



National Audit Office

CHECKLIST

Corporate governance in central government departments: Code of good practice 2011

Compliance checklist

Our vision is to help the nation spend wisely.

We apply the unique perspective of public audit to help Parliament and government drive lasting improvement in public services.

The National Audit Office scrutinises public spending on behalf of Parliament. The Comptroller and Auditor General, Amyas Morse, is an Officer of the House of Commons. He is the head of the NAO, which employs some 880 staff. He and the NAO are totally independent of government. He certifies the accounts of all government departments and a wide range of other public sector bodies; and he has statutory authority to report to Parliament on the economy, efficiency and effectiveness with which departments and other bodies have used their resources. Our work led to savings and other efficiency gains worth more than £1 billion in 2010-11.



National Audit Office

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Introduction

Central government bodies may find it helpful to complete this checklist as part of their procedures for assessing their compliance with *Corporate Governance in central government departments: Code of good practice 2011* (the Code), published by HM Treasury and the Cabinet Office in July 2011.

The purpose of the Code is to promote good corporate governance in central government; it builds on and updates the original Code, issued in 2005. The Code drives greater ministerial engagement with departmental business, including the requirement for the Secretary of State to chair the departmental board, as well as an enhanced role for non-executive board members, the majority of whom should be senior business leaders with experience of managing complex organisations outside government.

The Code is principles-based and incorporates relevant government policy on how the principles should be implemented, along with supporting provisions. The Code covers six key areas: **parliamentary accountability; the role of the board; board composition; board effectiveness; risk management; and arm's-length bodies.**

Central government departments are required to comply with the government policy set out in the Code, and to adhere to the Code's principles and supporting provisions. Recognising that one size never fits all, the Code provides that, exceptionally, departments may choose to explain and describe, in their annual governance statement, what alternative governance measures have been put in place with similar effect to a principle or supporting provision – the “comply or explain” mechanism.

The focus of the Code is on ministerial departments. However, non-ministerial departments and arm's-length bodies should adopt and adhere to the Code to the extent that it is practical, appropriate and not incompatible with any statutory or other authoritative requirements. These organisations should also use the “comply or explain” mechanism required as part of the accounts disclosure in the Governance Statement where appropriate.

How to use this checklist

Organisations can use our checklist to help assess and record their adherence to the Code on a comply or explain basis. We have structured our checklist around the six key areas of the Code, presenting each element of it – principles, government policy and supporting provisions – as a statement against which organisations can record whether they have complied with the Code or provide an explanation in any cases of non-adherence to any principle or supporting provision. A further section allows organisations to record a comment or a ‘not applicable’ judgement against a statement. At the end of each section there is scope for the organisation to draw its overall conclusion as to whether it has complied with a particular section of the Code.

As set out in the Code, compliance with its principles, policies and supporting provisions does not guarantee good performance, but it does make it more likely. Therefore, whilst this checklist's primary focus is compliance, it also provides a framework which boards can use as a starting point for an assessment of their performance.

How the NAO can help

If you have any queries about this checklist, please contact your usual NAO contact or the NAO's Financial Management and Reporting Team (z5-FMGP@nao.gsi.gov.uk).

National Audit Office
March 2012

Section One

Parliamentary accountability

	Complied	Explained	Comment or N/A
Principles			
1.1 The minister in charge of the department is responsible and answerable to Parliament for the exercise of the powers on which the administration of that department depends. The minister has a duty to Parliament to account, and to be held to account, for all the policies, decisions and actions of the department, including its arm's-length bodies (<i>Code 1.1</i>).	<input type="checkbox"/>	<input type="checkbox"/>	
1.2 The accounting officer is personally responsible and accountable to Parliament for the organisation and quality of management in the department, including its use of public money and the stewardship of its assets (<i>Code 1.2</i>).	<input type="checkbox"/>	<input type="checkbox"/>	
Supporting provisions			
1.3 The lead minister in the department has defined the range of departmental work, including parliamentary business, for which he or she has devolved responsibility to his or her junior ministers (<i>Code 1.3</i>).	<input type="checkbox"/>	<input type="checkbox"/>	
1.4 In a non-ministerial department, there is an agreement as to which minister(s) answer for the department's affairs in Parliament (<i>Code 1.4</i>).	<input type="checkbox"/>	<input type="checkbox"/>	
1.5 Generally speaking, civil servants working for the department minister exercise powers of the minister in charge of the department. Ministers remain accountable to Parliament for decisions made under their powers (<i>Code 1.5</i>).	<input type="checkbox"/>	<input type="checkbox"/>	
1.6 The official at the head of the department is normally appointed as its accounting officer (AO). The duties of the post are outlined in chapter 3 of <i>Managing Public Money</i> (<i>Code 1.6</i>).	<input type="checkbox"/>	<input type="checkbox"/>	
1.7 Parliament grants resources to departments for specified purposes. HM Treasury administers these resources on behalf of parliament and appoints AOs who are charged with ensuring resources are used as parliament intends. The AO of a central government department may look to the Head of the Home Civil Service for support in this role (<i>Code 1.7</i>).	<input type="checkbox"/>	<input type="checkbox"/>	
1.8 The AO establishes and has documented a clear allocation of responsibilities amongst officials in the department, but he or she retains overall personal responsibility and accountability to parliament for propriety and regularity; prudent and economical administration; avoidance of waste and extravagance; ensuring value for money, judged for the Exchequer as a whole, not just for the department; efficient and effective use of available resources; and the organisation, staffing and management of the department (<i>Code 1.8</i>).	<input type="checkbox"/>	<input type="checkbox"/>	

	Complied	Explained	Comment or N/A
1.9 The AO seeks a written direction from the minister responsible for the department when instructed by the minister (whether or not supported by the collective decision of the board) to take a course of action that the AO believes to be contrary to the responsibilities and accountabilities set out in chapter 3 of <i>Managing Public Money</i> (Code 1.9).	<input type="checkbox"/>	<input type="checkbox"/>	
1.10 The AO does not rely on a departmental board minute as an alternative to a formal written direction (Code 1.9).	<input type="checkbox"/>	<input type="checkbox"/>	
1.11 The AO forwards a copy of all ministerial directions to the Comptroller and Auditor General, who will normally draw the matter to the attention of the Committee of Public Accounts (PAC) (Code 1.10).	<input type="checkbox"/>	<input type="checkbox"/>	
1.12 The AO discloses all ministerial directions to the board at the next board meeting (Code 1.10).	<input type="checkbox"/>	<input type="checkbox"/>	
1.13 All ministerial directions that are subject to public disclosure under the Freedom of Information Act 2000, were an appropriate request made, are disclosed in the governance statement for the period in which the direction was granted (Code 1.10).	<input type="checkbox"/>	<input type="checkbox"/>	
1.14 At the request of the departmental AO, other senior officials in the department may be appointed as additional accounting officers for certain accounts, requests for resources, or distinct parts of an estimate. In such cases, the departmental AO retains overall responsibility to parliament for ensuring a high standard of financial management in the departmental family as a whole (Code 1.11).	<input type="checkbox"/>	<input type="checkbox"/>	

Conclusion: Parliamentary accountability

Have we complied with and adhered to the Code on a 'comply or explain' basis?

Have we explained in the annual governance statement the reasons for any non-compliance with the Code?

Provide details of any explanations for non-compliance:

Any other comments:

Section Two

The role of the board

Complied Explained Comment or N/A

Principles

2.1 The department has an effective board which provides leadership for the department's business, helping it operate in a business-like manner. The board operates collectively, concentrating on advising on strategic and operational issues affecting the department's performance as well as scrutinising and challenging departmental policies and performance, with a view to the long-term health and success of the department (*Code 2.1*).

Government policy

2.2 The board forms the collective strategic and operational leadership of the department, bringing together its ministerial and civil service leaders with senior non-executives from outside government, helping the department to operate in a business-like manner (*Code 2.2*).

2.3 The board's role includes appropriate oversight of sponsored bodies (*Code 2.2*).

2.4 The board does not decide policy or exercise the powers of the ministers (*Code 2.3*).

2.5 The department's policy is decided by ministers on advice from officials (*Code 2.3*).

2.6 The board advises on the operational implications and effectiveness of policy proposals (*Code 2.3*).

2.7 The board meets regularly (*Code 2.4*).

2.8 The board advises on five main areas (*Code 2.4*):

Strategic Clarity

a setting the vision and/or mission and ensuring all activities, either directly or indirectly, contribute towards it;

b long-term capability and horizon scanning, ensuring strategic decisions are based on a collective understanding of policy issues; and

c using outside perspective to ensure that Departments are challenged on the outcomes.

Commercial Sense

a approving the distribution of responsibilities;

b advising on sign-off of large operational projects or programmes;

c ensuring sound financial management;

d scrutinising the allocation of financial and human resources to achieve the plan;

		Complied	Explained	Comment or N/A
e	ensuring organisational design supports attaining strategic objectives;	<input type="checkbox"/>	<input type="checkbox"/>	
f	setting the Department's risk appetite and ensuring controls are in place to manage risk;	<input type="checkbox"/>	<input type="checkbox"/>	
g	evaluation of the board and its members; and	<input type="checkbox"/>	<input type="checkbox"/>	
h	succession planning.	<input type="checkbox"/>	<input type="checkbox"/>	
Talented People				
a	ensuring the Department has the capability to deliver and to plan to meet current and future needs.	<input type="checkbox"/>	<input type="checkbox"/>	
Results Focus				
a	agreeing the operational business plan, including strategic aims and objectives;	<input type="checkbox"/>	<input type="checkbox"/>	
b	monitoring and steering performance against plan;	<input type="checkbox"/>	<input type="checkbox"/>	
c	scrutinising performance of sponsored bodies; and	<input type="checkbox"/>	<input type="checkbox"/>	
d	setting the Department's standards and values.	<input type="checkbox"/>	<input type="checkbox"/>	
Management Information				
a	ensuring clear, consistent, comparable performance information is used to drive improvements.	<input type="checkbox"/>	<input type="checkbox"/>	
2.9	Some activities may be exercised by committees of the board. As a minimum this will include committees responsible for (<i>Code 2.5</i>):			
a	audit and risk assurance (the responsibilities of which include reviewing the comprehensiveness of assurances and integrity of financial statements); and	<input type="checkbox"/>	<input type="checkbox"/>	
b	nominations and governance, the responsibilities of which include:			
	<ul style="list-style-type: none"> ● ensuring there are satisfactory systems for identifying and developing leadership and high potential; 	<input type="checkbox"/>	<input type="checkbox"/>	
	<ul style="list-style-type: none"> ● scrutinising the incentive structure and succession planning for the board and senior leadership of the Department; and 	<input type="checkbox"/>	<input type="checkbox"/>	
	<ul style="list-style-type: none"> ● scrutinising governance arrangements. 	<input type="checkbox"/>	<input type="checkbox"/>	
Supporting provisions				
2.10	The board supports ministers and senior officials in directing the business of the department in as effective and efficient way as possible with a view to the long-term health and success of the department (<i>Code 2.6</i>).	<input type="checkbox"/>	<input type="checkbox"/>	
2.11	The board must support the AO for the discharge of obligations set out in <i>Managing Public Money</i> for the proper conduct of business and maintenance of ethical standards (<i>Code 2.7</i>).	<input type="checkbox"/>	<input type="checkbox"/>	

	Complied	Explained	Comment or N/A
2.12 The board collectively affirms and documents its understanding of the department's purpose and documents its role and responsibilities in a board operating framework (<i>Code 2.8</i>).	<input type="checkbox"/>	<input type="checkbox"/>	
2.13 The board operating framework includes a formal schedule of matters reserved for board discussion, i.e. those which are not delegated to committees (<i>Code 2.8</i>).	<input type="checkbox"/>	<input type="checkbox"/>	
2.14 The board operating framework is reviewed and updated from time to time and at least every two years (<i>Code 2.8</i>).	<input type="checkbox"/>	<input type="checkbox"/>	
2.15 The board acts corporately and objectively when discharging its responsibilities (<i>Code 2.9</i>).	<input type="checkbox"/>	<input type="checkbox"/>	
2.16 Board members act in the public interest in keeping with the Nolan principles of public life (<i>Code 2.10</i>).	<input type="checkbox"/>	<input type="checkbox"/>	
2.17 The board supports actions to ensure that officials comply with the <i>Civil Service Code</i> (<i>Code 2.11</i>).	<input type="checkbox"/>	<input type="checkbox"/>	
2.18 The board ensures that the department's reporting obligations to the Treasury, Cabinet Office and parliament are met effectively and efficiently (<i>Code 2.12</i>).	<input type="checkbox"/>	<input type="checkbox"/>	
2.19 The board's activities are recorded and communicated as appropriate within the department. The board may permit certain members of the department to observe all or part of their meetings (<i>Code 2.13</i>).	<input type="checkbox"/>	<input type="checkbox"/>	
2.20 Board committees only exercise governance functions and do not stray into the executive management of the department which is the role of officials (<i>Code 2.14</i>).	<input type="checkbox"/>	<input type="checkbox"/>	
2.21 The Nominations and Governance Committee and the Audit Committee are each chaired by a non-executive board member (<i>Code 2.14</i>).	<input type="checkbox"/>	<input type="checkbox"/>	
2.22 The Nominations and Governance Committee and the Audit Committee have clear terms of reference agreed by the board (<i>Code 2.14</i>).	<input type="checkbox"/>	<input type="checkbox"/>	
2.23 The board ensures that it receives adequate and timely feedback on the work of those committees and is able to consider their decisions formally (<i>Code 2.14</i>).	<input type="checkbox"/>	<input type="checkbox"/>	
2.24 A schedule of agreed delegations to committees of the board, and the mechanisms for feedback and assurance, is documented in the board operating framework (<i>Code 2.14</i>).	<input type="checkbox"/>	<input type="checkbox"/>	
2.25 The permanent secretary is responsible for the executive management of the department. The permanent secretary sets out annually for the board a structure for discharging this responsibility (<i>Code 2.15</i>).	<input type="checkbox"/>	<input type="checkbox"/>	
2.26 Where board members have concerns, which cannot be resolved, about the running of the department or a proposed action, they ensure that their concerns are recorded in the minutes. This might occur, for example, in the rare circumstance in which the chair of the board considers it necessary to depart from the collective view of the board (<i>Code 2.16</i>).	<input type="checkbox"/>	<input type="checkbox"/>	

Conclusion: The role of the board

Have we complied with and adhered to the Code on a 'comply or explain' basis?

Have we explained in the annual governance statement the reasons for any non-compliance with the Code?

Provide details of any explanations for non-compliance:

Any other comments:

Section Three

Board composition

	Complied	Explained	Comment or N/A
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Principles

- | | | | | |
|------------|--|--------------------------|--------------------------|--|
| 3.1 | The board has a balance of skills and experience appropriate to fulfil its responsibilities (<i>Code 3.1</i>). | <input type="checkbox"/> | <input type="checkbox"/> | |
| 3.2 | The membership of the board is balanced, diverse and manageable in size (<i>Code 3.1</i>). | <input type="checkbox"/> | <input type="checkbox"/> | |
| 3.3 | The roles and responsibilities of all board members are defined clearly in the department's board operating framework (<i>Code 3.2</i>). | <input type="checkbox"/> | <input type="checkbox"/> | |

Government policy

- | | | | | |
|------------|--|--------------------------|--------------------------|--|
| 3.4 | The board is balanced, with approximately equal numbers of ministers, senior officials and non-executive board members (NEBMs). It comprises (<i>Code 3.3</i>): | | | |
| a | the department's lead minister, who is the chair; | <input type="checkbox"/> | <input type="checkbox"/> | |
| b | other departmental ministers; | <input type="checkbox"/> | <input type="checkbox"/> | |
| c | the permanent secretary; | <input type="checkbox"/> | <input type="checkbox"/> | |
| d | the finance director, who is professionally qualified; | <input type="checkbox"/> | <input type="checkbox"/> | |
| e | other senior officials; | <input type="checkbox"/> | <input type="checkbox"/> | |
| f | at least four NEBMs, the majority of whom are senior people from the commercial private sector, with experience of managing complex organisations; and | <input type="checkbox"/> | <input type="checkbox"/> | |
| g | NEBMs are appointed in accordance with the relevant sections of the guidance. | <input type="checkbox"/> | <input type="checkbox"/> | |
| 3.5 | NEBMs exercise their role through influence and advice. In extremis, they can recommend that the Prime Minister, lead minister and Head of the Home Civil Service, should remove a permanent secretary, who is a barrier to effective delivery, from post (<i>Code 3.6</i>). NEBMs support as well as challenge the executive, and cover such issues as (<i>Code 3.4</i>): | | | |
| a | performance (including agreeing key performance indicators), operational issues (including the operational and delivery implications of policy proposals), and on the effective management of the Department; | <input type="checkbox"/> | <input type="checkbox"/> | |
| b | support, guidance and challenge on the progress and implementation of the operational business plan; | <input type="checkbox"/> | <input type="checkbox"/> | |
| c | the recruitment, appraisal and suitable succession planning of senior executives, as appropriate within the principles set out by the Civil Service Commission; | <input type="checkbox"/> | <input type="checkbox"/> | |
| d | forming an audit and risk assurance committee; | <input type="checkbox"/> | <input type="checkbox"/> | |
| e | forming a nominations and governance committee; | <input type="checkbox"/> | <input type="checkbox"/> | |

		Complied	Explained	Comment or N/A
f	meeting other non-executives across government and the Government Lead NEBM from time to time to share best practice and to ensure departments learn from the successes and failures of comparable organisations;	<input type="checkbox"/>	<input type="checkbox"/>	
g	reporting their views in their own section of the department's annual report; and	<input type="checkbox"/>	<input type="checkbox"/>	
h	feeding their views back to the Prime Minister and the government lead NEBM, through the lead NEBM's network.	<input type="checkbox"/>	<input type="checkbox"/>	
3.6	One of the NEBMs is designated as the lead NEBM for the department. This person (<i>Code 3.5</i>):			
a	supports the lead minister as chair of the board;	<input type="checkbox"/>	<input type="checkbox"/>	
b	meets the other NEBMs regularly, ensuring that their views are given due weight on the board and the lead minister is aware of any concerns;	<input type="checkbox"/>	<input type="checkbox"/>	
c	ensures that the NEBMs collectively meet the lead minister alone from time to time;	<input type="checkbox"/>	<input type="checkbox"/>	
d	liaises with the government lead NEBM; and	<input type="checkbox"/>	<input type="checkbox"/>	
e	plays an active role in this cross-government network of lead NEBMs.	<input type="checkbox"/>	<input type="checkbox"/>	
The following section is only relevant to the government lead NEBM				
3.7	The government lead NEBM, appointed by the Prime Minister (<i>Code 3.7</i>):			
a	meets departmental lead NEBMs regularly;	<input type="checkbox"/>	<input type="checkbox"/>	
b	ensures that the Prime Minister, Head of the Home Civil Service, Efficiency and Reform Board and Parliament, through an annual report to the Public Administration Select Committee, are aware of the key concerns of the NEBM community and provides feedback on policy implementation; and	<input type="checkbox"/>	<input type="checkbox"/>	
c	acts as departmental lead NEBM of the Cabinet Office board.	<input type="checkbox"/>	<input type="checkbox"/>	
Supporting provisions				
3.8	The board provides collective strategic and operational leadership to the departmental family, helping it to operate in a business-like manner (<i>Code 3.8</i>).	<input type="checkbox"/>	<input type="checkbox"/>	
3.9	The board includes people with a mix and balance of skills and understanding to match and complement the department's business and its strategic aims, typically including (<i>Code 3.9</i>):			
a	leadership;	<input type="checkbox"/>	<input type="checkbox"/>	
b	management of change in complex organisations;	<input type="checkbox"/>	<input type="checkbox"/>	
c	process and operational delivery;	<input type="checkbox"/>	<input type="checkbox"/>	
d	commercial procurement expertise;	<input type="checkbox"/>	<input type="checkbox"/>	

	Complied	Explained	Comment or N/A
e knowledge of the department's business and policy areas; and	<input type="checkbox"/>	<input type="checkbox"/>	
f corporate services professional skills, including; finance, human resources, communications, information systems and information technology.	<input type="checkbox"/>	<input type="checkbox"/>	
3.10 The mix and balance of skills and understanding is reviewed periodically, at least annually as part of the board effectiveness evaluation, to ensure they remain appropriate for the department's board (<i>Code 3.10</i>).	<input type="checkbox"/>	<input type="checkbox"/>	
3.11 The search for board candidates is conducted, and appointments made, on merit, with due regard for the benefits of diversity on the board; including gender, on which the Government has stated its aspiration that by the end of the Parliament at least half of all new appointees being made to public bodies will be women (<i>Code 3.11</i>).	<input type="checkbox"/>	<input type="checkbox"/>	
3.12 The lead minister, taking into account the views of the board, decides whether the next most senior minister or the lead NEBM chairs the board in his or her absence (<i>Code 3.12</i>).	<input type="checkbox"/>	<input type="checkbox"/>	
3.13 The board agrees and documents in its board operating framework a <i>de minimis</i> threshold and mechanism for board advice on the operation and delivery of policy proposals (<i>Code 3.13</i>).	<input type="checkbox"/>	<input type="checkbox"/>	
3.14 The board is informed of government-wide policies and initiatives and challenges officials on the department's compliance (<i>Code 3.14</i>).	<input type="checkbox"/>	<input type="checkbox"/>	
3.15 NEBMs provide advice, support and informal ongoing feedback to the department's permanent secretary and other civil service board members (<i>Code 3.15</i>).	<input type="checkbox"/>	<input type="checkbox"/>	
3.16 In consultation with the chair and the department's lead NEBM, NEBMs take the lead on some of the board's activities. These are set out in the board operating framework (<i>Code 3.16</i>).	<input type="checkbox"/>	<input type="checkbox"/>	
3.17 In consultation with the permanent secretary and the lead NEBM, the chair may appoint board members who are senior officials or other board members from any of the department's arm's-length bodies. Such appointments are subject to the same selection criteria applied to other board members who are officials or NEBMs (<i>Code 3.17</i>).	<input type="checkbox"/>	<input type="checkbox"/>	

Conclusion: Board composition

Have we complied with and adhered to the Code on a 'comply or explain' basis?

Have we explained in the annual governance statement the reasons for any non-compliance with the Code?

Provide details of any explanations for non-compliance:

Any other comments:

Section Four

Board effectiveness

Complied Explained Comment or N/A

Principles

4.1 The board ensures that arrangements are in place to enable it to discharge its responsibilities effectively, including (*Code 4.1*):

a formal procedures for the appointment of new board members, tenure and succession planning for both board members and senior officials;

b allowing sufficient time for the board to discharge its collective responsibilities effectively;

c induction on joining the board, supplemented by regular updates to keep board members' skills and knowledge up-to-date;

d timely provision of information in a form and of a quality that enables the board to discharge its duties effectively;

e a mechanism for learning from past successes and failures within the departmental family and relevant external organisations;

f a formal and rigorous annual evaluation of the board's performance and that of its committees, and of individual board members; and

g a dedicated secretariat with appropriate skills and experience.

Supporting provisions

4.2 An effective board requires the effective discharge of the chair's responsibilities. The lead non-executive board member (NEBM) supports the chair to help him or her carry out the role effectively, particularly given the competing demands on the chair's time (*Code 4.2*).

4.3 The board has a nominations and governance committee (*Code 4.3*).

4.4 The nominations and governance committee advises the board on key elements of effectiveness, including (*Code 4.3*):

a ensuring there are satisfactory systems for identifying and developing leadership and high potential;

b scrutinising the incentive structure and succession planning for the board and the senior leadership of the department; and

c scrutinising governance arrangements.

4.5 The nominations and governance committee is advisory. It advises on whether the department's systems (e.g., for rewarding senior executives) are effective in helping the department achieve its goals (*Code 4.4*).

	Complied	Explained	Comment or N/A
4.6 The nominations and governance committee does not have a role in deciding individual cases. These functions continue to be carried out by the executive; under the scrutiny of the nominations and governance committee (<i>Code 4.4</i>).	<input type="checkbox"/>	<input type="checkbox"/>	
4.7 The terms of reference for the nominations and governance committee include at least the following four central elements (<i>Code 4.5</i>):			
a scrutinising systems for identifying and developing leadership and high potential;	<input type="checkbox"/>	<input type="checkbox"/>	
b scrutinising plans for orderly succession of appointments to the board and of senior management, in order to maintain an appropriate balance of skills and experience;	<input type="checkbox"/>	<input type="checkbox"/>	
c scrutinising incentives and rewards for executive board members and senior officials, and advising on the extent to which these arrangements are effective at improving performance; and	<input type="checkbox"/>	<input type="checkbox"/>	
d advising on, and scrutinising the department's implementation of, corporate governance policy.	<input type="checkbox"/>	<input type="checkbox"/>	
4.8 The attendance record of individual board members are disclosed in the governance statement and cover meetings of the board and its committees held in the period to which the resource accounts relate (<i>Code 4.6</i>).	<input type="checkbox"/>	<input type="checkbox"/>	
4.9 The permanent secretary supports the chair to ensure that board members have the skills, knowledge and familiarity with the department required to fulfil their role on the board and its committees (<i>Code 4.7</i>).	<input type="checkbox"/>	<input type="checkbox"/>	
4.10 Through the board secretariat, the department provides the necessary resources for developing and updating the knowledge and capabilities of board members, including access to its operations and staff (<i>Code 4.7</i>).	<input type="checkbox"/>	<input type="checkbox"/>	
4.11 Board members' time is a finite resource. The permanent secretary supports the chair, through the board secretary, to ensure that (<i>Code 4.8</i>):			
a board members receive accurate, timely and clear information;	<input type="checkbox"/>	<input type="checkbox"/>	
b board information is concise and fit for purpose, setting out comprehensive, relevant evidence, and avoiding duplication of data collection efforts; and	<input type="checkbox"/>	<input type="checkbox"/>	
c board information covers the main areas of the board's activities along with background on the department's policy portfolio.	<input type="checkbox"/>	<input type="checkbox"/>	
4.12 Wherever possible, the information presented to the board enables comparison with other departments or relevant organisations (<i>Code 4.9</i>).	<input type="checkbox"/>	<input type="checkbox"/>	
4.13 Where necessary board members seek clarification or amplification on board issues or board papers through the board secretary (<i>Code 4.10</i>).	<input type="checkbox"/>	<input type="checkbox"/>	

	Complied	Explained	Comment or N/A
4.14 An effective board secretary is essential for an effective board. Under the direction of the permanent secretary, the board secretary's responsibilities include (<i>Code 4.11</i>):			
a developing and agreeing the agenda for board meetings with the chair and lead NEBM, ensuring all relevant items are brought to the board's attention;	<input type="checkbox"/>	<input type="checkbox"/>	
b ensuring good information flows within the board and its committees and between senior management and NEBMs, including;			
● challenging and ensuring the quality of board papers and board information;	<input type="checkbox"/>	<input type="checkbox"/>	
● ensuring board papers are received by board members according to a timetable agreed by the board;	<input type="checkbox"/>	<input type="checkbox"/>	
● providing advice and support on governance matters and helping to implement improvements in the governance structure and arrangements; and	<input type="checkbox"/>	<input type="checkbox"/>	
● ensuring the board follows due process.	<input type="checkbox"/>	<input type="checkbox"/>	
c providing assurance to the board that the department:			
● complies with government policy, as set out in the Code; and	<input type="checkbox"/>	<input type="checkbox"/>	
● adheres to the Code's principles and supporting provisions on a comply or explain basis (which should form part of the report accompanying the resource accounts).	<input type="checkbox"/>	<input type="checkbox"/>	
d acting as the focal point for interaction between NEBMs and the department, including arranging detailed briefing for NEBMs and meetings between NEBMs and officials, as requested or appropriate;	<input type="checkbox"/>	<input type="checkbox"/>	
e recording board decisions accurately and ensuring action points are followed up; and	<input type="checkbox"/>	<input type="checkbox"/>	
f arranging induction and professional development of board members (including ministers).	<input type="checkbox"/>	<input type="checkbox"/>	

	Complied	Explained	Comment or N/A
4.15 The lead NEBM supports the chair to ensure a board effectiveness evaluation (<i>Code 4.12</i>):			
a is carried out annually, and	<input type="checkbox"/>	<input type="checkbox"/>	
b is carried out with independent input at least once every three years.	<input type="checkbox"/>	<input type="checkbox"/>	
4.16 The lead NEBM ensures the chair acts on the results of the performance evaluation by (<i>Code 4.13</i>):			
a recognising the strengths and addressing the weaknesses of the board; and	<input type="checkbox"/>	<input type="checkbox"/>	
b where appropriate, recommending new members be sought for the board (subject to the open appointments process) or seeking the resignation of board members.	<input type="checkbox"/>	<input type="checkbox"/>	
4.17 Evaluations of the performance of individual board members show whether each continues to contribute effectively and corporately and demonstrates commitment to the role (including commitment of time for board and committee meetings and other duties) (<i>Code 4.14</i>).	<input type="checkbox"/>	<input type="checkbox"/>	
4.18 The board agrees and documents an appropriate system to record and manage conflicts and potential conflicts of interest of board members (<i>Code 4.15</i>).	<input type="checkbox"/>	<input type="checkbox"/>	
4.19 The board publishes, in its governance statement, how any identified conflicts, and potential conflicts, of interest of board members have been managed (<i>Code 4.15</i>).	<input type="checkbox"/>	<input type="checkbox"/>	

Conclusion: Board effectiveness

Have we complied with and adhered to the Code on a 'comply or explain' basis?

Have we explained in the annual governance statement the reasons for any non-compliance with the Code?

Provide details of any explanations for non-compliance:

Any other comments:

Section Five

Risk management

	Complied	Explained	Comment or N/A
Principles			
5.1 The board ensures that there are effective arrangements for governance, risk management and internal control for the whole departmental family (<i>Code 5.1</i>).	<input type="checkbox"/>	<input type="checkbox"/>	
5.2 Advice about and scrutiny of key risks is a matter for the board, not a committee (<i>Code 5.1</i>).	<input type="checkbox"/>	<input type="checkbox"/>	
5.3 The board is supported by (<i>Code 5.1</i>):			
a an audit and risk assurance committee, chaired by a suitably experienced non-executive board member (NEBM);	<input type="checkbox"/>	<input type="checkbox"/>	
b an internal audit service operating to Government Internal Audit Standards; and	<input type="checkbox"/>	<input type="checkbox"/>	
c sponsor teams of the department's key arm's-length bodies (ALBs).	<input type="checkbox"/>	<input type="checkbox"/>	
5.4 The board takes the lead on, and oversees the preparation of, the department's governance statement for publication with its resource accounts each year (<i>Code 5.2</i>).	<input type="checkbox"/>	<input type="checkbox"/>	
Government policy			
5.5 The board's regular agenda includes scrutinising and advising on risk management (<i>Code 5.3</i>).	<input type="checkbox"/>	<input type="checkbox"/>	
5.6 The key responsibilities of NEBMs include forming an audit and risk assurance committee (<i>Code 5.4</i>).	<input type="checkbox"/>	<input type="checkbox"/>	
Supporting provisions			
5.7 The head of internal audit is periodically invited to attend board meetings, where key issues are discussed relating to governance, risk management or control across the department and its ALBs (<i>Code 5.5</i>).	<input type="checkbox"/>	<input type="checkbox"/>	
5.8 The board gives a clear steer on the desired risk appetite for the department (<i>Code 5.6</i>).	<input type="checkbox"/>	<input type="checkbox"/>	
5.9 The board ensures that (<i>Code 5.6</i>):			
a there is a proper framework of prudent and effective controls, so that risks can be assessed, managed and taken prudently;	<input type="checkbox"/>	<input type="checkbox"/>	
b there is clear accountability for managing risks; and	<input type="checkbox"/>	<input type="checkbox"/>	
c departmental officials are equipped with the relevant skills and guidance to perform their assigned roles effectively and efficiently.	<input type="checkbox"/>	<input type="checkbox"/>	

	Complied	Explained	Comment or N/A
5.10 The board ensures that the department's ALBs have appropriate and effective risk management processes through the department's sponsor teams (<i>Code 5.7</i>).	<input type="checkbox"/>	<input type="checkbox"/>	
5.11 The board ensures it provides for internal audit access to its ALBs and that the department's ALBs make effective arrangements for internal audit. It is good practice to work with a group or shared internal audit provision, for example covering a department and its ALBs (<i>Code 5.8</i>).	<input type="checkbox"/>	<input type="checkbox"/>	
5.12 The board and accounting officer are supported by an audit and risk assurance committee, comprising at least three members (<i>Code 5.9</i>).	<input type="checkbox"/>	<input type="checkbox"/>	
5.13 The chair of the committee is a NEBM of the board with relevant experience (<i>Code 5.9</i>).	<input type="checkbox"/>	<input type="checkbox"/>	
5.14 There is at least one other NEBM of the board on the committee (<i>Code 5.9</i>).	<input type="checkbox"/>	<input type="checkbox"/>	
5.15 The committee may choose to seek further non-executive membership from non-members of the board in order to ensure an appropriate level of skills and experience (<i>Code 5.9</i>).	<input type="checkbox"/>	<input type="checkbox"/>	
5.16 At least one, but preferably more, of these committee members has recent and relevant financial experience (<i>Code 5.9</i>).	<input type="checkbox"/>	<input type="checkbox"/>	
5.17 Advising on key risks is a role for the board. The audit and risk assurance committee supports the board in this role (<i>Code 5.10</i>).	<input type="checkbox"/>	<input type="checkbox"/>	
5.18 The audit and risk assurance committee does not have any executive responsibilities (<i>Code 5.11</i>).	<input type="checkbox"/>	<input type="checkbox"/>	
5.19 The audit and risk assurance committee is not charged with making or endorsing any decisions (<i>Code 5.11</i>).	<input type="checkbox"/>	<input type="checkbox"/>	
5.20 The audit and risk committee takes care to maintain its independence (<i>Code 5.11</i>).	<input type="checkbox"/>	<input type="checkbox"/>	
5.21 The audit and risk assurance committee has been established and functions in accordance with HM Treasury's <i>Audit Committee Handbook</i> (<i>Code 5.11</i>).	<input type="checkbox"/>	<input type="checkbox"/>	
5.22 The board ensures that there is adequate support for the audit and risk assurance committee, including a secretariat function (<i>Code 5.12</i>).	<input type="checkbox"/>	<input type="checkbox"/>	
5.23 The annual governance statement (which includes areas formerly covered by the statement on internal control) is published with the resource accounts each year (<i>Code 5.13</i>).	<input type="checkbox"/>	<input type="checkbox"/>	
5.24 In preparing the annual governance statement, the board assesses the risks facing the department and ensures that the department's risk management and internal control systems are effective. The audit and risk assurance committee normally lead this assessment for the board (<i>Code 5.13</i>).	<input type="checkbox"/>	<input type="checkbox"/>	
5.25 The terms of reference of the audit and risk assurance committee, including its role and the authority delegated to it by the board, is made available publicly (<i>Code 5.14</i>).	<input type="checkbox"/>	<input type="checkbox"/>	
5.26 The department reports annually on the work of the audit and risk assurance committee in discharging its responsibilities (<i>Code 5.14</i>).	<input type="checkbox"/>	<input type="checkbox"/>	

Conclusion: Risk management

Have we complied with and adhered to the Code on a 'comply or explain' basis?

Have we explained in the annual governance statement the reasons for any non-compliance with the Code?

Provide details of any explanations for non-compliance:

Any other comments:

Section Six

Arm's-Length Bodies

	Complied	Explained	Comment or N/A
Principles			
6.1 Where part of the business of the department is conducted with and through arm's-length bodies (ALBs), the department's board ensures that there are robust governance arrangements with each ALB board (<i>Code 6.1</i>).	<input type="checkbox"/>	<input type="checkbox"/>	
6.2 The governance arrangements set out the terms of the relationship and explain how they will be put in place to promote high performance and safeguard propriety and regularity (<i>Code 6.1</i>).	<input type="checkbox"/>	<input type="checkbox"/>	
Government policy			
6.3 The board's regular agenda includes scrutiny of the performance of the department's sponsored bodies (<i>Code 6.2</i>).	<input type="checkbox"/>	<input type="checkbox"/>	
Supporting provisions			
6.4 ALBs are publicly accountable, whether funded directly from parliament, a central government department, or through a government sponsored commercial structure that enables the body to generate its own revenue. ALBs are accountable to their sponsor department for performance and the use of their resources, within the established arm's-length relationship as set out in the framework document (<i>Code 6.3</i>).	<input type="checkbox"/>	<input type="checkbox"/>	
6.5 Each central government department is accountable to parliament, through the minister responsible for the department. This accountability includes the performance of the department's ALBs (<i>Code 6.4</i>).	<input type="checkbox"/>	<input type="checkbox"/>	
6.6 The board ensures that the department has a written agreement (in accordance with Chapter 7 of Managing Public Money) with each of its ALBs, which defines clearly how the relationship should work (<i>Code 6.5</i>).	<input type="checkbox"/>	<input type="checkbox"/>	
6.7 Each departmental agreement with an ALB is drawn up to reflect the (<i>Code 6.5</i>):			
a purpose and responsibilities of the ALB;	<input type="checkbox"/>	<input type="checkbox"/>	
b legal framework (if any) of the ALB; and	<input type="checkbox"/>	<input type="checkbox"/>	
c environment in which it operates (e.g. commercial, judicial, advisory).	<input type="checkbox"/>	<input type="checkbox"/>	
6.8 The written agreement is reviewed and updated periodically. As a minimum, written agreements are reviewed formally once every three years (<i>Code 6.6</i>).	<input type="checkbox"/>	<input type="checkbox"/>	
6.9 Certain events trigger a review of the written agreement such as (<i>Code 6.6</i>):			
a The appointment of a new chair or chief executive officer in an ALB;	<input type="checkbox"/>	<input type="checkbox"/>	
b changes in senior personnel in the sponsor team; and	<input type="checkbox"/>	<input type="checkbox"/>	
c a significant change in government policy relating to the ALB's business.	<input type="checkbox"/>	<input type="checkbox"/>	

	Complied	Explained	Comment or N/A
6.10 The agreement includes clear information about the <i>(Code 6.7)</i> :			
a shared aims and mutual responsibilities, including a management framework and potential rewards and sanctions for meeting or missing performance targets within an agreed tolerance;	<input type="checkbox"/>	<input type="checkbox"/>	
b arrangements for reporting and consultation in order to ensure that the departmental board receives information enabling it to monitor the operational implications and effectiveness of policy proposals;	<input type="checkbox"/>	<input type="checkbox"/>	
c mechanisms to provide the department with assurance on information provided by ALBs on their performance;	<input type="checkbox"/>	<input type="checkbox"/>	
d roles and obligations of both the department and ALB, along with expectations of support from the other party; and	<input type="checkbox"/>	<input type="checkbox"/>	
e process for making board and senior management appointments in the ALB.	<input type="checkbox"/>	<input type="checkbox"/>	
6.11 The department may want the agreement to specify reporting relationships along professional lines, in addition to that of the departments AO and the ALB's AO. In particular, the relationship between the departmental finance director and the ALB finance director has been specified, to support the relationship between AOs <i>(Code 6.8)</i> .	<input type="checkbox"/>	<input type="checkbox"/>	
6.12 The department uses the Guidance on the framework documents in Chapter 7 of Managing Public Money to draw up agreements with its ALBs although in practice, the department may adopt a variety of supplementary arrangements to manage its relationships with its ALBs. For example, senior members of ALBs may be members or observers of departmental boards in their capacity as stakeholders; similarly, departmental board members may be members of the boards of ALBs <i>(Code 6.9/6.10)</i> .	<input type="checkbox"/>	<input type="checkbox"/>	
6.13 The board has assessed each ALB's ability to manage its risks, including those relating to delivery and financial management, and its performance; its monitoring of, and support for, its ALBs is concentrated on those with the most significant risks <i>(Code 6.11)</i> .	<input type="checkbox"/>	<input type="checkbox"/>	
6.14 The department reports annually on the arrangements it has in place for promoting sound working relationships with its ALBs <i>(Code 6.12)</i> .	<input type="checkbox"/>	<input type="checkbox"/>	
6.15 Periodically, the department commissions external reviews of the governance arrangements between the department and its ALBs. Such reviews may be incorporated with other external reviews whether commissioned by the department or by the centre of government <i>(Code 6.12)</i> .	<input type="checkbox"/>	<input type="checkbox"/>	
6.16 The department periodically reviews the effectiveness of its portfolio of ALBs and whether or not they are <i>(Code 6.13)</i> :			
a delivering in line with departmental policy;	<input type="checkbox"/>	<input type="checkbox"/>	
b effective and provide value-for-money; and	<input type="checkbox"/>	<input type="checkbox"/>	
c the most appropriate mechanism for implementing policy objectives.	<input type="checkbox"/>	<input type="checkbox"/>	

Conclusion: Arm's-Length Bodies

Have we complied with and adhered to the Code on a 'comply or explain' basis?

Have we explained in the annual governance statement the reasons for any non-compliance with the Code?

Provide details of any explanations for non-compliance:

Any other comments:

Where to find out more

The National Audit Office website is
www.nao.org.uk

Links to other websites

Corporate governance in central government departments: Code of good practice 2011 (HM Treasury and Cabinet Office, 2011)

http://www.hm-treasury.gov.uk/d/corporate_governance_good_practice_july2011.pdf

Corporate governance in central government departments:

Code of good practice 2011-Guidance (HM Treasury and Cabinet Office, 2011)

http://www.hm-treasury.gov.uk/d/corporate_governance_good_practice_guidance_july2011.pdf

Managing Public Money (HM Treasury)

http://www.hm-treasury.gov.uk/d/mpm_whole.pdf

Audit Committee Handbook (HM Treasury, March 2007)

<http://www.hm-treasury.gov.uk/d/auditcommitteehandbook140307.pdf>

If you would like to know more about the NAO's work in this area please see www.nao.org.uk/guidance_and_good_practice/audit_of_financial_statements.aspx

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