

## HEFCW/10/08 ANNEX B

### CODE OF PRACTICE FOR MEMBERS OF THE HIGHER EDUCATION FUNDING COUNCIL FOR WALES

#### FOREWORD

Comment [b1]: The Foreword has been abbreviated into the Introduction paragraph in the updated Code

This Code of Practice is based on the Guidance on the Code of Practice for Board Members of Public Bodies published by HM Treasury in January 1997. It follows consultation with the Council's sponsoring department in the Welsh Office.

The Code takes account of

- the recommendations in the First Report of the Committee on Standards in Public Life (the Nolan Committee) (Cm 2850-1);
- the Government's response to that report (Cm 2931); and
- the consultation paper published subsequently by the Government ("Spending Public Money: Governance and Audit Issues", Cm 3179) and the responses to that paper.

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

The Treasury draft was arrived at following discussions with other Government departments but, because of the diversity of public bodies, there is a need to adapt it to the particular circumstances of each body.

In statutory terms the Higher Education Funding Council for Wales (HEFCW) is governed by the provisions of the Further and Higher Education Act 1992. The Code itself does not have the force of law but it is based on legal principles covering the liability of members of public bodies and derives from best practice in public affairs. It is therefore essential that all Members of the Council observe the terms of the Code in all aspects of their involvement in the affairs of the Council, including their relationship with other bodies. This is particularly important in the case of Members whose position could be compromised by their relationship with organisations funded by the Council.

Annexed to the Code are Rules of Personal Conduct for Members of the HEFCW which have been drawn up in compliance with the text of paragraphs 16 to 24 of the Treasury Guide and the text of paragraphs 17 to 25 of the Councils' Code. It is equally important that these Rules of Personal Conduct are observed. Again they represent proper practice in public affairs. Members will note these rules incorporate the specific rules which apply to the staff of the Executive. It is felt to be reasonable that the same principle should attach to the receipt of gifts, awards, hospitality and conflicts of interest, irrespective of an individual's status as a Member of Council or as a member of staff of the Council.

While in some respects the Code of Practice may look forbidding, it is basically a statement of principles of law and common sense and it is important that every Council member complies with these standards.

June 1997

## CODE OF PRACTICE FOR COUNCIL MEMBERS OF THE HIGHER EDUCATION FUNDING COUNCIL FOR WALES

- 1 This document sets out a Code of Practice for Council Members of the Higher Education Funding Council for Wales (HEFCW). It has been prepared in consultation with the Welsh Office Education Department, which sponsors the HEFCW.

### Public service values

- 2 The HEFCW and Council Members in their corporate capacity 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 Council;
- maximise **value for money** through ensuring that services are delivered in the most efficient and economical way, **within** available resources, and with independent validation of performance achieved wherever **practicable**;
- be **accountable** to **Parliament**, users of services, individual citizens and staff for the activities of the bodies concerned, their stewardship of public funds and the extent to which key performance targets and objectives have been met;
- in accordance with **Government** policy on **openness**, comply fully with the principles of the Citizen's Charter and Code of Practice on Access to Government **Information**, and seek to communicate to funded institutions Council policies and decisions including, in particular, decisions relating to the allocation of funds, so as to ensure they are clear and open.

Comment [b2]: And effective way

Comment [b3]: Vfm explained further

Comment [b4]: Replaced with the National Assembly for Wales

Comment [b5]: Welsh Assembly Government

Comment [b6]: Refer to equivalent WAG Code

### Relationship with the sponsor department

- 3 The **Secretary of State for Wales** is answerable to **Parliament** for the policies and performance of all public bodies sponsored by the **Welsh Office**, including their use of resources and the policy framework within which they operate. The respective roles of the sponsor department, the **Welsh Office Education Department**, and the Council are set out in a Management Statement supplemented by a Financial Memorandum specifying the terms on which the Council receives and spends funds provided by the **Secretary of State**.

Comment [b7]: Minister of the Welsh Assembly Government sponsor department in answerable to the National Assembly for Wales

Comment [b8]: Sponsor department

### Role of the Chairman

- 4 The Chairman, together with the Chief Executive where appropriate, has particular responsibility for providing effective strategic leadership on matters such as:
- formulating the Council'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 Council, in reaching decisions, takes proper account of guidance provided by the **Secretary of State** and the sponsor department;
  - representing the views of the Council to the general public and to funded institutions; and
  - providing an assessment of performance of individual Council members, on request, when they are being considered for re-appointment to the Council or appointment to the Board of some other public body.

- 5 The Chairman should ensure that the Council meets at regular intervals throughout the year and that minutes of meetings accurately record the decisions taken.
- 6 Communications between the Council and the Secretary of State will normally be through the Chairman except where the Council has agreed that an individual Member should act on its behalf. Nevertheless, an individual Member has the right of access to Ministers on any matter which he or she believes raises important issues relating to his or her duties as a Member of the Council. In such cases the agreement of the rest of the Council should normally be sought. The main point of contact between the body and the sponsor department on day-to-day matters will normally be the Chief Executive or another member of staff who is authorised to act on behalf of the Council.
- 7 The Chairman should ensure that all Members of the Council, when taking up office, are fully briefed on the terms of their appointment, and on their duties, rights and responsibilities. The Chairman and other Members of Council will each have a copy of this Code of Practice together with other relevant background material including the Management Statement and Financial Memorandum for the Council; its latest Corporate Plan and Annual Report and Statement of Accounts; the Treasury's memorandum, "The Responsibilities of a NDPB Accounting Officer"; the Treasury's handbook, "Regularity and Propriety"; notes describing the Council's organisational structure and statutory basis of operation; and the rules and procedures of the Council. The Chairman should encourage new Council Members to attend an induction course on the duties of members of public bodies or some other suitable form of induction programme.

**Comment [b9]:** This paragraph expanded to give more guidance to Members based on advice from the sponsor department.

**Comment [b10]:** Updated with WAG equivalent documents

### Corporate responsibilities of Council Members

- 8 Members of the Council have corporate responsibility for ensuring that the public body complies with any statutory or administrative requirements for the use of public funds. Other important responsibilities of Council Members include:
- ensuring that high standards of corporate governance are observed at all times;
  - establishing the overall strategic direction of the organisation within the policy and resources framework agreed with the Secretary of State;
  - overseeing the delivery of planned results by monitoring performance against agreed strategic objectives and targets;
  - ensuring that the Council operates within the limits of its statutory authority; within the limits of the Council's delegated authority agreed with its sponsor department; and in accordance with any other conditions relating to the use of public funds;
  - ensuring that, in reaching decisions, the Council has taken into account any guidance issued by the sponsor department;
  - formulating a strategy for implementing the Code of Practice on Access to Government Information, including prompt response to public requests for information; and
  - ensuring that the Council operates sound environmental policies and practices in accordance with the approach set out in the 1990 White Paper "This Common Inheritance" (Cm 1200) and other relevant guidance.

**Comment [b11]:** Insert WAG equivalent

**Comment [b12]:** Update to WAG equivalent

## Strategic planning and control

- 9 One of the main tasks of the Council is oversight of the production of its Corporate Plan. The process of preparing this document provides an opportunity for agreeing, with the **Secretary of State**, or officials on his or her behalf, the policy and resources framework within which the Council will discharge its duties; and for determining its key strategic objectives and targets. These will cover such areas as the performance of the funded institutions in fulfilling their missions and the Council's strategic objectives and ensuring efficiency, effectiveness and value for money; the efficiency and effectiveness of the Council's own operation; and the quality of the services it provides.

## Delegation

- 10 Council Members serve on a part-time basis. To the extent permitted by the Further and Higher Education Act 1992, responsibility for day-to-day management matters is delegated to staff so far as is practicable, within a clearly understood framework of strategic control. The Council will ensure that clear guidance covers those matters delegated to staff and those reserved for decision by the Council. The latter will include issues of corporate strategy; key strategic objectives and targets and major decisions involving the use of financial and other resources.
- 11 The Council may decide to delegate, where it has power to do so, responsibility for specified matters to individual Members including the Chief Executive, or committees of the Council. Decisions taken by individual Members or committees of the Council under delegated powers should be recorded in written minutes presented to full meetings of the Council.

## Responsibilities of individual Council Members

- 12 Individual Council Members should also be aware of their wider responsibilities as Members of the Council. Like others who serve the public, they should follow the Seven Principles of Public Life set out by the Committee on Standards in Public Life (the Nolan Committee). The principles are at Appendix 1. Council Members must
- undertake on appointment to comply at all times with this Code of Practice and with rules relating to the use of public funds
  - act in good faith and in the best interests of the Council
  - not misuse information gained in the course of their public service for personal gain or for political purposes, 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
  - ensure that they comply with the Council's rules on the acceptance of gifts and **hospitality**.
- 13 Council Members should not act in a way which will bring the Council into disrepute.
- 14 Council 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, 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 Council of which they are Members. On matters directly affecting that work, they should not make political speeches or engage in other political activities.
- 15 The restrictions in paragraph 14 do not apply to Council Members who are MPs, to local **councillors** or to Peers in relation to their conduct in the House of Lords. The position of

**Comment [b13]:** Additional paragraph about respecting the confidentiality of Council papers until they are subsequently published.

**Comment [b14]:** This paragraph updated in line with HEFCE Code

Peers in this regard is covered by a statement reproduced as Annex D to "Non-Departmental Public Bodies: A Guide for Departments".

- 16 A Council Member may be removed from office if her or she has been absent from meetings of the Council for a period longer than six consecutive months without the permission of the Council, or is unable or unfit to discharge the functions of a Member.

### Handling conflicts of interest

- 17 The Chairman and other Council Members should declare any personal or business interests which may conflict with their responsibilities as Council members. The Council, in consultation with its sponsor department, will draw up and keep under review rules of conduct for Council Members which ensure that such conflicts are identified at an early stage and that appropriate action can be taken to resolve them.

Comment [b15]: Now referred to in appendix 3

- 18 The rules include the keeping of a register of interests appropriate to the Council's activities. The register should, as a minimum, list direct or indirect pecuniary interests which members of the public might reasonably think could influence judgement. The register of interests should also include non-pecuniary interests of Members which relate closely to the Council's activities, and interests of close family members and persons living in the same household as the Council Member<sup>1</sup>.

- 19 The Council's register of interests is available to members of the public on request. Details of how access can be obtained are included in the Annual Report and Statement of Service Standards. Council Members should update the register as changes occur.

Comment [b16]: And now on the website

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

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

- 21 Where, in accordance with the above, Members do not participate in the discussion or determination of a matter, they should normally withdraw from the meeting. 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.

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

- 22 The Council should obtain legal advice on the effect of any specific statutory provisions applying to them. In cases where Members are authorised by law to represent a group likely to be affected by the Council's decisions, the relevant statutory framework may permit Members to be involved, notwithstanding any direct pecuniary interest that they may have in the decision. However, the Council should not overlook the possibility that specific statutory provisions may impose restrictions that are stricter than those described in paragraph 20 for interests that are not of a pecuniary kind.
- 23 Whether or not Council Members are able in the light of the considerations above to participate in the discussion or determination of a matter, they should declare as soon as practicable after a meeting begins if they have an interest, pecuniary or other, in a matter being considered. They should also disclose any interests in it of which they are aware on the part of close family members<sup>2</sup> and persons living in the same household as the Council Member. In addition, Council Members should consider whether they need to disclose relevant interests of other persons or organisations which members of the public might reasonably think could influence the Member's judgement.
- 24 Because the Council is required to follow generally accepted accounting practice, Council Members must facilitate compliance with the need under Financial Reporting Standard 8 for material transactions with related parties to be disclosed in financial statements. "Related parties" in FRS 8 include close members of the family of an individual, who are defined for the purposes of the standard as those family members, or members of the same household, who may be expected to influence, or be influenced by, that person in their dealings with the reporting entity.
- 25 The Council should adopt safeguards to prevent conflicts of interests arising from the acceptance of outside appointments during or after tenure as a Council Member, taking account of guidance in chapter 10 of "Non-Departmental Public Bodies: A Guide for Departments".

Comment [b17]: Guidance from the sponsor department

### Personal liability of Council Members

- 26 Although any legal proceedings initiated by a third party are likely to be brought against the Council, in exceptional cases proceedings (civil or, in certain cases, criminal) may be brought against the Chairman or other individual Council Members. For example, a Council Member may be personally liable if he or she makes a fraudulent or negligent statement which results in loss to a third party. A Council Member who misuses information gained by virtue of his or her position may be liable for breach of confidence under common law or under insider dealing legislation.
- 27 However, the Government has indicated that individual Council Members who act honestly, reasonably, in good faith and without negligence will not have to meet out of their own personal resources any personal civil liability which is incurred in execution or purported execution of their Council functions and the Council has confirmed to Council Members appropriate indemnity in accordance with the terms of this paragraph.
- 28 Council Members who want further advice may, where appropriate, consult the Council's legal advisers through the Chief Executive.

Comment [b18]: Chair or Chief exec to be consulted

### Openness and responsiveness

- 29 Council Members and their staff should conduct all their dealings with the public in an open and responsible way, and ensure full compliance with the principles of the Citizen's Charter and the Code of Practice on Access to Government Information. They should take account as far as possible of the Standard of Best Practice for Openness in Executive NDPBs and NHS bodies in the First Report of the Committee on Standards in Public Life (Cm 2850-1). In

Comment [b19]: WAG equivalent

<sup>2</sup> See footnote 1 above

accordance with the Code of Practice, the Council will make public its decisions, other than in cases where this would conflict with other interests, for example where it might damage the financial health or commercial interests of institutions.

- 30 The Council should ensure it can demonstrate that it is 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. It should act consistently with the nature of its responsibilities and the possible need for confidentiality on commercial or other grounds, always subject to the rights of Parliament and the Comptroller and Auditor General to obtain information. There should be internal procedures available to deal with complaints, including those on failure to provide information.

Comment [b20]: NAW and Auditor General for Wales

### Accountability for public funds

- 31 Members of the Council have a duty to ensure the safeguarding of public funds - which for this purpose includes all forms of receipts from fees, charges and other sources - and the proper custody of assets which have been publicly funded. They must take appropriate measures to ensure that the Council at all times conducts its operations as economically, efficiently and effectively as possible, with full regard to the relevant statutory provision and to relevant guidance in Government Accounting.
- 32 Members of the Council are responsible for ensuring that the body does not exceed its powers or function, whether defined in statute or otherwise, or through any limitations on its authority to incur expenditure. They will be advised on these matters by the Chief Executive who will refer to its legal advisers when this is necessary.

Comment [b21]: Now Managing Public Money

### Annual Report and Accounts

- 33 As part of its responsibilities for the stewardship of public funds, the Council should ensure that it includes a full statement of the use of such resources in its Annual Report and Accounts. Such accounts should be prepared in accordance with the Accounts Direction issued by the Welsh Office and such other guidance as may be issued, from time to time, by the sponsor department and the Treasury, including "Executive Non-Departmental Public Bodies: Annual Reports and Accounts Guidance".
- 34 Subject to any existing statutory requirements, the Council should aim to produce an Annual Report and Accounts as a single document and should give it appropriate publicity. If the Annual Report is published separately, it should normally contain at least a summary of the annual accounts and in any case give details of how to obtain the full accounts. A statement by the auditors should be included in the summary to confirm that it is consistent with the annual accounts. It should also state whether the report on the annual accounts was qualified and provide details if this was the case.
- 35 The Annual Report should provide a full description of the Council'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 Council and senior staff; and provide details of remuneration of Council members and senior staff in accordance with Treasury Guidance. The Annual Report should contain information on access to registers of interests in accordance with Paragraph 19 above.

### The role of the Chief Executive

- 36 The Chief Executive has responsibility, under the Council, for the overall organisation, management, and staffing of the Council and for its procedures in financial and other matters, including conduct and discipline. This involves the promotion by leadership and example of the values embodied in the Nolan Committee's Seven Principles of Public Life. Council members should support the Chief Executive in undertaking this responsibility.

37 The Chief Executive is designated as the Council's Accounting Officer. He is responsible to Parliament and the Accounting Officer of the Welsh Office for the resources under his control. The essence of the role is a personal responsibility for the propriety and regularity of the public finances made available to the Council; 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 resources in his charge. The Accounting Officer has a responsibility to see that appropriate advice is tendered to the Council on all these matters. Satisfactory performance of these responsibilities is fundamental to the role of the Chief Executive.

Comment [b22]: NAW and WAG Accounting Officer

38 More detailed guidance on the role of an accounting officer is set out in "The Responsibilities of a NDPB Accounting Officer", which covers appearances before the Committee of Public Accounts of the House of Commons. All Council Members are provided with a copy of this document annexed to the Council's Management Statement. 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, members of Council should also familiarise themselves with it.

Comment [b23]: WAG equivalent for AGSBs

### Audit and Risk Committee

39 The Council's Audit and Risk Committee will consist primarily of Council Members and will normally be chaired by a Member of the Council, other than the Chairman, who has experience of financial matters. The responsibilities of the Audit and Risk Committee will overlap with those of the Accounting Officer, who will normally attend all meetings of the Audit and Risk Committee, unless, exceptionally, his own performance is being discussed. The Audit and Risk Committee has its own Terms of Reference, set out in Appendix 2. The Audit and Risk Committee's Reports shall be received by the Council.

Comment [b24]: Updated and new terms of reference attached

### The Council as employer

40 The Council will ensure:

- that the HEFCW complies with all relevant employment legislation and that they employ suitably qualified staff - for example, in key areas such as finance - who will discharge their responsibilities in accordance with the high standards expected of staff employed by such bodies. All staff should be familiar with the body's main aims and objectives;
- that the Council adopts management practices which use resources in the most economical and efficient manner;
- that the Council's rules for 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 Chairmen and Chief Executive will satisfy themselves that an adequate field of qualified candidates is considered, and should always consider the merits of full open competition. In recruiting external candidates, this should normally be used;
- that its staff, and the Council's own Members, have appropriate access to expert advice and training opportunities in order to enable them to exercise their responsibilities effectively.

41 The HEFCW has adopted a code of conduct for their staff using the model issued for executive NDPBs by Cabinet Office (OPS) in August 1996, subject to some modifications 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 the Chief Executive or Chairman of Council in the first instance and subsequently, if necessary, with the Head of Personnel Division in the

Comment [b25]: Updated for new roles and whistleblowing procedures for staff

sponsor department. Staff are required to observe their duties of confidentiality after they have left the employment of the Council

- 42 The Council has a responsibility to monitor the performance of the Chief Executive and other senior staff. Where the terms and conditions of employment of the Chief Executive, and other senior members of staff, include an entitlement to be considered for performance-related pay, the Chairman should ensure that they have access to the information and advice required to make the necessary judgements.

June 1997

***The Seven Principles of Public Life***

***Selflessness***

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

***Integrity***

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

***Objectivity***

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

***Accountability***

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

***Openness***

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

***Honesty***

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

***Leadership***

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

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

## HEFCW Audit and Risk Committee **Remit**

Comment [b26]: Replace with updated terms of reference

### **1 CONSTITUTION**

A Committee of the Council to be known as the Audit and Risk Committee (the Committee) established with the following Terms of reference and standing orders by a resolution of the Council dated the 12th day of December 2008.

### **2 TERMS OF REFERENCE**

- 2.1 The Committee shall advise and support the Council and HEFCW's Accounting Officer by giving them independent assurance as to the effectiveness of the Council's internal control, corporate governance, and risk management. In particular, the Committee will give a formal opinion to the Council on the audited accounts, including the Statement on Internal Control, before they are approved. Consistent with HEFCW's responsibilities in the higher education sector, this remit extends to assurance to the Council about internal control, corporate governance and risk management by institutions and related bodies receiving funding from HEFCW ('funded institutions').

The Committee shall consider the adequacy of corporate governance, risk management and internal control within HEFCW and in funded institutions through the following:

#### **2.1.1 Internal control, risk management and corporate governance**

- a) Reviewing the adequacy of the structures, processes and responsibilities adopted by HEFCW management for identifying and managing key risks facing HEFCW. This will include regular reviews of HEFCW's corporate risk register.
- b) Reviewing the adequacy of all risk and control related disclosure statements, including The Statement on Internal Control, together with any accompanying Internal Audit statement, prior to the endorsement of the Council.
- c) Monitoring the effectiveness of controls established by higher education institutions in Wales to ensure that public funding is safeguarded and that their aims, objectives and key performance targets are achieved in the most economic and effective manner.
- d) Reviewing the outcomes of institutional financial health assessment and risk review, and providing advice to the Council on courses of action.
- e) Reviewing the adequacy of policies for ensuring that there is compliance with the relevant regulatory and legal requirements and the Council's code of practice for members and code of conduct for employees.
- f) Advising the Council, as far as is reasonably possible, on the effectiveness of the measures taken to safeguard HEFCW's assets and the prevention and detection of fraud and irregularity.
- g) Monitoring the treatment by HEFCW of complaints and public interest disclosures ('whistle-blowing') made to HEFCW against funded institutions.
- h) Considering the outcomes of any independent reviews of the Internal Audit and Institutional Assurance services.

### **2.1.2 Internal audit**

- a) Advising the Council on the appointment and terms of engagement of internal auditors, the audit fee, the provision of non-audit services and any question of resignation or dismissal of internal auditors.
- b) Considering and advising the Council on the annual and long-term internal audit programme and the resources required to meet the Council's defined audit needs.
- c) Seeking to ensure that the internal audit function is adequately resourced and has appropriate standing within the organisation.
- d) Considering the internal audit annual statement of assurance and all reports, including value-for-money reports and to monitor the effective implementation of internal audit recommendations.
- e) Monitoring the performance and effectiveness of the internal audit service on an annual basis.

### **2.1.3 External audit**

- a) Discussing with external audit, before the audit commences, the nature and scope of the audit and seeking to ensure co-ordination between the internal and external auditors.
- b) Advising the Council on the remuneration of the external auditors and the scope of their work including any non-audit work.
- c) Considering all relevant reports by the Wales Audit Office and other relevant bodies, including reports on the accounts, achievement of value for money and the response to any management letters, and monitoring the effective implementation of recommendations arising.
- d) Monitoring the performance and effectiveness of the external auditors on an annual basis.

### **2.1.4 Financial reporting**

- a) Reviewing HEFCW's annual financial statements before submission to the Council, focusing particularly on:
  - Changes in, and compliance with, accounting policies and practices;
  - Major judgmental areas;
  - Significant adjustments resulting from the audit; and
  - Determining whether they are complete and consistent with the information known to Committee members.

## **2.2 Responsibilities**

On the basis of the above considerations in undertaking its duties, the Committee shall advise the Council and HEFCW's Accounting Officer on the following matters:

- a) The effectiveness of internal control, corporate governance and risk management in HEFCW and in the HE sector.

- b) The scope and effectiveness of HEFCW's Internal Audit and Institutional Assurance services. This includes audit planning, operations, co-operation with external auditors, follow-up work, and the Assurance Service annual report.
- c) The scope and effectiveness of HEFCW's Internal Audit service. This includes audit planning, operations and follow-up work, and the internal audit annual report.
- d) The criteria for the selection and appointment of the Council's internal audit service, including assessing the adequacy of the resources available for the work required.
- e) Any relevant reports from the Wales Audit Office and the National Audit Office, including any management response.
- f) The arrangements in place to promote economy, efficiency and effectiveness within the Council and the HE sector.
- g) New accounting and audit standards.
- h) Emerging good practice in internal control, corporate governance and risk management.
- i) The institutional assurance and internal audit workplans.

### **2.3 Other**

The Committee shall consider and provide advice to the Council on such financial, governance, risk or control issues as the Council may request from time to time. This includes matters referred to the Committee by the Council's complaints panel.

## **3 STANDING ORDERS**

3.1 The standard HEFCW Committee Standing Orders shall apply.

3.2 Membership and Attendance

3.2.1 The Committee shall comprise up to six members. Three members will be drawn from the membership of the Council, one of whom will Chair the Committee; up to three members will be co-opted non-Council members.

3.2.2 The quorum for Committee meetings is two members, including the Chair or his/her nominee.

3.2.3 The following HEFCW officers shall normally attend meetings of the Committee:

- Chief Executive, as Accounting Officer
- Director of Finance and Corporate Services
- Head of Governance, Leadership and Information
- Head of Internal Audit
- Head of Resources
- Senior Institutional Assurance Manager
- Other HEFCW staff, at the discretion of the Committee.

3.2.4 A representative from the Welsh Assembly Government will be invited to attend the meetings of the Committee. A representative of the external auditors, the Wales Audit Office, shall normally attend meetings, particularly those where an external audit report is being considered.

3.2.5 The Committee may ask any or all of those who normally attend but who are not members to withdraw to facilitate open and frank discussion of particular matters.

3.2.6 A member of the Finance and Corporate Services Directorate shall service the Committee

3.2.7 The Head of Internal Audit and the representative of the external auditors shall have free and confidential access to the Chair of the Committee.

### **3.3 Meetings**

3.3.1 At least once a year the Committee will meet with the Head of Internal Audit and the representative of the external auditor without any other Council officers being present.

3.3.2 The external auditor or Head of Internal Audit may ask the Committee to convene a meeting if they consider that one is necessary.

### **3.4 Authority**

3.4.1 The Committee is an advisory body with no executive powers. However, it is authorised by the Council to investigate any activity within its terms of reference and, through its Chair, seek any information or papers it requires from HEFCW staff, who are required to co-operate with the Committee in the conduct of its enquiries, and from its auditors (internal and external).

December 2008

**RULES OF PERSONAL CONDUCT FOR MEMBERS OF COUNCIL OF HEFCW**

- 1 All members of Council should familiarise themselves with this document and also with the Council's Code of Practice for Members of Council.
- 2 Council Members should pay particular attention to the principles of propriety, impartiality, integrity and objectivity in every aspect of their involvement in Council affairs.
- 3 Council Members should observe the appropriate principles of behaviour in the conduct of public affairs. Members contributing to the Council should be entitled to feel that they are contributing honestly, openly and disinterestedly and should not need to have regard to whether their comments will be quoted outside and they identified with them. All Members must therefore recognise that the content of Council debate and the views expressed by individual members are confidential.
- 4 The Council conducts its business openly and decisions of the Council are made known through newsletters, circulars and bulletins. The Chairmen and Chief Executive have particular responsibility for ensuring communication with institutions and with the public, although this is frequently delegated to senior members of staff in respect of communication with institutions and occasionally in respect of public communication. Individual Members of Council in addition to observing the rules of confidentiality of debate should avoid putting themselves in the position of seeming to act as spokesman for the Council without prior approval from the Chairman.
- 5 It is essential that members of Council avoid, so far as is reasonably possible, a position of conflict of interests. In situations where a possible conflict of interest may arise Council Members must inform the Chief Executive and in the event of the conflict of interests touching on matters which are the subject of Council business, they must inform the Chairman. The onus is on the Member of Council to inform the Chief Executive or Chairman as the case may be.
- 6 In the event of the Council debating an issue involving an institution, organisation or any other matter in which a Member of Council may be taken to have an interest, that member of Council must declare it to the Chairman and should leave the Council for the duration of the debate unless the Chairman feels in the light of all the circumstances that the conflict of interest is so minimal on the occasion that it can be ignored. In deciding this the Chairman will have regard to the need to ensure that the continued presence of the member of Council during the debate is one which could easily and reasonably be explained to the satisfaction of members of the public.
- 7 The **Chief Executive** will be responsible for maintaining a register of interests of members of Council. This register of interests will be established and then updated annually by means of a form to be circulated to all Members. The onus is on each Council member to ensure that the **Chief Executive** is informed of any additional interest acquired during the year which might result in a further conflict.
- 8 In the event of a Member failing to declare an interest or failing properly to complete the register of interests, the Chairman will be responsible for discussing with the sponsor department in the **Welsh Office** whether that Council Member should continue in office.
- 9 Council Members must observe the same rules as the staff of the HEFCW in respect of the receipt of gifts and claims for expenses. Copies of these rules are provided to Members of Council.

**Comment [b27]:** Clerk to the Council

**Comment [b28]:** Updated with reference to the Policy for travel and subsistence claim. Policy for acceptance of gifts, hospitality and awards included in the Code for members to replace the staff policy

**6.23 RECEIPT OF GIFTS, AWARDS AND HOSPITALITY**

It is a disciplinary offence for staff in their official capacity to accept any benefit for themselves or a member of their family as an inducement or reward for:

- a) doing or refraining from doing anything; or
- b) showing favour or disfavour to any person or organisation.

Even where not corrupt, acceptance of benefits can still be in breach of discipline. Staff, or a member of their family, must not receive gifts, hospitality or benefits of any kind from a third party eg. supplier, institution or individual, which might be seen to compromise the staff member's judgement or integrity.

Any inducement, whether by way of gift, hospitality or otherwise, which could lead to a contractual position between the Councils and a supplier or consultant should be refused.

**1. Gifts**

Subject to what is said below, gifts should be refused, and an explanation offered as to why they are refused.

Gifts of nominal value eg. diaries, pens, and calendars sent unsolicited through the post, or included in promotional packs, may be accepted, but must be recorded in a Register of Gifts kept in the Office Services section.

Gifts that exceed £10 in value may only be accepted under exceptional circumstances eg. where embarrassment might be caused to the individual, an institution, or the Council if the gift was refused. Such gifts might include a bouquet of flowers, or a personalised item produced by a student of an institution. All gifts received that exceed £10 in value must be referred to the Director of Finance and recorded in the Register of Gifts. In appropriate cases the Director of Finance may authorise retention of the gift by the staff member; alternatively, the gift might be utilised for the work of the Council, or donated to charity.

Gifts that do not meet the above criteria must be referred to the Chief Executive.

**2. Awards**

Staff must consult the Chief Executive if they are approached by an outside organisation offering an award or prize that is in any way connected with their official duty.

**3. Hospitality**

Staff members may accept conventional hospitality offered to them in the course of their work. Such hospitality might include a working lunch, attendance in an official capacity at a promotional event, or an invitation to a cultural or social event.

Offers of hospitality beyond this norm should generally be refused. Such hospitality might include substantial offers of social functions, travel or accommodation, or frequent acceptance of meals, tickets and invitations to sporting, cultural or social events, particularly from the same source.

If a staff member is in any doubt about whether to accept hospitality offered he or she should consult the Chief Executive. If the Chief Executive should agree to the normal level of hospitality being exceeded, this should be recorded in the Register of Gifts.

#### **4. Fees**

All offers of nominal fees eg. for presenting a speech or paper, should be referred to the Chief Executive. Any fees received from an outside source by a member of staff should be paid to the **Welsh Funding Council** if preparatory work or delivery of the speech, lecture etc. takes place in work time as part of their duties. If, however, all or part of the work is done in the staff member's own time, permission may be given for the staff member to retain all or part of the fee, as appropriate. All fees received should be noted in the Register of Gifts. (Staff should note that payments in return for services are taxable and must be declared).

Items offered in substitution for fees for speeches, lectures or other work done should be refused.

**6.24 Conflicts of Interest**

It is a disciplinary offence for staff to make use of their position to further their private interests or those of others. Conflicts of interests may arise from financial interests and more broadly from official dealings with, or decisions in respect of, individuals who share a staff member's private interests (eg. membership of societies and other organisations, and family).

Any private interest that may impinge on any matter relevant to a staff member's duties must be declared to the Chief Executive. New staff will be required to complete a Declaration of Interests form on appointment. Existing staff should complete a new form (available from the Personnel section) to record any new interests or a change to interests already declared. Where a staff member has any doubt about the propriety of any personal private activity he or she should consult the Chief Executive.

Staff should ensure that they do not compromise their position by having private dealings with companies or bodies with whom the Council is in a funding or contractual relationship.

Staff should seek permission from the Chief Executive before accepting any outside employment which might affect their work either directly or indirectly.

Staff who become bankrupt or insolvent must report the fact to the Chief Executive. Staff must let the Chief Executive know if they are arrested or refused bail, or if they are convicted of any criminal offence. This does not apply to a traffic offence unless the penalty included imprisonment or disqualification from driving.

**Publications mentioned**

**Committee on Standards in Public Life (the Nolan Committee), First Report**, Cm 2850-I, 1995, available from The Stationery Office, 0171-863 9090, price £11.80 (ISBN 0 10 128502 7)

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

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

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

**Model Code for Staff of Executive Non-Departmental Public Bodies**, August 1996, available from Machinery of Government and Standards Group, Cabinet Office (OPS), 0170-270 0381.

**Non-Departmental Public Bodies: A Guide for Departments**, March 1992 and subsequent amendments, available from Machinery of Government and Standards Group, Cabinet Office (OPS), 0170-270 0381.

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

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

**The Government's Response to the First Report of the Committee on Standards in Public Life**, Cm 2931, July 1995, available from The Stationery Office, 0171-863 9090, price £7.10 (ISBN 0 10 129312 7).

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

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