



# **The Renewable Fuels Agency**

## **Code of Practice for Board Members**

## Contents

<b>In this code:</b> .....	3
<b>Introduction</b> .....	3
<b>Public service values</b> .....	3
<b>Relationship with Department for Transport</b> .....	4
<b>The role of the Chair</b> .....	4
<b>Corporate responsibilities of board members</b> .....	5
<b>Strategic planning and control</b> .....	6
<b>Delegation</b> .....	6
<b>Responsibilities of individual board members</b> .....	7
<b>Handling conflict of interests</b> .....	8
<b>Personal liability of board members</b> .....	9
<b>Openness and responsiveness</b> .....	9
<b>Accountability for public funds</b> .....	10
<b>Annual Statement of Accounts</b> .....	10
<b>The role of the Chief Executive</b> .....	11
<b>Committees</b> .....	12
<b>The board as employer</b> .....	12
<b>Appendix 1 – The seven Nolan principles of public life</b> .....	14
<b>Appendix 2 – Evidence to select committees</b> .....	15
<b>Appendix 3 – Audit and Committee</b> .....	16
<b>Appendix 4 – The Addison Rules</b> .....	23
<b>Appendix 5 – Publications</b> .....	25

**In this code:**

‘RFA’ means the Office of the Renewable Fuels Agency

‘RTFO’ means the Renewable Transport Fuel Obligation

‘DfT’ means the Department for Transport

‘The Act’ means the Energy Act 2004

‘The Order’ means the Renewable Transport Fuel Obligations Order 2007

**Introduction**

This guidance is based on the Model Code of Practice for Board Members of Executive Non Departmental Public Bodies issued by the Public Appointments Unit of the Cabinet Office.

Any queries on aspects of the guidance should be addressed to:

The RFA Board Secretary - telephone 020 7944 8229 or to  
[rfa.info@dft.gsi.gov.uk](mailto:rfa.info@dft.gsi.gov.uk)

or

the Cabinet Office Public Appointments Unit, Telephone 020 7276 2040/0269  
E-mail: [public.appointments.unit@cabinetoffice.x.gsi.gov.uk](mailto:public.appointments.unit@cabinetoffice.x.gsi.gov.uk)

**Public service values**

1. Public bodies and their boards must at all times:
  - observe the highest standards of propriety involving impartiality, integrity and objectivity in relation to the stewardship of public funds and the management of the bodies concerned;
  - maximise value for money through ensuring that services are delivered in the most economical, efficient and effective way, within available resources, and with independent validation of performance achieved wherever practicable. Value for money is not the lowest price: it is the optimum combination of whole life costs and quality to meet the user’s requirement;
  - be accountable to Parliament, users of services, individual citizens and staff for the activities of the bodies concerned, their stewardship of public funds and the extent to which key performance targets and objectives have been met;

- in accordance with Government policy on openness and responsiveness, comply fully with the Freedom of Information Act 2000.

### **Relationship with Department for Transport**

2. The Secretary of State for Transport is answerable to Parliament for the policies and performance of all public bodies sponsored by the Department for Transport, including their use of resources and the policy framework within which they operate. The respective roles of DfT and the RFA are set out in the Management Statement and Financial Memorandum. These documents specify the responsibilities of the RFA and the terms on which it receives and spends its funds.

### **The role of the Chair**

3. The Chair has particular responsibility for providing effective strategic leadership on matters such as:
  - formulating the Board's strategy for discharging its statutory duties;
  - encouraging high standards of propriety and promoting the efficient and effective use of staff and other resources throughout the organisation;
  - ensuring that the Board, in reaching decisions, takes proper account of guidance provided by the Secretary of State;
  - representing the views of the Board to the general public;
  - providing an assessment of the performance of individual board members, on request, when they are being considered for re-appointment to the board or for appointment to the Board of some other public body;
4. The Chair should ensure that the Board meets at regular intervals throughout the year and that the minutes of meetings accurately record the decisions taken and, where appropriate, the views of individual board members.
5. Communications between the Board and the Secretary of State will normally be through the Chair except where the Board has agreed that an individual member, other than the Chair should act on its behalf. Nevertheless, an individual member has the right of access to Ministers on any matter which he or she believes raises important issues relating to his or her duties as a member of the Board. In such cases the agreement of the rest of the board should normally be sought. The main point of contact between the RFA and DfT on day-to-day matters will normally be the Chief

Executive. However, an employee of the RFA or a civil service secondee working at the RFA may also contact DfT when appropriate.

6. The Chair should ensure that all members of the Board, when taking up office, are fully briefed on the terms of their appointment and on their duties, rights and responsibilities. The Chair and other members of the board should each have a copy of this Code of Practice and other relevant background material such as the RFA's Management Statement and Financial Memorandum; its latest Corporate Plan and Annual Reports and Accounts; the Treasury's memorandum The Responsibilities of a NDPB Accounting Officer; the Treasury's handbook, Regularity and Propriety; a copy of the Treasury's Managing Public Money; notes describing the body's organisational structure and statutory basis of operation; and the board standing orders. The chair should encourage new board members to attend an induction course on the duties of board members of public bodies or some other suitable form of induction programme.
7. The Chair should ensure, along with the Chief Executive and DfT's Sponsor Team that any appointments or re-appointments to the Board are in accordance with the provisions of the Act, the Order and the Code of Practice issued by the Commissioner for Public Appointments.

### **Corporate responsibilities of board members**

8. Members of the Board have corporate responsibility for ensuring that the RFA complies with any statutory or administrative requirements for the use of public funds. Other important responsibilities of board members include:
  - ensuring they fulfil their duties under the requirements of the Act and the Order;
  - ensuring that high standards of corporate governance are observed at all times;
  - establishing the overall strategic direction of the RFA within the policy and resources framework agreed with the responsible Minister;
  - ensuring that the Board operates within the limits of its statutory authority and any delegated authority agreed with DfT and in accordance with any other conditions relating to the use of public funds;
  - ensuring that, in reaching decisions, the Board had taken into account any guidance issued by DfT;

- formulating a strategy for implementing the RFA's responsibilities under the Freedom of Information Act 2000, including prompt responses to public requests for information, and meeting other requirements for openness and responsiveness as set out in part J of Non Departmental Public Bodies: A Guide for Departments;
- ensuring that the Board has specific responsibility for sustainable development and takes account of the Sustainable Development Strategy, following the priorities set by DfT;
- ensuring that the Board manages its estate sustainably in line with the Government's Framework for Sustainable Development on the Government Estate.

### **Strategic planning and control**

9. One of the main tasks of the Board is will be oversight of the production and subsequent review and approval of a corporate plan. The process of preparing such a document provides an opportunity for agreeing, with the responsible Minister, or officials on his or her behalf, the policy and resources framework within which the body will discharge its duties; and for determining its key strategic objectives and targets. Such targets should normally cover areas such as the organisation's financial performance; the efficiency and effectiveness of its operations; and the quality of the services it provides.

### **Delegation**

10. Board members, except for the Chief Executive, will normally be appointed on a part-time basis. As permitted by Paragraph 6 of the Schedule to the Order, responsibility for day-to-day management matters should be delegated to the Chief Executive, an employee of the RFA, or a committee so far as is practicable, within a clearly understood framework of strategic control. The Board will want to consider issuing internal guidance covering those matters delegated to the Chief Executive, an employee of the RFA, or a committee and those reserved for decision by the board. The latter are likely to include issues of corporate strategy; key strategic objectives and targets; major decisions involving the use of financial and other resources; and personnel issues including key appointments and standards of conduct.
11. The Board may decide to delegate responsibility for specified matters to committees of the Board. Decisions taken by committees of the Board under delegated powers should be recorded in written minutes available to the Board as a whole. The Chair of any such committee shall report to the

next meeting of the Board on any discussions and recommendations made by the Committee.

### **Responsibilities of individual board members**

12. Individual board members should be aware of their wider responsibilities as members of the board. Like others who serve the public, they should follow the Seven Principles of Public Life set out by the Committee on Standards in Public Life. The principles are printed at Appendix 1.

Board members must:

- undertake on appointment to comply at all times with the Code of Practice and with rules relating to the use of public funds;
- act in good faith and in the best interests of the public body;
- not misuse information gained in the course of their public service for personal gain or for political purpose, nor seek to use the opportunity of public service to promote their private interests or those of connected persons, firms, businesses or other organisations; and must declare publicly any private interests which may be perceived to conflict with their public duties; and
- ensure that they comply with the board's rules on the acceptance of gifts and hospitality.

13. In accordance with their terms of appointment, board members are expected not to occupy paid party political posts or hold particularly sensitive or high-profile unpaid roles in a political party. Subject to that, part-time members are free to engage in political activities, provided that they are conscious of their general public responsibilities and exercise a proper discretion, particularly in regard to the work of the boards of which they are members. On matters directly affecting that work, they should not make political speeches or engage in other political activities. Full-time members of boards should abstain from all controversial political activities. Members should refer to their terms of appointment and if necessary, to the Chief Executive to seek clarification.

14. Regarding board members who are Members of the House of Lords, their position is covered by a statement made by Lord Addison in 1951. See Appendix 4.

## Handling conflict of interests

15. Paragraphs 17 and 18 of the Schedule to the Order relate to conflicts of interest of members of the Board. The Chair and other board members must declare any personal or business interests which may conflict with or may be perceived to conflict with their responsibilities as board members. In the case of any such interest, following discussion with the Chair, the Chair may request that the member withdraw from the performance of the function that may be affected by or that may affect that interest. The Board, in consultation with the DfT, must agree rules of conduct for board members which ensure that such conflicts are identified at an early stage and that appropriate action can be taken to resolve them and such rules of conduct shall be included in the board's standing orders.
16. Pursuant to paragraph 15 (above) board members must establish and update a register of their interests which should list interests that are capable of being interests that might conflict with their duties, including interests of close family members and persons sharing a household with the board member.
17. The RFA Board should make the register of interests open to the public via the website. They should ensure that details of how a member of the public, or other, can access this website are available widely and include such details in annual reports. Board members must update the register as changes occur.
18. Where, in accordance with the above, members do not participate in the discussion or determination of a matter, they should withdraw from the meeting, even if it is held in public. This is because the continued presence of someone who had declared an interest might be thought likely to influence the judgement of the other members present.
19. Because executive NDPBs are required, other than exceptionally, to follow generally accepted accounting practice, board members must facilitate compliance with the need under Financial Reporting Standard 8 for material transactions with related parties to be disclosed in financial statements. "Related parties" in FRS 8 include (in addition to business contacts) close members of the family of an individual, who are defined for the purposes of the standard as those family members, or members of the same household, who may be expected to influence, or be influenced by, that person in their dealings with the reporting entity.
20. Boards should adopt safeguards to prevent conflicts of interests arising from the acceptance of outside appointments during or after tenure as a board member, taking account of guidance from DfT.

### **Personal liability of board members**

21. Although any legal proceedings initiated by a third party are likely to be brought against the Board, in exceptional cases proceedings (civil or, in certain cases, criminal) may be brought against the Chair or other individual board members. For example, a board member may be personally liable if he or she makes a fraudulent or negligent statement which results in loss to a third party. Board members who misuse information gained by virtue of their position may be liable for breach of confidence under common law or may commit a criminal offence under insider dealing legislation.
22. However, if legal proceedings are brought against any RFA member by a third party, DfT will meet any civil liability, including the member's reasonable legal costs, which is incurred in the execution of their functions, unless the member acted recklessly and provided that they have acted honestly and in good faith. Subject to their own specific statutory powers, NDPBs should issue to their board members suitable indemnities consistent with this paragraph.
23. Board members who need further advice should consult the board's legal advisers and if necessary, DfT's legal advisers.

### **Openness and responsiveness**

24. RFA Board members and their staff should conduct all their dealings with the public in an open and responsible way and ensure full compliance with the Freedom of Information Act 2000. They should take account as far as possible of the Standard of Best Practice for Openness in Executive NDPBs and NHS bodies in the First Report of the Committee on Standards in Public Life (Cm 2850-I). They must make publicly available annual reports, and, where practical and appropriate, should hold open meetings, release summary reports of meetings, and invite evidence from members of the public on matters of public concern.
25. In common with other NDPBs, the RFA should seek to follow best practice in making available information to the public, particularly through its website and co-operate with other bodies, such as local authorities, to place relevant information in the public domain. The RFA should aim to consult its stakeholders on a wide range of issues.
26. The RFA Board should ensure they can demonstrate that they are using resources to good effect, with propriety, and without grounds for criticism that public funds are being used for private, partisan or party political purposes. They will need to act consistently with the nature of the body's business and the possible need for confidentiality on commercial or other

grounds, always subject to the rights of Parliament and the Comptroller and Auditor General to obtain information. There should be well publicised and easy-to-use complaints procedures which cover both maladministration and failure to provide access to information under the Freedom of Information Act 2000, the Data Protection Act 1998 and the Environmental Information Regulations 2004.

### **Accountability for public funds**

27. Board members have a duty to ensure the safeguarding of public funds - which for this purpose should be taken to include all forms of receipts from fees, charges and other sources, subject to any statutory requirements - and the proper custody of assets which have been publicly funded. They must take appropriate measures to ensure that the body at all times conducts its operations as economically, efficiently and effectively as possible, with full regard to the relevant statutory provisions and to relevant guidance in the Treasury's *Managing Public Money*.
28. Members of the Board are responsible for ensuring that the body does not exceed its powers or functions, as defined in the Act and the Order, or through any limitations on its authority to incur expenditure, as defined in the Act and in the Order. They are normally advised on these matters by the body's Chief Executive and its legal advisers. Information on financial delegations from DfT is included in the financial memorandum, the appendix to the RFA's management statement.
29. Further information regarding public accountability is given at Appendix 2.

### **Annual Statement of Accounts**

30. As part of its responsibilities for the stewardship of public funds, the Board of the RFA must ensure that it includes a full statement of the use of such resources in its Annual Statement of Accounts. Such accounts should be prepared in accordance with the Accounts Direction issued by the responsible Minister, paragraphs 13 and 14 of the Schedule to the Order and such other guidance as may be issued, from time to time, by DfT and the Treasury.
31. Subject to any existing statutory requirements, the RFA in common with all self-accounting executive NDPBs should aim to give the Annual Statement of Accounts appropriate publicity.
32. The Annual Statement of Accounts should provide a description of the board's activities; state the extent to which key strategic objectives and agreed financial and other performance targets have been met; list the names of the current members of the Board and senior staff; and provide

details of remuneration of board members and senior staff in accordance with Treasury guidance. The Statement of Accounts should contain information on access to registers of interests in accordance with paragraph 16 above.

### **The role of the Chief Executive**

33. The Chief Executive has responsibility, for the overall organisation, management, and staffing of the RFA and for its procedures in financial and other matters, including conduct and discipline. This involves the promotion by leadership and example of the values embodied in the Seven Principles of Public Life. Other board members should support the Chief Executive in undertaking this responsibility. The Chief Executive, together with other members of the Board, will have a role in representing the views of the Board to the general public.
34. The Chief Executive of most NDPBs will normally be designated as the accounting officer for the body. NDPB accounting officers are responsible to Parliament and the accounting officer of the responsible department for the resources under their control. The essence of the role is a personal responsibility for the propriety and regularity of the public finances for which they are answerable; for the keeping of proper accounts; for prudent and economical administration; for the avoidance of waste and extravagance; and for the efficient and effective use of all the resources in their charge. The accounting officer has a responsibility to see that appropriate advice is tendered to the board on all these matters. Satisfactory performance of these responsibilities is fundamental to the role of the Chief Executive.
35. More detailed guidance on the role of an accounting officer is set out in The Responsibilities of a NDPB Accounting Officer (Government Accounting – issued by the Treasury) and in Chapter 3 of Managing Public Money (issued by the Treasury), which covers appearances before the Committee of Public Accounts of the House of Commons. All board members should ensure that they have a copy of these documents. The Treasury's handbook, Regularity and Propriety, describes what these concepts mean in a financial context. Although the handbook is intended primarily for accounting officers, board members should also familiarise themselves with it.
36. The role of the Chief Executive is set out in detail in the RFA's Management Statement and Financial Memorandum. The Accounting Officer's statutory responsibilities are set out in Section 3 of the Management Statement in accordance with paragraph 15 of the Schedule to the Order.

## **Committees**

37. The Secretary of State can require the RFA to establish a committee chaired by a member under paragraph 4 of the Schedule to the Order and the committee must carry out the functions specified by the Secretary of State.
38. The RFA should establish an Audit and Risk Committee as a committee of the Board. The committee should consist of non-executive board members and should be chaired by a non-executive board member other than the Chair, who has experience of financial matters. The responsibilities of the Audit and Risk Committee will overlap with those of the accounting officer. It is envisaged that he or she will normally attend all meetings of the Audit and Risk Committee, unless, exceptionally, his or her own performance is being discussed. More detailed guidance on the role of the Audit and Risk Committee and specimen terms of reference are at Appendix 3.
39. The RFA may establish one or more other committees under paragraph 5 of the Schedule to the Order.

## **The board as employer**

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

41. The Board should adopt a code of conduct for its staff using the model issued for executive NDPBs by the Cabinet Office, subject to any modifications that may be necessary – and that are agreed with the sponsor department – to take account of their own particular characteristics and circumstances. The model code covers arrangements enabling members of staff to raise concerns about propriety with a nominated official or board member of the NDPB in the first instance and subsequently, if necessary, with a nominated official in the sponsor department. There should be safeguards to prevent conflicts of interests when staff leave.
42. The Board has a responsibility to monitor the performance of the Chief Executive (also a board member) and other senior persons. Where the terms and conditions of employment of the Chief Executive and other senior persons include an entitlement to be considered for performance-related pay, and where such payments are assessed by board members, the Board should ensure that they have access to the information and advice required to make the necessary judgements.

## **Appendix 1 – The seven Nolan principles of public life**

### **Selflessness**

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

### **Integrity**

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

### **Objectivity**

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

### **Accountability**

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

### **Openness**

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

### **Honesty**

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

### **Leadership**

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

## **Appendix 2 – Evidence to select committees**

1. Departmental Select Committees have an important role in examining the expenditure, administration and policies of NDPBs. The Government fully supports this role. Lords Committees and other Committees may also seek evidence from NDPBs from time to time.

2. NDPB board members may, on occasion, be invited to give evidence to Select Committees. When they do so, they should be as helpful as possible in providing accurate, truthful and full information refusing to provide information only when disclosure would not be in the public interest. This should be decided in accordance with the relevant statutes and the Government's Code of Practice on Access to Government Information (which will be superseded by Freedom of Information legislation from January 2005). Board members should bear in mind in this context the need to respect legitimate Board confidences.

3. Before giving evidence, Board members may find it helpful to see Departmental Evidence and Response to Select Committees (also known as the Osmotherly Rules). This gives general advice on dealing with Select Committees including their powers to summon witnesses and papers and responses to Select Committee reports. Copies are available from the Propriety and Ethics team in the Cabinet Office on 020 7276 2474 or it can be accessed at [www.cabinetoffice.gov.uk/propriety\\_and\\_ethics/select\\_committees/index.asp](http://www.cabinetoffice.gov.uk/propriety_and_ethics/select_committees/index.asp).

4. Similarly, the Chief Executive of an NDPB may be called, as an Accounting Officer, to give evidence to the Public Accounts Committee (PAC). Guidance on giving evidence to the PAC is set out in the Accounting Officer Memorandum which can be obtained from the Treasury Officer of Accounts.

5. Board members wishing to give evidence should, as a matter of courtesy, advise their Chairman and colleagues on the NDPB Board and its sponsoring department of their intention. They should discuss with them the handling of any oral or written evidence they want to submit and whether they expect to be giving evidence on behalf of the NDPB or in a personal capacity. The Select Committee should be advised of the status of the witness.

6. Subject only to a Committee's power to decide to require the attendance of a witness, the decision on whether to give evidence is solely for the individual concerned. There must be no pressure placed on individuals to deter them, or action taken against them as a consequence of giving evidence to a Select Committee. Any such actions might be regarded as contempt of the House, with potentially serious consequences for those involved.

### **Appendix 3 – Audit and Committee**

The Guidance on Codes of Practice recommends that all public bodies, unless otherwise agreed with their sponsor department, should set up an Audit Committee as a committee of the Board. This note provides further guidance. The RFA has determined that this committee shall be called the Audit and Risk Committee.

2. The Audit Committee is an advisory body with no executive powers. Its main functions should be:

- to help promote the highest standards of propriety in the use of public funds and encourage proper accountability for the use of those funds;
- to improve the quality of financial reporting by reviewing internal and external financial statements on behalf of the board;
- to promote a climate of financial discipline and control which will help to reduce the opportunity for financial mismanagement; and
- to promote the development of internal controls systems which will help satisfy the board that the body concerned will achieve its objectives and targets and is operating:
  - (i) in accordance with any statutory requirements for the use of public funds;
  - (ii) within delegated authorities laid down by the sponsor department and the public body's own rules on what matters should be referred to the board;
  - (iii) in a manner which will make most economic and effective use of resources available.

3. The Audit Committee should be chaired by a non-executive board member, other than the Chair, who has relevant experience and expertise. Other members of the Committee should be non-executive board members.

4. The Treasury has issued The Audit Committee Handbook for Accounting Officers in departments and Executive Agencies. The Dear Accounting Officer letter DAO(GEN) 17/03 [www.hm-treasury.gov.uk/media/1B6/40/dao1703.pdf](http://www.hm-treasury.gov.uk/media/1B6/40/dao1703.pdf) which advises Accounting Officers about the publication of the Handbook points out that the handbook has been developed based on the accountability structure of a department or Executive Agency and that NDPBs may need to translate the guidance to suit their own particular circumstances.

5. Specimen terms of reference are shown below. They are for guidance only and will need to be tailored to the particular circumstances of the body concerned. A checklist for evaluating audit committee arrangements is available from the National Audit Office:

[http://www.nao.org.uk/practice\\_areas/FMAG/self\\_assessment\\_checklist.pdf](http://www.nao.org.uk/practice_areas/FMAG/self_assessment_checklist.pdf).

## **AUDIT AND RISK COMMITTEE**

### **TERMS OF REFERENCE**

Reference to the “Agency” shall mean the Renewable Fuels Agency.

Reference to the “Committee” shall mean the Audit and Risk Committee.

Reference to the “Board” shall mean the Members of the Board of the Agency.

#### **1. Membership**

- 1.1 The Committee shall be appointed by the Board and shall comprise a Chair and one other member.
- 1.2 The members of the Committee shall both be independent Non-executive Directors.
- 1.3 Whilst the Committee itself is made up entirely of Non-executive Directors, the Agency’s Chair and Chief Executive will normally attend. Other Non-executive Directors and the Head of Management Resources would also be invited to attend each meeting.
- 1.4 If a regular member is unable to act due to absence, illness or any other cause, the Chair of the Committee may appoint another independent Non-executive Director of the Agency to serve as an alternate member.
- 1.5 The Board shall appoint the Committee Chair. In the absence of the Committee Chair and an appointed deputy, the remaining members present shall elect one of the members present to chair the meeting.

#### **2. Secretary**

- 2.1 The Board Secretary or his/her nominee shall act as the Secretary of the Committee.

### **3. Quorum**

- 3.1 The quorum necessary for the transaction of business shall be two members of the Committee. A duly convened meeting of the Committee at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Committee.

### **4. Meetings**

- 4.1 The Committee shall meet prior to review the financial position at the half year, prior to the submission of the end of year accounts and at such other times as the Chair of the Committee shall require. It is intended that the Committee shall meet not less than 3 times per year. It is also intended that the Committee shall, at least once a year, have a separate session with the auditors.

### **5. Notice of meetings**

- 5.1 Meetings of the Committee shall be convened by the Secretary of the Committee at the request of the Chair of the Committee.
- 5.2 Unless otherwise agreed, notice of each meeting confirming the venue, time and date together with an agenda of items to be discussed, shall be forwarded to each member of the Committee and any other person required to attend no fewer than seven days prior to the date of the meeting.

### **6. Minutes of meetings**

- 6.1 The Board Secretary shall minute the proceedings and resolutions of all meetings of the Committee, including recording the names of those present and in attendance.
- 6.2 The Secretary should ascertain, at the beginning of each meeting, the existence of any conflicts of interest and minute them accordingly. If any conflicts of interest exist with a particular member of the Committee on any particular issue then such member of the Committee shall not participate or vote on the issue that gave rise to such conflict of interest. The Committee shall refer to the Board Standing Orders for further details on managing actual or perceived conflicts of interest.

- 6.3 Minutes of Committee meetings shall be circulated promptly to members of the Committee and, following the approval of the Committee, to the Agency's Chair, other Non-executive Directors and Chief Executive. The Chair of the Committee will report orally to the Board on meetings of the Committee.

## **8. Duties**

### **8.1 Internal Control, Risk Assessment and Compliance**

- 8.1.1 The Committee shall keep under review and report to the Board on its activities, on the effectiveness of the Agency's financial reporting and internal control policies, and procedures for the identification, assessment and reporting of risks. In such review and report, the Committee shall consider any appropriate issues raised by internal audit in its internal control reports and any disclosures from internal audit with respect to deficiencies in the internal controls or any fraud by any employee having a significant role in the internal controls. The Committee shall also review the internal control report required to be included in the Agency's Annual Report and Accounts pursuant to applicable listing rules, legislation and best practice.
- 8.1.2 The Chief Executive shall ensure that the Committee receives risk and compliance reports twice per year.

### **8.2 Internal Audit**

- 8.2.1 The Committee shall consider applications for the post of, and approve the appointment of the Head of Audit function. The Head of Audit shall not be removed without the approval of the Committee. The Head of Audit should be accountable to the Audit and Risk Committee.
- 8.2.2 The Committee shall consider and approve the terms of reference of the Internal Audit function and ensure resource requirements are adequate for internal audits to be performed effectively.
- 8.2.3 The Committee should ensure that the Head of Audit has access to the Agency Chair, the Chair of the Committee and to the members of the Committee.

8.2.4 The Committee shall review the management of audit matters and focus upon the scope allowed to the internal auditors.

8.2.5 The Committee shall review at each meeting summary reports on the Agency from the internal auditors dealing with key control issues, material changes to the risk profile, any critical findings and any other matters of specific interest to the Committee. It shall also carry out an annual review and report on the effectiveness of the assurance (including risk and compliance) process.

8.2.6 The Committee shall review and approve a summary of the Agency's internal audit plan.

### 8.3 External Audit

8.3.1 The C&AG audits the Accounts for the RFA under paragraph 14 of the Schedule of the Order. For the purpose of audit the C&AG has a statutory right of access to relevant documents as provided for in the Government Resources and Accounts Act 2000, including by virtue of any Order made under section 25(8) of that Act. The C&AG will send a copy of its report to the Agency who will send it to the Secretary of State in accordance with paragraph 14 of the Schedule to the Order.

8.3.2 The C&AG has agreed to consult the Department and the Agency on who - the NAO or a commercial auditor – shall undertake the actual audit on his behalf. The final decision rests with the C&AG.

8.3.3 The C&AG has agreed to share information identified during the audit process and the C&AG report (together with any other outputs) with the Department at the end of the audit. This shall apply, in particular, to issues which impact on the Department's responsibilities in relation to financial systems within the RFA. The C&AG has also agreed, where asked, to provide the Department and other relevant bodies with Regulatory Compliance Reports and other similar reports which the Department may request at the commencement of the audit and which are compatible with the independent auditor's role.

### 8.4. Financial Statement

8.4.1 The Committee shall keep under review the integrity of the Agency's financial statements and the consistency of accounting policies on a year-to-year basis.

#### **8.5. Reporting Responsibilities**

8.5.1 The Committee shall make whatever recommendations to the Board it deems appropriate in order that a report to the Department on internal controls and such other matters as may be required by law, regulation and the requirements of good governance can be included in the Agency's Annual Report and Accounts.

8.5.5 The Committee shall regularly review the Agency's risk register.

#### **8.6 Other Matters**

8.6.2 The Committee shall oversee any investigation of activities which are within its terms of reference and resolve any disputes that may arise between the external auditors, internal auditors and the Agency.

8.6.3 The Committee should, on a regular basis but no less than annually, review its own performance, constitution and terms of reference to ensure it is operating at maximum effectiveness. The Board should also review the Audit Committee's effectiveness annually.

### **9. Complaints procedures**

9.1 The Committee shall ensure that appropriate procedures are established, and shall evaluate the effectiveness of such procedures, for the receipt, retention, and treatment of complaints received by the Agency relating to accounting, internal accounting controls, or auditing matters of the Agency.

9.2 The Committee shall also establish procedures to ensure that submissions by Agency employees arising from the Agency's whistleblowing policy including those relating to questionable accounting or auditing matters utilised by the Agency be treated confidentially and anonymously and are regularly reported in summary to the Committee.

### **11. Authority**

- 11.1 Subject to any restrictions imposed by law, the Committee is authorised to seek any information it requires from any employee of the Company in order to perform its duties.
- 11.2 The Committee is authorised to call any member of staff to be present at a meeting of the Committee as and when required.
- 11.3 The Committee is authorised to obtain, as is reasonable, at the Agency's expense (the Agency shall ensure appropriate funds) outside legal, financial or other professional advice on any matters within its terms of reference.
- 11.4 Save as expressly provided herein, the Committee shall not be entitled to sub-delegate all or any of the powers and authorities delegated to it.

## Appendix 4 – The Addison Rules

A peer who is a member of a public board, whether commercial or non-commercial in character, is not by reason of such membership debarred from exercising his or her right to speak in the House of Lords, even on matters affecting the board of which he or she is a member; and it is recognised that, in the last resort, only the Peer concerned can decide whether he or she can properly speak on a particular occasion.

The following guidance (based upon that given by the then Leader of the House Viscount Addison, after consultation and agreement between the parties) may be helpful to Peers, who are considering whether or not to take part in a particular debate.

- i. When questions affecting a particular board or public board in general arise in Parliament the present Minister and the Government of the day generally are alone responsible to Parliament. The duty of reply rests with Ministers only, and cannot devolve upon members of public boards who may also be members of the House of Lords. There can be no question of board members replacing, or usurping the functions of, Ministers and dealing with matters of Ministerial responsibility. In the Commons, of course, the possibility could not arise, because a Member of the House must resign his seat on accepting an appointment of this nature.
- ii. It is important that, as contemplated in the Statutes and, in the case of the BBC, by the Charter, the boards shall be free to conduct their day to day administration without the intervention of Parliament or Ministers, except where otherwise provided. If board members who happen also to be peers were to give the House information about the day to day operations of the board or to answer criticisms respecting it, the House would in fact be exercising a measure of Parliamentary supervision over matters of management. It would also be difficult for the responsible Minister not to give similar information to the House of Commons.
- iii. There is no duty upon the board member to answer questions put to him in debate, and that no criticism should attach to any board member who refrains from speaking in a debate. Nor should the fact that a member spoke in a particular debate be regarded in any way as precedent for him or any other member speaking in any other debate.
- iv. The above applies only to debates relating to public boards. Experience acquired as a member of a public board will often be relevant to general debates in which the same contributions do not arise, and the

contributions of board members who are peers may be all the more valuable because of that experience.

The statement below, taken from the memoranda, best sums up the intentions behind Lord Addison's Rules.

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

## Appendix 5 – Publications

**Committee on Standards in Public Life, First Report**, Cm 2850-I, 1995, available from The Stationery Office, 020 7863 9090, price £11.80 (ISBN 0 10 1285027)

[www.public-standards.gov.uk](http://www.public-standards.gov.uk)

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

**Managing Public Money**, issued by the Treasury. [http://hm-treasury.gov.uk/documents/public\\_spending\\_reporting/governance\\_risk/psr\\_managingpublicmoney\\_index.cfm](http://hm-treasury.gov.uk/documents/public_spending_reporting/governance_risk/psr_managingpublicmoney_index.cfm)

**The Responsibilities of a NDPB Accounting Officer, Annex 8.2 of Government Accounting December 1994**, available from TOA Team, HM Treasury, 020 7270 5524

[www.government-accounting.gov.uk/current/frames.htm](http://www.government-accounting.gov.uk/current/frames.htm)

**Government Internal Audit Standards**, October 2001, available from Assurance Control and Risk Team, HM Treasury, 020 7270 5174  
[http://www.hm-treasury.gov.uk./media/6/6/GIAS\\_2001\(272Kb\).pdf](http://www.hm-treasury.gov.uk./media/6/6/GIAS_2001(272Kb).pdf)

**Government Internal Audit Standards, Good Practice Guide, May 2002** available from Assurance Control and Risk Team, HM Treasury, 020 7270 5174  
[http://www.hm-treasury.gov.uk./media/7/8/pss\\_GPG\\_goodpracticeguide\\_080704.pdf](http://www.hm-treasury.gov.uk./media/7/8/pss_GPG_goodpracticeguide_080704.pdf)

**Audit Committee Handbook**, March 2007 available from Assurance Control and Risk Team, HM Treasury, 020 7270 5174  
<http://www.hm-treasury.gov.uk./media/8/3/auditcommitteehandbook140307.pdf>

**Non-Departmental Public Bodies: A Guide for Departments, available from Agencies and Public Bodies Team**, Cabinet Office, 020 7276 2040.  
<http://www.civilservice.gov.uk/about/public/bodies.asp>

**Information relating to the Freedom of Information Act 2000**  
[http://www.ico.gov.uk/what\\_we\\_cover/freedom\\_of\\_information.aspx](http://www.ico.gov.uk/what_we_cover/freedom_of_information.aspx)  
<http://www.opsi.gov.uk/acts/acts2000/20000036.htm> (The legislation)  
<http://www.dca.gov.uk/foi/codesprac.htm> (Code of Practice)

**A better quality of life: a strategy for sustainable development for the United Kingdom**,  
[http://www.sd-commission.org.uk/watchdog/SDiG\\_commentary.pdf](http://www.sd-commission.org.uk/watchdog/SDiG_commentary.pdf)

**Achieving a better quality of life. Review of progress towards sustainable development: Government annual report 2003**

<http://www.sustainable-development.gov.uk/publications/pdf/ar2003.pdf>

**Information relating to the Environmental Information Regulations 2004**

<http://www.defra.gov.uk/corporate/opengov/eir/index.htm>

<http://www.defra.gov.uk/corporate/opengov/eir/pdf/cop-eir.pdf> (Code of Practice)

<http://www.uk-legislation.hmso.gov.uk/si/si2004/20043391.htm> (legislation)