

VOSA Corporate Governance



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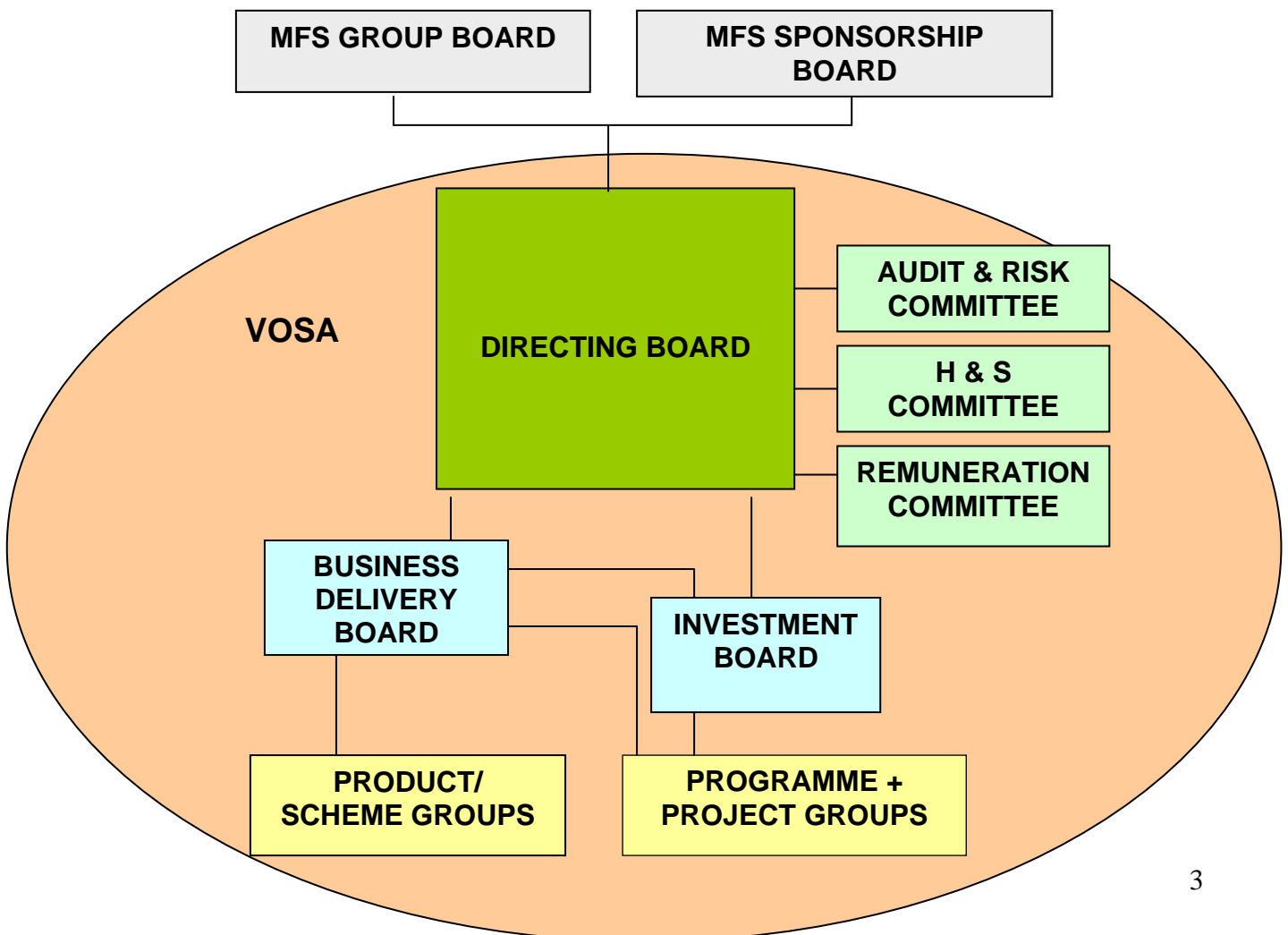
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Overview

1. Corporate governance is the way in which an organisation is directed and controlled. It defines the distribution of rights and responsibilities among the different stakeholders and participants in the organisation, determines the procedures for making decisions on corporate affairs including the process through which the organisation's objectives are set, and provides the means of attaining those objectives and monitoring performance.
2. In Central Government Boards support Ministers in the leadership and running of departments. Ministers have a duty to Parliament to account, and be held to account, for all the policies, decisions and actions of the department including its executive agencies.
3. The Vehicle and Operator Services Agency (VOSA) formed on 1 April 2003 is an executive agency of the Department for Transport (DfT) within its Motoring and Freight Services group (MFS).
4. MFS are working together to provide modern and efficient services to meet the needs of customers, while always remaining focused on keeping drivers and vehicles safe and secure. VOSA provides a range of educational, licensing, testing and enforcement services with the aim of improving the roadworthiness standards of vehicles, ensuring the compliance of operators and drivers with road traffic legislation, and supporting the independent Traffic Commissioners.

Governance



5. The Agency's key decision-making body is the Directing Board. The Directing Board has delegated certain matters to three Committees of the Board and two sub-Boards. Each of these Committees and sub-Boards is chaired by a Directing Board member. The full terms of reference for each are laid out in the attached annexes. In summary the key points are:

6. Purpose:

- The Directing Board has ultimate responsibility for setting the strategic direction of the Agency, delivering its business objectives and ensuring it is well run.
- The Audit & Risk Committee supports the Directing Board in their responsibilities for issues of risk, control and governance.
- In line with the Health & Safety Commission guidance and current best practice the Health & Safety Committee (HSC) supports the Directing Board on matters of health and safety policy, structure and communication reviewing these against legal obligations.
- The Remuneration Committee supports the Directing Board through consideration of the specific remuneration packages for staff with L10 or above salaries, particularly bonus level. This Committee may also make recommendations to the Directing Board on the Agency's wider policy on contingent reward.
- The Business Delivery Board ensures scrutiny of the Agency's business plan through monitoring and management of its performance and corporate risk, leading delivery of the change programme and consideration of recommendations in relation to agreed business activity.
- The Investment Board approves the Agency's business change programme providing assurance to the Directing Board that sound decisions are made in relation to the investment of public funds in the Agency's portfolio of business change.

7. Financial delegation

- In support of the delegated decisions outlined above, the Directing Board has agreed the financial delegations listed below. It should be noted that these do not supersede decision making authority outlined above. Delegations are based on gross lifetime costs.

Directing Board \geq £500,000

Business Delivery Board NIL

Investment Board \leq £500,000

Director responsible + Finance Director \leq £150,000

Director \leq £50,000

8. Membership

- In all cases members of the Directing Board, Committees and sub-Boards will provide independent judgement taking decisions objectively and acting in the best interest of the Agency. They will constructively challenge and scrutinise the Agency's strategies and performance to provide the CEO with assurance for the delivery of objectives and the annual Statement of Internal Control. In all cases members will abide by the Board Etiquette outlined at Annex H.

Main Principle:

The Directing Board has ultimate responsibility for setting the strategic direction of the Agency, delivering its business objectives and ensuring it is well run.

Scope of Work:

- Provide strategic direction for the Agency.
- Define and promote the Agency's values and ethics and champion staff engagement.
- Set targets and objectives which contribute to MFS and DfT requirements.
- Approve the Agency's fees and charges.
- Ensure the necessary financial and human resources are in place for the Agency to meet its objectives.
- Ensure legal, ethical and financial integrity and maintain accountability.
- Approve all requests requiring financial input of [\geq £500,000].
- Approve the annual Business Plan for approval by the Minister.
- Approve the annual Budget
- Approve the Annual Report and Accounts, including the Statement of Internal Control which are audited by the Comptroller and Auditor General prior to being laid in both Houses of Parliament.
- Ensure an effective risk management framework with high-level supervision of the Agency's risks and issues.
- Evaluate its own performance on a regular basis taking action to address areas for improvement as identified.
- The Directing Board has delegated certain matter to other Agency Committees and sub-Boards. Each of these will have Terms of Reference outlining their responsibilities and decision making authority. The Directing Board will also ensure members of such Committees and sub-Boards have the appropriate knowledge and skills.

The above is an indication of the key roles of this Board. If it is unclear which Agency board is accountable for the decision you require please contact the Corporate Board Secretary.

Membership:

The Directing Board is comprised of the Executive and Non-Executive Board members. It is usually chaired by the Chief Executive Officer.

The DfT MFS Director General and the DfT Director of Transformation, Licensing, Logistics and Sponsorship have a standing invitation to attend.

Quorum:

Three Executive and one Non-Executive Director are required for quorum.

Conduct of Business:

The Board will meet sufficiently regularly to discharge its duties effectively. This is likely to be no less than 10 times per annum.

Changes to Terms of Reference:

The Directing Board Terms of Reference will be reviewed annually. Any changes to these must be agreed by the VOSA Directing Board.

Annex B – VOSA Audit & Risk Committee Terms of Reference

The VOSA Board has established an Audit and Risk Committee (A&RC) as a Committee of the Board, to support them in their responsibilities for issues of risk, control & governance and associated assurance by:

- Reviewing the comprehensiveness of assurances in meeting the Board and the Agency Accounting Officer's (AAO) assurance needs;
- Reviewing the reliability and integrity of these assurances;
- Providing an opinion on how well the Board and the AAO are supported in decision taking and in discharging their Accountability obligations (particularly in respect of Financial Reporting processes).

(N.B. The VOSA A&RC acts as a Risk Committee only in the sense of providing assurance that VOSA risk management is acceptable. It is not a Risk Management Committee as it takes no executive decisions about the management of risks. It reviews the Risk management process twice a year based on reports from the Risk manager and Director).

1 Membership of A&RC

Members are VOSA's 3 Non Executive Directors (2 being required for a quorum) the Chair is held for a period not exceeding 4 years. The VOSA Board provides the secretariat support for the A&RC. The VOSA Board also agrees with the A&RC an appropriate mix of skills and experience required of A&RC members to assess risk, governance, internal control and proper financial management and reporting. Each Non Executive Director is issued with a terms of appointment letter to explain their roles and expected performance inclusive of measures to deal with any apparent conflict of interest. This will be assessed and reported annually, along with their Board NED functions. The A&RC members and attendees are listed at Table 1 on page 9.

2 Reporting

The A&RC Chair holds quarterly meetings with the Agency's Accounting Officer, Head of Internal Audit, and an External Auditor (NAO) to ensure clear understanding of current issues and expectations. The A&RC Chair has access to both the Sponsoring Department's Accounting Officer and Additional Accounting Officer in MFS.

The A&RC provides minutes of its meetings to the VOSA Board to ensure they are aware of the A&RC's business and its importance. An executive summary will identify items where the A&RC is asking the Board to act and/or for advice. (The secretariat ensures sufficient time to produce minutes and any summary for the Board, equally there is sufficient time for Board Meeting issues or advice to be referred to the A&RC).

The Department's Additional Accounting Officer (Director General of Motoring & Freight Services) receives A&RC papers and minutes and is represented at the A&RC meetings by an appointed attendee. Additionally, the A&RC Chair attends VOSA Sponsorship Boards where Governance and Audit are standing agenda items. Also the DfT Head of Internal Audit attends to assist and represent the Permanent Secretary and DfT group audit needs.

The A&RC provides the Board with an Annual Report, timed to support finalisation of the accounts and the Statement on Internal Control, summarising its conclusions from the work it has done during the year. The report will:

- Comment on the comprehensiveness of assurances to meet Board & AAO's needs.
- Assess the reliability and integrity of these assurances.

- Offer an opinion on whether the assurance available is sufficient to support the Board / AAO in their decision taking and their accountability obligations.
- A&RC will draw to the Board and/or the AAO's attention any items requiring their attention regarding;
 - the financial reporting for the year,
 - the quality of Internal and External Audit and their approach/responsibilities and
 - the A&RC's view of its own effectiveness, including advice on ways in which it considers it needs to be strengthened or developed

3 Responsibilities of the A&RC

To ensure that VOSA's assurance needs are being met the A&RC will advise the AAO and Board on:

- The strategic processes for risk, control and governance and the Statement on Internal Control.
- The accounting policies, the accounts, and the annual report of the organisation, including the process for review of the accounts prior to submission for audit, levels of error identified, and management's letter of representation to the external auditors.
- The planned activity and results of both internal and external audit.
- The adequacy of management response to issues identified by audit activity, including external audit's management letter.
- Assurances relating to the corporate governance requirements i.e.
 - The extent to which the Board wants to put in place periodic management assurance (e.g. – Stewardship reports) to support year end accountability and reporting
 - The extent to which the Board wants to put in place ongoing management assurance (e.g. – inspection or compliance teams which function by ongoing review of specific and defined areas of control)
 - The level of confidence that is required in assurances, including the extent to which the range of assurance providers can be relied on by Internal Audit in accordance with the Government Internal Audit Standards
- Where appropriate, proposals for tendering for either Internal or External Audit services or for purchase of non-audit services from contractors who provide audit services; anti-fraud policies and whistle-blowing processes.
- The A&RC will also periodically review its own effectiveness and report the results of that review to the Board.

4 Scope of the A&RC

The A&RC shall:

- consider matters relating to the control environment including ethical behaviour, fraud, whistle-blowing, organisation of work and delegated responsibilities,
- receive and consider reports of alleged impropriety and other serious breaches of rules and regulations,
- ensure VOSA's Internal Audit meets the standards of the Government Internal Audit Standards and achieves agreed levels of service, in particular -
 - long term plans and annual programmes of work,
 - reports, the arrangements for the implementation of their recommendations and any unresolved issues, and
 - matters affecting delivery of the Internal Audit service,
- review any plans by the NAO to carry out value for money audits in the Agency; and,
- consider all relevant audit reports, management letters and other outputs issued by the NAO or its contractors.

5. Rights

For the purpose of providing information to assist it in fulfilling its role of providing advice to the Board the A&RC has the Board's authority to:

1. require any official of, or individual employed or working for VOSA, to attend an A&RC; or provide written report(s) to the A&RC; and,
2. co-opt members, or specialist ad hoc advice, for Board approved period and spend

6. Access

The Head of Internal Audit and the NAO (External Audit) will have free and confidential access to the A&RC Chair.

7. Meetings

The A&RC will meet at least four times a year to discuss the key agenda items (see Table 2 below) with the following provisos:

- the A&RC Chair may convene additional meetings deemed necessary,
- the A&RC 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, and
- The VOSA Board may ask the A&RC to convene further meetings to discuss particular issues on which they want the A&RC's advice.

8. Information requirements

For each meeting the A&RC will be provided with:

- A report summarising any significant changes to the organisation's Risk Register.
- A progress report from the Head of Internal Audit summarising;
 - work performed (and a comparison with work planned),
 - key issues emerging from Internal Audit work,
 - management response to audit recommendations,
 - changes to the Periodic Plan, and
 - any resource issues affecting the delivery of Internal Audit objectives.
- A progress report from the External Audit representative summarising work done and emerging findings.
- As and when appropriate the Committee will also be provided with:
 - Proposals for the Terms of Reference of Internal Audit;
 - The Internal Audit Strategy.
 - The Head of Internal Audit's Annual Opinion and Report.
 - Quality Assurance reports on the Internal Audit function.
 - The draft accounts of the organisation.
 - The draft Statement on Internal Control.
 - A report on any changes to accounting policies.
 - External Audit's management letter.
 - A report on any proposals to tender for audit functions.
 - A report on co-operation between Internal and External Audit.

Table 1 The A&RC members are:			
Status	Role	Appointed	Appointment renewal
Non Executive Members	* All 3 current Non-Executive Directors one of whom will Chair	As per the MFS/ VOSA appointment letter	As per the MFS/ VOSA appointment letter
VOSA Executive Directors	* Chief Executive & Agency Accounting Officer * Director of Finance Director of Strategy & Customer (Risk management)		
Auditors, Assurance & Support	* Director NAO, External Auditor * Manager NAO * Head of Internal Audit DfT Head of Internal Audit (DfT group audits etc).		
Other Specialists	Fraud & Special Investigations Manager Risk Manager Financial Accountant Information Security Manager Secretary for Corporate Office MFS Finance advisor		
Ad-hoc Attendees	Executive Directors/Members of Senior Management Team (to report progress on key risk treatment plans, progress on audit reports etc) Corporate Accountant		

Table 2 the A&RC meetings and standing agenda items :	
Spring	<ul style="list-style-type: none"> ➤ Provide advice to the AAO on draft Stewardship Certificates, draft Statement on Internal Control and documents regarding the effectiveness of internal control and risk management. ➤ Agree the annual Internal Audit programme for the new financial year. ➤ Review the A&RC TOR. ➤ Key Business Risk Register
Summer SIC & Management Assurance	<ul style="list-style-type: none"> ➤ Consider the Committee's Annual report and performance assessment. ➤ Consider and discuss the draft Annual Internal Audit report and opinion. ➤ Consider the effectiveness of systems of internal control (Stewardship Certificates, Fraud return, H&S report, Risk Manager's Report, QA&I report, Information Assurance report for all Info Assets, any pertinent external consultancy reports affecting governance e.g. OGC gateway; etc) ➤ Comment on Accounts for year just ended prior to submission for audit. ➤ Key Business Risk Register
Summer Accounts (Reduced attendance table 1 *).	<ul style="list-style-type: none"> ➤ Review and consider accounts inclusive of changes from draft to final. ➤ Consider emerging External Auditor's opinion. Advise AO on signing the SIC. ➤ Review the Agency's financial and accounting policies. Ensure they are applied consistently and in accordance with accepted accounting principles and practices. ➤ Key Business Risk Register
Autumn	<ul style="list-style-type: none"> ➤ Review of Corporate Governance arrangements and potential for cooperation between auditors and other review functions. ➤ Discuss External Audit's management report + Finance Director's action plan. ➤ Review the Internal Audit Charter. ➤ Key Business Risk Register
Winter	<ul style="list-style-type: none"> ➤ Review and discuss Internal Audit strategy, long-term plan and proposed programme for the new financial year. ➤ Delivery of external audit strategy document. ➤ Review Risk manager's report Key Business Risk Register.

Annex C - VOSA Remuneration Committee Terms of Reference

Main Principle:

The Remuneration Committee has been delegated authority by the Directing Board to consider the remuneration packages for staff with L10 or above salaries, particularly bonus levels. This Committee may also make recommendations to the Directing Board on the Agency's wider contingent reward policy.

Scope of Work:

- Consideration of the annual performance of L10 Directors and other staff where applicable, ensuring a comprehensive assessment of all outcomes and a review of individual and joint contributions of Directors.
- Responsible for decisions in relation to the payment of L10 Directors Bonuses giving consideration to any relevant weighting factors that reflect relationships as well as measures to identify high, medium, low or nil contribution.
- Assist the Chief Executive Officer in preparing for the MFS Remuneration Committee which makes decisions about bonus payments for members of the SCS.
- Determine the pay of new L10 Directors and make recommendations on advertised salaries for external recruitment and starting salaries on promotion to L10.
- Consider whether L10 Directors are eligible for benefits under any long-term incentive schemes.
- Should it be required, the Committee is responsible for appointing any consultants in respect of L10 Director remuneration and providing a statement of whether or not they have any other connection with the Agency.
- Provide recommendations to the Directing Board on the Agency's wider contingent reward policy.
- Ensure the Agency's remuneration for L10 Directors follows current Cabinet Office and DfT policies in place for the Senior Civil Service.
- Maintain awareness of Remuneration Committee best practice.

The above is an indication of the key roles of this Board. If it is unclear which Agency board is accountable for the decision you require please contact the Corporate Board Secretary.

Membership:

Two Non-Executive Directors, one of whom will Chair.

Chief Executive Officer

Note: The HR Director is Secretary to this Committee.

Quorum:

Full membership.

Conduct of Business:

The Committee will meet once per annum, usually in Spring. Exceptional meetings can be called by the Chair as required.

Changes to Terms of Reference:

Changes to the Remuneration Committee Terms of Reference must be agreed by the VOSA Directing Board.

Annex D - VOSA Health & Safety Committee Terms of Reference

Main Principle:

In line with the Health & Safety Commission guidance and current best practice the Health & Safety Committee (HSC) supports the Directing Board on matters of health and safety policy, structure and communication reviewing these against legal obligations.

Scope of Work:

- Champion an ethos of Health & Safety (H&S) and develop the H&S culture ensuring the Agency has exemplary H&S standards.
- Ensure compliance with H&S legislation and regulations.
- Ensure H&S policy is reflected in Agency plans, priorities and targets.
- Ensure H&S implications of change are built into new and developed processes inclusive of contractor and partner involvement.
- Ensure H&S arrangements are adequately resourced.
- Ensure H&S advice is competent and H&S training meets the needs of H&S Officers, H&S Coordinators, Agency managers and staff.
- Scrutinise H&S data to ensure the Agency's H&S policy and guidance is being adhered to.
- Quality Assure H&S Risk Assessments to establish that they are effectively completed.
- Quality Assure H&S decisions to confirm staff and their representatives are involved.
- Report to the Directing Board identifying actions and/ or advice required.
- Review and approve the Annual Report for the Directing Board.
- The HSC has authority to require any official of, or individual employed or working for VOSA to attend the HSC or provide written report(s) or co-opt members or commission specialist advice.
- Utilise information from the Whitley Committees.
- Appoint sub-committees or working groups as required.
- Review its own effectiveness inclusive of evaluating assurances relating to H&S governance.

The above is an indication of the key roles of this Committee. If it is unclear which Agency board is accountable for the decision you require please contact the Corporate Board Secretary.

Membership:

Two Executive Directors, one of whom will Chair the Committee.

One Non Executive Director.

VOSA's H&S Manager.

At least four Staff Representatives.

Quorum:

Three management and three staff representatives.

Conduct of Business:

The HSC will meet four times per annum. Exceptional meetings can be called by the HSC Chair as required.

Changes to Terms of Reference:

Changes to the HSC Terms of Reference must be agreed by the VOSA Directing Board.

Annex E – VOSA Business Delivery Board Terms of Reference

Main Principle:

The Business Delivery Board ensures scrutiny of the Agency's business plan through monitoring and management of its performance and corporate risk, leading delivery of the change programme and consideration of recommendations in relation to committed business activity.

Scope of Work:

- Monitor and supervise the Agency's performance against objectives, targets and budgets.
- Monitor and scrutinise the Agency's corporate risks and effectiveness of their management.
- Ensure VOSA gets best value from the resources deployed.
- Provide scrutiny of the Agency's change portfolio and ensuring project business case delivery .
- Monitor and scrutinise the work of the product and steering groups
- Monitor and scrutinise the delivery of the Agency's investment portfolio including initiation of healthcheck reports.
- Hold to account Directors and Senior Managers to ensure they deliver the business needs.
- Lead on the improvement in staff engagement.
- Associate Members provide the link to the wider organisation.
- Report to the Directing Board on a regular basis providing assurance or highlighting risks and issues as identified with recommendations for mitigating actions.
- Evaluate its own performance on a regular basis taking action to address areas for improvement as identified.

The above is an indication of the key roles of this Board. If it is unclear which Agency board is accountable for the decision you require please contact the Corporate Board Secretary.

Membership:

Two Executive Directors, one of whom will Chair the Board.

Five Corporate Senior Leaders. Note: these BDB members cannot at the same time be members of the IB.

Two associate members are selected from the Corporate Senior Leaders team who will serve up to six months on the Business Delivery Board. The Business Delivery Board provides the opportunity for two members of staff; of any level, to attend as observers. Those interested should contact the Corporate Board Secretary.

There is an open invitation for Directors to attend.

Quorum:

Three members plus one Executive Director are required for quorum.

Conduct of Business:

The Board will meet sufficiently regularly to discharge its duties effectively. This is likely to be no less than 10 times per annum.

Changes to Terms of Reference:

Any changes to the Business Delivery Board Terms of Reference must be agreed by the VOSA Directing Board.

Annex F - VOSA Investment Board Terms of Reference

Main Principle:

The Investment Board approves the Agency's business change programme providing assurance to the Directing Board that sound decisions are made in relation to the investment of public funds in the Agency's portfolio of business change.

Scope of Work:

- The Investment Board has authority to endorse investment [\leq £500,000]. This includes all new work, including estates, and changes to existing investment.
- Within the above remit decide whether a project or programme should be initiated and, where necessary, agree funding for the development of the preliminary business case. Where funding above its remit is required the Investment Board will refer to the Directing Board.
- Ensure strategic alignment of investments and Corporate Plan.
- Determine the governance arrangements required for each approved investment.
- In line with MFS IAB processes, monitor projects and programmes at key stages within their lifecycle including scrutinise Project Closure Reports, Post Implementation Reviews and track delivery of benefits.
- Provide a regular summary report of its activities to the Directing Board.
- Inform the BDB of approved investments.
- Evaluate its own performance on a regular basis taking action to address areas for improvement as identified.

The above is an indication of the key roles of this Board. If it is unclear which Agency board is accountable for the decision you require please contact the Corporate Board Secretary.

Membership:

Two Executive Directors one of whom will Chair the Board
Five Corporate Senior Leaders. Note: these IB members cannot at the same time be members of the BDB.

The MFS Investment Board has an open invitation for a representative to attend.

There is an open invitation for Directors to attend.

Quorum:

Three members plus one Executive Director are required for quorum.

Conduct of Business:

The Board will meet sufficiently regularly to discharge its duties effectively. This is likely to be no more than once a month

Changes to Terms of Reference:

Any changes to the Investment Board Terms of Reference must be agreed by the VOSA Directing Board.

Administrative Processes supporting the VOSA Governance Framework

1. With the exception of the H+S Committee, the Remuneration Committee and the Investment Board the secretariat function for VOSA Boards is provided by the Agency's Corporate Office.
2. Agenda items for VOSA Boards are agreed two weeks in advance of the meeting date. Any non-standard agenda items for inclusion must be agreed by the relevant Director and submitted to the Board Secretary for discussion with the Chair. Please note Agendas fill up quickly and you may not get a slot at the imminent Board. Should this be the case the paper will be allocated to the next available appropriate Board.
3. Papers must have been authorised by the owner Director prior to submission to the secretariat.
4. Papers must be presented using the template agreed by Directors. This is on-line at: http://vosanet.vosa.gov.uk/cmsintra/groups/public/documents/published_files/boardpapercoversheettemplates.hcsp?mode=content . Templates for business cases are available from the PMO.
5. Note the template includes clearance which must be obtained before a paper is submitted. Papers that have not obtained the appropriate clearances will be refused by the Board Secretary.
6. Papers must be presented in a manner where they are ready to print.
7. All papers must be submitted to the secretariat no later than 5 full working days prior to the meeting. Please note that if you do not provide the paper no later than 5 full working days in advance it is likely that the paper will be pulled from the Agenda.
8. The authors of papers are expected to be available to attend the meeting at which their paper will be discussed to answer any questions.
9. It is suggested that any presentation be a maximum of 10 minutes and that you are confident with the presentation equipment available in the room. The presentation does not replace the Board covering template required for the Agenda Item. Presentations should be emailed to the Board Secretary 2 full working days prior to the meeting.
10. Minutes of meeting will be circulated within 3 working days of the meeting taking place.
11. Agendas, minutes and papers of meetings will be published internally and externally with the exception of those that are given security markings to the contrary.

Annex H – Board Etiquette

The VOSA Directing Board, Committees and sub-Boards agree to abide by the following principles:

- 1) To uphold the values of the Civil Service.
- 2) To act with mutual trust and respect.
- 3) To listen to and tolerate diverse points of view.
- 4) To share facts and evidence bearing in mind confidentiality where appropriate.
- 5) To lead the organisation in being open and accountable.
- 6) To act with the best interest of the Agency as a whole.
- 7) To take collective responsibility for decisions made.
- 8) To support the Chair in making the best use of the time available.
- 9) To be prepared, arriving on time having read the papers in advance.
- 10) To understand their role as individuals and as a group.
- 11) To ensure members have the appropriate knowledge and skills through inductions and development.

Annex I - Extract from HM Treasury Guidance on Accounting Officers' Responsibilities

(Further details can be found at www.hm-treasury.gov.uk/d/mpm_ch3.pdf)

Role of the Accounting Officer

Each organisation in central government - department, agency, trading fund, NHS body, NDPB or significant arm's length body - must have an Accounting Officer. This person is usually the senior official in the organisation. In line with the *Code of Good Practice on Corporate Governance in Central Government Departments*, it is now usual for the Accounting Officer to be supported by a board whose structure should be agreed with the responsible minister(s) where it is not set in statute. Arrangements for leadership and accountability may be slightly different in other parts of the public sector.

Formally the Accounting Officer is someone who may be called to account in Parliament for the stewardship of the resources within the organisation's control. The standards the Accounting Officer is expected to deliver in the organisation are summarised in box 3.1 (reproduced below). The senior business managers of other public sector organisations are expected to deliver similar standards.

Appointment of Accounting Officers

The Treasury appoints the permanent head of each central government department to be its Accounting Officer. Where there are several Accounting Officers in a department, the permanent head is the Principal Accounting Officer.

Within departments, the Treasury also appoints the Chief Executive of each trading fund as its Accounting Officer; and may also appoint Additional Accounting Officers with responsibility for certain Requests for Resources.

Special responsibilities of Accounting Officers

It is important that each Accounting Officer takes personal responsibility for ensuring that the organisation he or she manages delivers the standards in box 3.1. In particular, the Accounting Officer must personally sign:

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

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

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

Summary of the standards the Accounting Officer is expected to deliver

box 3.1: standards expected of the Accounting Officer's organisation

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

governance

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

decision-making

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

financial management

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

Annex J – Example Terms & conditions for Appointment as a Non-Executive Director to the MFS Group.

1. Role and likely time commitment

- 1.1. Your primary role will be a Non-Executive Director of the Directing Board of the Vehicle and Operator Services Agency (VOSA). The Directing Board typically meets at least ten times each year. As a member you will be expected to contribute to collective decisions on strategic direction, targets and business planning. The Directing Board is chaired by the Agency Chief Executive and consists of the Agency's Senior Directors and other Non-Executive Directors. You will be expected to attend the Directing Board meetings regularly. The MFS Group Director General and other representatives from DfT may attend these meetings 3 or 4 times a year.
- 1.2. You may also be invited to join the Agency's Audit and Risk Management Committee. This Committee meets 3 to 4 times a year. As a member of this Committee you would be expected to provide advice to the Chief Executive to enable them to discharge their responsibilities for ensuring that the Agency has sound corporate governance arrangements and that all parts of the Agency are managed efficiently and effectively.
- 1.3. You may also be invited to other Agency meetings or events. In total the commitment is likely to be around 30 - 35 days per year, including preparation time.
- 1.4. The description of your role within VOSA will be further discussed with VOSA's Chief Executive
- 1.5. As part of your induction within VOSA, a performance agreement which will contain your objectives will be agreed in discussion with the Chief Executive.

2. Period of appointment

- 2.1. The appointment is held at the discretion of the Secretary of State for Transport and will run from xx/xx/xx until xx/xx/xx unless terminated before that date. The appointment may be extended for a further period of up to 2 years.

3. Ending the appointment

- 3.1. In order to maintain the Department's high standards of public life, any appointments made by the Secretary of State may be terminated at will where the Secretary of State is of the opinion that the appointee's conduct is such that he or she is no longer suitable for the role to which he or she has been appointed. This includes, where an appointee:
 - 3.1.1.1.1. is made bankrupt or makes an arrangement with his or her creditors
 - 3.1.1.1.2. is incapacitated by mental or physical illness to the extent that his or her participation is adversely affected;
 - 3.1.1.1.3. has begun formal procedural steps to stand for election to the House of Commons, the Scottish Parliament, the National Assembly for Wales, the Greater London Authority or the European Parliament;
 - 3.1.1.1.4. has been absent from meetings for a period of six months otherwise than for reasons approved by the Secretary of State;
 - 3.1.1.1.5. is, in the opinion of the Secretary of State, otherwise unfit or unable to discharge the functions of his or her appointed office;
 - 3.1.1.1.6. has by his or her actions, in the opinion of the Secretary of State brought, or is likely to bring, the MFS Group into disrepute;
 - 3.1.1.1.7. is convicted of a criminal offence; and/ or
 - 3.1.1.1.8. has, following the annual appraisal of his or her contribution by the Director General of the MFS Group, received an unsatisfactory outcome

This list is not exhaustive.

- 3.2. An appointment may also be terminated by either party giving the other three months' notice in writing. For the avoidance of doubt, there is no right to a pension or gratuity upon

4. Remuneration

- 4.1. The remuneration of a Non-Executive Director to the MFS Group will normally be limited to £15,000 per annum. Any payments in excess of the limits given here will need to be approved in advance by the CEO of VOSA
- 4.2. Fees for preparation and attendance at Agency meetings and any other events or away days will be at the prevailing daily rate. You may claim half a day or a full day depending on how much time is involved. If necessary, you may also claim travel time of half a day or a full day. This will usually be the case if you have to travel on the day before or after a meeting.
- 4.3. You can reclaim travel and subsistence expenses necessarily incurred in connection with your role as a Non-Executive Director. These payments are designed to meet expenses and are not a form of remuneration. Actual travel expenses may be claimed in line with VOSA rates as may be amended from time to time. The current rates are:
- the cost of standard class train travel (you may travel first class having considered the business need and whether the extra expenditure is justified);
 - for travel by car: 25 pence per mile or, where no public transport is available, 40 pence per mile;
 - overnight accommodation up to £110 in London or up to £90 elsewhere; and
 - incidental expenses of £5 per night.
- 4.4. It will be your responsibility as a Non-Executive Director to account to the HMRC through your tax return for income and expenses received from VOSA. No liability will reside with VOSA for the tax consequences of any remuneration received from VOSA.

5. Conduct

- 5.1. You should ensure that in your role as a Non-Executive Director you abide by the following 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; and
 - *leadership*: holders of public office should promote and support these principles by leadership and example.

6. Gifts and Hospitality

- 6.1. You should ensure that your acceptance of gifts and hospitality can stand up to public scrutiny. Gifts should be declined wherever possible. Gifts and offers should be reported to the Director General of the MFS Group. Care should be taken that no extravagance is involved with working lunches and other social occasions.

7. Legal liability

- 7.1. If legal proceedings are brought against you by a third party, the Department for Transport will meet any civil liability which is incurred in the execution of your functions, unless you have acted recklessly and provided you have acted honestly and in good faith.

8. Conflicts of interest

- 8.1. You should not misuse your official position or information acquired in the course of your official duties to further your private interests or those of others. You should not take part in activities which might conflict with the interests of the Department or the Agency, or might be inconsistent with your appointment as a Non-Executive director to the MFS Group. The purpose of these provisions is to avoid any danger of your being influenced, or appearing to be influenced, by your private interests in the exercise of your public role. You should therefore declare to the Director General of the MFS Group any personal or business interest which may, or may be *perceived* (by a reasonable member of the public) to; influence your judgement in the performance of your role. This should include, as a minimum, personal direct and indirect pecuniary interests, and should normally also include such interests of close family members and of people living in the same household which relate closely to the activities of the MFS Group.
- 8.2. You should also make a declaration of interest at any meeting if it relates specifically to a particular issue under consideration, for recording in the minutes (whether or not you also withdraw from the meeting). You should not participate in the discussion or determination of matters in which you have an interest and should normally withdraw from the meeting, if:
- your interest is direct and pecuniary; or
 - your interest is covered in specific guidance issued by the MFS Group or the Department for Transport which requires you not to participate and/or withdraw from the meeting.

9. Political Activities

- 9.1. You are free to engage in political activities - other than in a paid party political post or in a politically sensitive or senior role in a political party - provided that you remain conscious of your general public responsibility and the need to exercise proper discretion, particularly with regard to the work of the bodies of which you are a member. On matters specifically affecting that work, you should not normally make political speeches or engage in other political activities.

10. Official Secrets Act

- 10.1. The provisions of the Official Secrets Act 1911 to 1989 apply to you. Unauthorised disclosure of any information gained in the course of this appointment, or its use by you or others for personal gain or advancement, could result in the appointment being terminated early, or even in criminal prosecution.

Annex K – Director & Risk Steward Certificate

This certificate is updated each year to ensure it complies with Government and Department best practice. Complete certificates are published on VOSAnet.

VOSA Director & Risk Steward Certificate (2009/10)

Name

Position

Period covered

1 April 2009 to 31 March 2010

I recognise that by identifying and controlling risks in my directorate and acting as Risk Steward for the designated corporate risks listed below,

- I assist VOSA to achieve its objectives, and
- I provide the necessary assurance to the Accounting Officer to enable the Statement on Internal Control contained in the Agency's Annual Report and Accounts to be correctly signed.

Other than as stated in the completed statement, I am not aware of any control effectiveness issues that need to be brought to the attention of the Accounting Officer.

Signed

Dated

Section 1 : Management Assurance on Internal Control

Directorate

Programme(s) and project(s)

As the VOSA Director responsible for the above named Directorate and Programme(s) I confirm that my staff take due cognisance of VOSA's internal control requirements in fulfilling their appointed roles and tasks. I attach a qualitative assessment of the framework within my directorate. I recognise that all systems of internal control are designed to manage rather than eliminate risk and can therefore only provide reasonable and not absolute assurance of effectiveness.

Qualitative assessment of the framework within my directorate (page 1)

This assessment is in respect of how I believe the **staff within my directorate** are following the processes and procedures of the Agency. I have referred to the guidance when completing this section, and have considered the **full list of questions**.

Where I have **Primary Responsibility** I have marked this in the first column.

None	<i>Control arrangements are poorly developed or non-existent, or major levels of non-compliance have been identified.</i>
Partial	<i>Control arrangements are operating effectively, except for some areas where significant weaknesses have been identified.</i>
Substantial	<i>Control arrangements are established and working effectively, with some minor weaknesses.</i>
Full	<i>Very good - clear evidence that this is happening very effectively and consistently in all areas.</i>

Primary Responsibility		None	Partial	Substantial	Full
	Governance				
	Delegated Authority				
	1. The Agency has made all necessary written delegations, as set out in the corporate governance framework.				
	2. Delegated responsibilities are limited to business needs, kept up to date on changes of staff, and have been reviewed at least once in the year.				
	3. Access to SAP/Sun/Oracle is properly authorised and rights to access are removed when staff move.				
	Fraud and Ethical Policies				
	4. The Agency has assessed the risk of fraud in all its business operations and has taken appropriate action to mitigate risks where necessary.				
	5. Staff in the Agency are aware of the Department's or Agency's fraud policy and procedures for reporting suspicions of fraud.				
	6. Staff are aware of the Department's or Agency's ethical policies and guidance on personal conduct contained in the Staff Handbook.				
	Regularity and Propriety				
	7. Arrangements are in place to ensure that there is appropriate legislative or Treasury authority for expenditure incurred and activities undertaken by the Agency.				
	8. Business is conducted in accordance with the standards expected by Parliament.				
	Risk Management Policies				
	9. The Agency's risk management arrangements are consistent with the Department's policy and procedures on risk management.				
	Strategy and Policy				
	Long Term Planning				
	10. The Agency has in place effective mechanisms to support strategic and long term planning to meet long term departmental aims.				
	11. The Agency has assessed the costs and affordability of its long term plans, and the associated risks.				
	Business Planning				
	Annual Budget				

Primary Responsibility		None	Partial	Substantial	Full
	12. The Agency has in place adequate arrangements for identifying the resources, including headcount, necessary to achieve its business objectives.				
	Risk Identification				
	13. The Agency has identified and assessed risks to all its business objectives, in accordance with the Department's guidance.				
	14. Risks are appropriately documented in risk registers and regularly reviewed.				
	15. Where appropriate, corporate risks have been identified and escalated.				
	Risk Action Plan				
	16. The Agency has identified actions to mitigate key risks to business objectives, allocated them to owners and set implementation dates.				
	17. Where appropriate, emergency plans are in place, up to date and have valid contacts.				
	Business Continuity				
	18. The Agency has in place an up-to-date business continuity plan which follows the Department's guidance.				
	IT Policy and Strategy				
	19. The Agency has identified its local IT needs, and its solutions are consistent with the Department's IT policies and IT strategy.				
	Delivery				
	Succession Planning				
	20. The Agency has in place arrangements for succession planning.				
	21. These arrangements are reviewed and kept up to date.				
	Procurement and Contract Management				
	22. The Agency's procurements have been made in accordance with departmental policies and procedures.				
	23. Contracts are managed in accordance with the guidance issued by Procurement Directorate or the Agency's procurement division.				
	Human Resources				
	24. Staff performance management and objective setting is undertaken in line with the guidance issued by HR.				
	25. Adequate arrangements are in place to ensure that development needs are identified and that the Agency has the relevant skills to deliver its objectives and targets.				
	Risk Management				
	26. Progress in implementing agreed mitigating actions are regularly reviewed and updated accordingly.				
	27. Risks have been reported and escalated, where appropriate.				
	Programme and Project Management				
	28. Programmes and projects are managed in accordance with the Department's procedures.				
	29. Adequate arrangements are in place to monitor progress and manage risks to successful delivery.				
	30. Post implementation reviews have been carried out on all programmes or projects completed during the year.				
	Investment Appraisal				
	31. Investment appraisals are subject to formal scrutiny in accordance with the Department's or Agency's investment appraisal framework.				

Primary Responsibility		None	Partial	Substantial	Full
	Financial Controls				
	32. Procedures are in place to record expenditure accurately, forecast future spending, update profiles, and manage budgets.				
	33. The Agency follows departmental standards for purchase to pay processes.				
	34. Assets and liabilities have been identified, valued, assessed for risk and reported to Central Finance, as appropriate.				
	35. All appropriate steps have been taken to manage down current and contingent liabilities.				
	36. Staff with financial responsibilities have the necessary knowledge and skills.				
	37. Monthly cash forecasts are prepared and included within appropriate Board reporting.				
	38. Procedures are in place to avoid over-commitments and entering into contingent liabilities without proper authority.				
	Use of IT				
	39. Staff are aware of, and comply with, the Department's or Agency's policies on the appropriate use of IT.				
	40. Self assessment statements prepared by information asset owners have been reviewed and agree with assessments provided.				
	Health & Safety				
	41. Agency have met their responsibilities for H&S risk assessments and other key actions.				
	42. There are adequate processes in place to identify, report and investigate health and safety incidents.				
	43. Relevant staff have received the required Health and Safety training.				
	Communications				
	44. All external communications are made in line with the Department's or Agency's standards and processes.				
	Performance Monitoring				
	Fraud Monitoring				
	45. All instances of identified or suspected fraud are reported in accordance with the Department's or Agency's fraud management policy.				
	Risk Reporting				
	46. The Agency's policies and procedures for managing risk have been reviewed for effectiveness.				
	Achievement of Business Objectives				
	47. Performance in achieving business objectives, targets and milestones has been assessed and remedial action taken, where appropriate.				
	Financial Performance Management				
	48. Performance in achieving financial targets has been assessed and remedial action taken where appropriate.				
	Implementation of Audit Recommendations				
	49. Appropriate and prompt action has been taken on all agreed recommendations resulting from either internal (Audit and Risk Assurance Division) or external (National Audit Office) audits.				

Additional Commentary for Section 1

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Section 2 : Director Declarations

Directorships, other interests including related party transactions.

- I have either given a nil return or listed any company director details for inclusion within the VOSA Register of Interests.
- I confirm that neither I (nor members of my immediate family) have entered into, or are likely to enter into, or are seeking to enter into, transactions with VOSA during the year.
- I have no knowledge of senior officers (or members of their immediate family) who have entered into, likely to enter into or are seeking to enter into transactions with VOSA. I have canvassed senior managers in my directorate who let major contracts (£5000+) and they have provided me with a written and signed assurance (if such transactions have occurred they must be disclosed with the monetary value if material).

Material post balance sheet events

I am aware of my responsibility to report to the Head of Financial Accounting and Control any material events that have occurred between the Balance Sheet Date **31st March 2010** and the planned date for Audit clearance **1st July 2010** that would have impact on the figure contained in VOSA's annual accounts. Examples being: errors or frauds; extra contractual payments; purchases or sales; renegotiated amounts of debtors or insolvent debtors; opening, extending or closing of trading activity; government actions e.g. nationalisation or privatisation.

Salary & Pensions Entitlements.

I note that my total salary (in bands of £5k), my pension payments and any Cash Equivalent Transfer Value will be disclosed in the annual accounts and confirm to the best of my ability that the figures provided by Finance are correct.

Additional Commentary for Section 2

Section 3 : Risk Management

My Directorate takes a consistent approach to risk management as part of the organisation's corporate governance arrangements in undertaking our policy and operational functions.

Corporate Risks – Key Business Risk Report

I have the following comments on the corporate risks contained in VOSA's Key Business Risk Report for which I act as Risk Steward.

References:

NHS Good Governance

http://www.brentpct.nhs.uk/files/L_GoodGovernanceBoardEtiquette.doc

Charity Commission for England and Wales – consultation Key Principles of good Governance.

The Code of Good Governance – A code for the Voluntary and Community Sector.

HM Treasury Corporate Governance in central government departments: A Code of Good Practice

DTI – Building Better Boards

Save the Children – Governance Best Practice

Financial Reporting Council – The Combined Code on Corporate Governance

Department for Transport Board and sub-committees

<http://www.dft.gov.uk/>

Motoring and Freight services Group Corporate Governance Framework

Audit Committee Handbook

Review of the role and effectiveness of non-executive directors – Derek Higgs

The Tyson Report on the Recruitment and Development of Non-Executive Directors