There are several other areas where Parliament expects Accounting Officers to take personal responsibility:

- regularity and propriety [...] including seeking Treasury approval for any expenditure outside the normal delegations [...] and carried through with appropriate disclosures in the resource accounts;
- selection and appraisal of programmes and projects: using the Treasury’s Green Book to evaluate alternatives, and good quality project and programme management techniques, such as Office of Government Commerce (OGC) Gateways™, to track and where necessary adjust progress;
- value for money: ensuring that the organisation’s procurement, projects and processes are systematically evaluated and assessed to provide confidence about suitability, effectiveness, prudence, quality, good value and avoidance of error and other waste, judged for the public sector as a whole, not just for the Accounting Officer’s organisation;
- management of opportunity and risk to achieve the right balance commensurate with the institution’s business and risk appetite;
- learning from experience, both using internal feedback, and from right across the public sector; and
- accounting accurately for the organisation’s financial position and transactions: to ensure that the government published financial information is transparent and up to date; and that the organisation’s efficiency in the use of resources is tracked and recorded.

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### 3.4 [...]

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## 3.5 Public Accounts Committee

**3.5.1** The PAC may hold public hearings on the accounts of central government organisations laid in Parliament [...]. In practice most PAC hearings focus on NAO value for money studies. The PAC expects that NAO will agree the texts of these reports with the Accounting Officer(s) of the organisation(s) concerned so there is a clear evidence base for their scrutiny to proceed.

**3.5.2** When a hearing is scheduled, the PAC normally invites the Accounting Officer(s) of the relevant institution(s) to attend as witness(es). An Accounting Officer may be accompanied by appropriate officials. Where it is appropriate, and the PAC agrees, the Accounting Officer may send a substitute. In answering questions, the Accounting Officer should take responsibility for the organisation’s business, even if it was delegated or if the events in question happened before he or she was appointed Accounting Officer.

- 3.5.3** The PAC expects witnesses to give clear, accurate and complete evidence. If evidence is sensitive, witnesses may ask to give it in private. It is also acceptable to offer supplementary notes if a witness does not have the detail to hand at the hearing. Where such notes are offered, they should be provided within two weeks and with attention to the PAC's concerns in asking for the information. If the evidence might take longer to prepare, witnesses may seek an extension. They should do so without delay.
- 3.5.4** The Treasury Officer of Accounts (or an alternate) attends all PAC hearings. This allows scope for the PAC to explore any issues of more general application arising out of the subject of the hearing.

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### **3.6 When the Accounting Officer is not available**

- 3.6.1** Each organisation must have an Accounting Officer available for advice or decision as necessary at short notice.
- 3.6.2** When the Accounting Officer is absent and cannot readily be contacted, another senior official should deputise. If a significant absence is planned, the Accounting Officer should invite the Treasury (or the sponsor department, as the case may be) to appoint a temporary acting Accounting Officer.

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### **3.7 Conflicts of interest**

- 3.7.1** If an Accounting Officer faces an actual or potential conflict of interest, it is essential to find a way of eliminating it. There must be no doubt that the Accounting Officer meets the standards described in box 3.1 without divided loyalties. Possible ways of managing this issue include:
- for a significant but temporary conflict, inviting the Treasury (or sponsor department, as the case may be) to appoint an interim Accounting Officer for the period of the conflict of interest;
  - for a minor conflict, arranging for someone other than the Accounting Officer to make the key decisions on the issue(s) in question; or
  - for serious and lasting conflicts, resignation.

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### **3.8 Arm's length bodies**

- 3.8.1** The responsibilities of Accounting Officers in departments and in arm's length bodies (ALBs) are essentially very similar. But Accounting Officers in ALBs must also take account of their special responsibilities and powers. In particular, they must respect the legislation (or equivalent) establishing the organisation and the terms of the framework document agreed with the sponsor department. The relationship between sponsor departments and their ALBs is discussed further in chapter 7.

## Appendix 5 – Statement of Accounting Officers' responsibilities

**3.8.2** The Accounting Officer of a department which sponsors an ALB should, in addition, make arrangements to satisfy himself or herself that the Accounting Officer of the ALB is carrying out his or her responsibilities. Similarly, the Accounting Officer of an ALB with a subsidiary should have some meaningful oversight of the subsidiary. This means taking steps to gain assurance that public resources in the ALB, or its subsidiary, are being managed to appropriate standards (see box 3.1). It is not acceptable to establish ALBs, or subsidiaries to ALBs, in order to avoid or weaken Parliamentary scrutiny.

**3.8.3** The framework document agreed between an ALB and its sponsor always envisages the sponsor department exercising meaningful oversight of the ALB's strategy and performance, pay arrangements and/or major financial transactions, e.g. by monthly returns, standard delegations, exception reporting or other techniques. ALBs should refer to their sponsor departments any activities which appear novel, contentious or repercussive; in turn the sponsor department may need to seek Treasury consent.

**3.8.4** There are some sensitivities about the role of the Accounting Officer in an ALB which is governed by an independent board, e.g. a charity or a company. The Accounting Officer, who will normally be a member of the board, must take care that his or her personal responsibilities do not conflict with his or her duties as board member. In particular, the Accounting Officer should vote against any proposal which appears to cause such a conflict; it is not sufficient to abstain.

**3.8.5** Moreover, if the chair or board of such an ALB is minded to instruct the Accounting Officer to carry out some course which appears inconsistent with the standards in box 3.1, then the Accounting Officer should make his or her reservations clear, preferably in writing. If the board is minded nevertheless to proceed, the Accounting Officer should then:

- ask the Accounting Officer of the sponsor department to consider intervening to resolve the difference of view, preferably in writing;
- if the board's decision stands, seek its written direction to carry it out, asking the sponsor department to inform the Treasury;
- proceed to implement without delay; and
- inform the C&AG of what has happened.

**3.8.6** This process is similar to what happens in departments [...] allowing for the special position of the organisation's board, which will often have been appointed under statute.

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### 3.9 In the round

**3.9.1** It is not realistic to set firm rules for every aspect of the business with which an Accounting Officer may deal. Sometimes the Accounting Officer may need to take a principled decision on the facts in circumstances where precedents are of limited value. Should that happen, the Accounting Officer should be guided by the standards in box 3.1, adapted if need be to suit the issue. Where time permits, the

## Appendix 5 – Statement of Accounting Officers' responsibilities

Treasury stands ready to help Accounting Officers think through and decide upon an appropriate course of action.

## Appendix 6 – Interpretation

- 1 The Board of the Audit Commission shall be the final authority on the interpretation of this document. The Solicitor to the Commission shall advise the Board at ordinary meetings on the interpretation of this document. At committee and other meetings, the responsible officer for administrative and secretarial functions for the meeting shall advise on the interpretation of this document.
- 2 Any expression to which meaning is given in the Commission’s governing legislation shall have the same meaning in this document. In addition:
  - “**Accounting Officer**” means the Officer responsible and accountable for funds entrusted to the Commission. For the Commission it shall be the Chief Executive (who holds the Statutory Title of “Controller of Audit”).
  - “**Board**” means the Board of Audit Commissioners together.
  - “**Chairman**” is the person appointed by the Secretary of State in consultation with the other sponsoring departments. Within this Document, the expression “the Chairman of the Commission” shall be deemed to include the Deputy Chairman if the Chairman is absent from the meeting or otherwise unavailable.
  - “**Clear Days**” in relation to a period of notice, e.g. of meetings, means a period excluding the day when the notice is given and the day on which it is to take effect.
  - “**Commission**” means the Audit Commission for Local Authorities and the National Health Service in England; the Chairman, Deputy Chairman and members appointed by the Secretary of State in consultation with the other sponsoring departments.
  - “**Deputy Chairman**” is the Commission member appointed by Secretary of State to undertake the Chairman’s duties if for any reason the Chairman is absent.
  - “**Commissioner**” or “**Board Member**” or “**Member**” means a person appointed by the Secretary of State to be a member of the Audit Commission.
  - “**Chief Executive**” means the chief executive officer of the Commission and the Commission’s Accounting Officer.
  - “**Significant Publications**” means the carrying out of any study under the Commission’s statutory functions in ss 33 to 40 of the Audit Commission Act 1998 and the Report of that Study where that work and the Report of the work is in accordance with the arrangements described in this document deemed of sufficient significance as to require consideration by the Board.
  - “**Nominated Officer**” means an officer charged with responsibility for discharging specific tasks under Standing Orders and other documents that have the force of Standing Orders.

- **“Portfolio Holder”** means any Commissioner to whom responsibility in respect of a work area has been given under Paragraph 22.
- **“Officer”** means an employee of the Audit Commission.
- **“SOs”** means Standing Orders.

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# The Audit Commission

The Audit Commission is an independent watchdog, driving economy, efficiency and effectiveness in local public services to deliver better outcomes for everyone.

Our work across local government, health, housing, community safety and fire and rescue services means that we have a unique perspective. We promote value for money for taxpayers, covering the £180 billion spent by 11,000 local public bodies.

As a force for improvement, we work in partnership to assess local public services and make practical recommendations for promoting a better quality of life for local people.

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