



ON BOARD

A GUIDE FOR MEMBERS OF
MANAGEMENT ADVISORY BOARDS

MARCH 2017



Public bodies play an essential role in performing certain functions on behalf of, or alongside Government. They allow the public sector to benefit from the skills, knowledge, expertise, experience, perspectives and commitment of the members who sit on their Boards and focus in depth on clear and specific functions and purposes.

Public bodies come in a variety of forms, depending on their functions and relationship with Scottish Ministers and/or the Scottish Parliament. Public bodies are set up for specific purposes and there is no set template of what a public body should look like. **Annex A** provides an overview of the classification of public bodies. This classification has important implications for accountability and reporting arrangements. Information on individual bodies and contact details are available from the **National Public Bodies Directory**.

The role of members of Management Advisory Boards is different to that of members of Non Departmental Public Bodies (NDPBs) and other bodies with statutory Boards. Management Advisory Board members are appointed to assist the body deliver its functions, to provide strategic advice and support to the Chief Executive and to offer constructive challenge. Such members are appointed to act in a purely advisory capacity and do not have any formal decision-making role.

This guidance is for all those appointed by the Chief Executive to be Members of Management Advisory Boards.

It is good practice to include external Non-Executive members on Management Advisory Boards of Executive Agencies. However, there may be some organisations for which external membership could be inappropriate, such as those where the Chief Executive believes the body's activities are effectively directed by Ministers. When going down this route the presence of external members on the body's Audit and Risk Committee provides appropriate independent scrutiny and challenge.

Separate guidance has been prepared for **Members of Statutory Boards**.

All public bodies should have in place supportive guidance which reflects the specific nature of their work and the extent to which separate arrangements may apply to the work of the Board.

INTRODUCTION

➤ Induction and Training

When a new Board member joins a public body, they may not have had much direct experience of that body. Effective induction serves as a valuable source of information and should provide material on specific job requirements, roles, responsibilities, policies and purposes. This guidance provides the starting point of your induction into the public body that you have joined. You should also receive further induction guidance and training from your public body on a range of topics, including:

- ➔ the structure, governing legislation and work of your public body and links with the sponsor Directorate (if appropriate), the Scottish Government and the Scottish Parliament
- ➔ the Code of Conduct prepared by your public body for external Non-Executive members which will highlight the nine key principles that underpin public life in Scotland
- ➔ roles and responsibilities as a Board member

These Non-Executive Board member roles are different to serving on other public bodies. Even for experienced Board members, an induction discussion with an existing member of an Advisory Board may be helpful as part of the induction process.

Annex B provides a checklist of the types of induction guidance and training that may be available from your public body. You should refer to this checklist when discussing your induction requirements with the Chief Executive.

FURTHER GUIDANCE



Key reference materials and contacts are listed under each of the main sections of this guidance. The main source of further information and guidance will be the public body that you have just joined, particularly the Chief Executive. They will be able to provide you with most of the advice and information that you are likely to need during your time as a member of a Management Advisory Board.

This guidance has been produced in an interactive format to allow users to view documents referenced through the use of hyper-links. The guide will be kept under review to ensure that it continues to help promote best practice for Board members. The guide will not be produced in hard copy by the Scottish Government.

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Public Service Delivery and Reform

Guidance Note 1





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➤ Overview

Scottish Ministers and all those within the wider Scottish Administration* are committed to high quality, continually improving, efficient public services that are responsive to local people's needs. To deliver on this commitment it is important that public bodies, third sector and private organisations work effectively in partnership with communities and each other.

This section explains the key policy developments and strategies on the delivery and reform of public services in Scotland, the relevance of public service delivery and reform to you as a Board member of a public body, and the influential role you can play in making a real change to the lives of the people of Scotland.

➤ Scottish Ministers, the Scottish Government and the Scottish Administration

Throughout this guidance you will see references to Scottish Ministers, the Scottish Administration or the Scottish Government. The diagram at [Annex C](#) explains the organisation of central government in Scotland.

➤ Key References and Contacts

National Performance Framework

Scottish Government Economic Strategy

Christie Report

Scottish Government's Response to the Christie Report

Scotland's Digital Future – Delivery of Public Services

Community Empowerment (Scotland) Act 2015

Key Messages

- ➔ As an Advisory Board member you help to ensure the effective governance and financial management of your public body within the context of public service delivery and reform for the benefit of the people of Scotland.
- ➔ Public bodies are required to demonstrate their commitment to public service delivery and reform by recognising their role in the delivery of the Programme for Government and the National Performance Framework.
- ➔ Public service reform is built on four pillars: Prevention, Performance, People and Partnership (supported by Place) – which should be reflected in public bodies' corporate strategic priorities and plans.
- ➔ The Scottish Government has developed a distinct approach to support the achievement of National Outcomes and public service reform. It is centred around empowerment and participation: enabling people to co-design, shape and deliver public services that they use; and building on the strengths of families and communities.

* The Scotland Act 1998 created the Scottish Parliament and the Scottish Administration. The Scottish Administration consists of the Scottish Ministers, including the Law Officers, and the key Non-Ministerial Offices and Officeholders in Scotland. The Scottish Administration performs its functions on behalf of Her Majesty the Queen and its staff are civil servants.



➤ PUBLIC SERVICE DELIVERY AND REFORM

In your role as a Board member of a public body in Scotland, you will help ensure effective governance and financial stewardship of the body concerned. These duties are covered in sections three to five of this guidance, the body's Framework Document and your letter of appointment.

As a member of a public body in Scotland, you also have a general responsibility to discharge these duties within the context of public service delivery and reform to the benefit of the people of Scotland.

The main policy developments and strategies which have shaped the Scottish Government's approach to public service delivery and reform are:

- ➔ The outcomes-based approach of the **National Performance Framework**
- ➔ The **Christie Report** and the Scottish Government's **Four Pillars of Public Service Reform**
- ➔ The strategic priorities of the **Government Economic Strategy**
- ➔ **Community Planning** whereby local authorities, public bodies, the Scottish Government and the third sector work together and with the local community
- ➔ Increased participation and delivery of public services through digital technology as described in **Scotland's Digital Future: Delivery of Public Services**
- ➔ The **Scottish Approach** centred around the core concepts of **Participation and Co-production, Assets-based Approaches** and **Improvement Methodology**.

The next section expands upon these policy developments and strategies, and their relevance to you as a Board member of a public body in Scotland.

➤ NATIONAL PERFORMANCE FRAMEWORK

The Scottish Government's vision for a successful Scotland is set out in the **National Performance Framework**. The Framework actively supports wider engagement between the Scottish Government and its delivery partners, including local government, third sector and public bodies.

It consists of five main parts which support and reinforce each other:

- ➔ The Scottish Government's **Purpose**
- ➔ The **Purpose Targets** to track progress towards the Purpose
- ➔ Five **Strategic Objectives** to focus on action
- ➔ 16 **National Outcomes** describing what the Scottish Government wants to achieve
- ➔ 50 **National Indicators** to track progress towards the Purpose and National Outcomes.



National Outcomes

A shared approach to the achievement of National Outcomes encourages public service providers to direct attention towards the key long-term challenges for Scotland. As the achievement of shared outcomes is dependent on increased collaboration, effective partnership working and closer alignment of service provision, public bodies are required to ensure that their corporate strategies and plans support the National Outcomes described in the National Performance Framework.

It follows that all public bodies must demonstrate the role that their corporate strategies and plans have in delivering **National Outcome 16** which refers specifically to high quality, continually improving, efficient public services that are responsive to local people's needs.

Public bodies must also demonstrate their role in delivering the other National Outcomes which are relevant to the type of services they provide, working closely with partners to the benefit of the people of Scotland. This may involve crossing traditional organisational boundaries between public bodies which have separate and distinct roles but which also have a shared interest in the delivery and reform of particular areas of public service (e.g. health, justice and education). This focus on shared outcomes and partnership working can achieve outcomes which might not otherwise be possible by one body acting alone. It also opens up opportunities for sharing of limited resources to ensure more efficient, effective and sustainable public services.

Scotland Performs

The **Scotland Performs** website measures and reports on the wide range of indicators set out in the National Performance Framework. As such, it provides an open and transparent account of the progress of government in Scotland in the creation of a more successful country, with opportunities for all through increasing sustainable economic growth.

► PUBLIC SERVICE REFORM

The Christie Commission

In 2010 the Scottish Ministers invited Dr Campbell Christie to lead a Commission to identify the best ways to address the challenges of delivering public services, based on evidence of what works.

The Christie Commission concluded that to achieve the outcomes that matter most to the people of Scotland, public, third sector and private organisations had to work more effectively in partnership with communities and with each other to design and deliver excellent public services that meet the needs of local people. The need for new ways of delivering public services has never been more important than it is today.

The **Christie Report** provided an assessment of the challenges facing public services and recommended an urgent, sustained and coherent programme of public service reform.



THE SCOTTISH GOVERNMENT'S FOUR PILLARS OF PUBLIC SERVICE REFORM



In its response to the Christie Report, the **Scottish Government identified four pillars of reform** in order to deliver better outcomes for the people of Scotland, to reduce inequalities and to ensure the delivery of sustainable services now and in the future:

Prevention – reduce future demand by preventing problems arising or dealing with them early on. To promote a bias towards prevention, help people understand why this is the right thing to do, the choices it implies as well as the benefits it can bring.

Performance – to demonstrate a sharp focus on continuous improvement of the National Outcomes, applying reliable improvement methods to ensure that

services are consistently well designed, based on the best evidence and are delivered by the right people to the right people at the right time.

People – we need to unlock the full creativity and potential of people at all levels of public service, empowering them to work together in innovative ways. We need to help create ways for people and communities to co-produce services around their skills and networks.

Partnership – we need to develop local partnership and collaboration, bringing public, third and private sector partners together with communities to deliver shared outcomes that really matter to people.

The Scottish Government's approach to public service delivery and reform also focuses on the importance of 'place' (locality) in the design and delivery of public services. The focus on place provides the basis for partnership and stronger community participation in the design and delivery of local services, harnessing the full spectrum of talents and capacities of public bodies, citizens, third sector organisations and local businesses.

In the next sections some of the information provided may not directly impact on your role as a Board member of a public body. However, it is essential that Board members have an awareness of work being taken forward by the Scottish Government in relation to public service reform.



➤ THE SCOTTISH APPROACH TO GOVERNMENT

The **National Performance Framework** and the **Government's response to Christie** describe 'what' we are trying to achieve, the 'Scottish Approach' describes 'how' it should be delivered; centering around three core elements of Participation and Co-production, Assets and Improvement, as summarised right. →

The approach seeks to safeguard essential services, preserve front-line jobs and secure higher quality services through, for example:

- ➔ greater integration of health and social care
- ➔ the move to single police, and fire and rescue services
- ➔ the reform of post-16 education.

➤ GOVERNMENT ECONOMIC STRATEGY

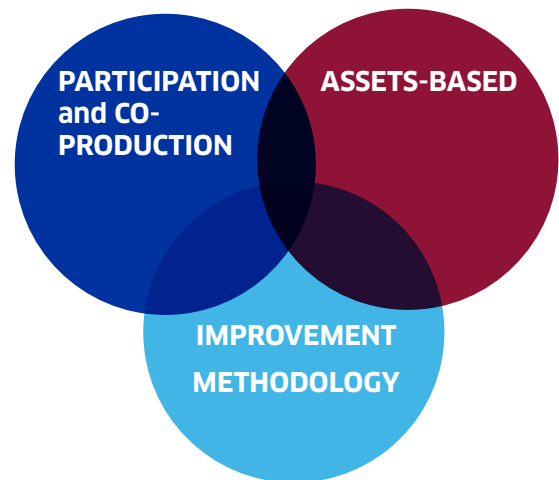
Scotland's Economic Strategy reaffirms the Scottish Government's commitment to creating a more successful country, with opportunities for all of Scotland to flourish, through increasing sustainable economic growth. It sets out an overarching framework for achieving the two mutually supportive goals of increasing competitiveness and tackling inequality in Scotland. It forms the strategic plan for existing and all future Scottish Government policy and prioritises boosting investment and innovation, supporting inclusive growth and maintaining a focus on increasing internationalisation.

➤ COMMUNITY EMPOWERMENT

Community Empowerment (Scotland) Act 2015

The **Community Empowerment (Scotland) Act 2015** (the 2015 Act) provides a legal framework that will promote and encourage community empowerment and participation, by creating new rights for community bodies and placing new duties on public authorities.

The Scottish Approach



- **Participation and Co-production** – enabling people to shape and co-design the services they use.
- **Assets-based** – valuing the strengths of people and communities to build social capital and capacity, rather than focusing solely on perceived deficits.
- **Improvement Methodology:**

Creating Conditions for Change

- ➔ Setting out a compelling vision of the future to serve as a reference point as the change process moves forward;
- ➔ Backed by a story which helps people to recognise where they have been and where they are going;
- ➔ Identifying key actions towards realising the vision.

Making the Change

- ➔ A clear framework for improvement;
- ➔ A strategy to engage, empower and motivate the workforce and develop their skills;
- ➔ An understanding of how the change will work locally, recognising communities and their assets are different;
- ➔ Building the guiding coalitions, governance and data necessary to drive and sustain the change.



Part 2 of the 2015 Act includes duties which further strengthen community planning, replacing provisions in the [Local Government in Scotland Act 2003](#).

The 2015 Act gives Community Planning Partnerships (CPPs) a statutory footing for the first time. It places specific duties on CPPs, and statutory partner bodies, in relation to improving local priority outcomes and tackling inequalities of outcome across communities within their area. The Act does a number of other things including: extending the community right to buy, making it simpler for communities to take over public sector land and buildings, and strengthening the statutory base for community planning. It also includes a new regulation-making power that will in future require that Scottish public authorities promote and facilitate the participation of members of the public in their decisions and activities, including in the allocation of their budget.

➤ HEALTH AND SOCIAL CARE INTEGRATION

Public Bodies (Joint Working) (Scotland) Act 2014

The shape of Scottish society is changing. People are living longer, healthier lives and as the needs of our society change, so too must the nature and form of our public services. New legislation in the form of the Public Bodies (Joint Working) (Scotland) Act 2014 requires Health Boards and local authorities to integrate their health and social care services.

Local teams and professionals across health and social care will work together to deliver quality, sustainable care and services resulting in improved outcomes for the people and families who use these services.

➤ SCOTLAND'S DIGITAL FUTURE

[Scotland's Digital Future: Delivery of Public Services](#) sets out the ambitions and actions including a 'digital first' approach to service delivery, with public bodies working collaboratively with each other and service

users to digitally transform the delivery of public services and to adopt the national products available through the digital ecosystem including [mygov.scot](#), Scottish Wide Area Network and others. In addition, the Central Government Digital Transformation Service can support your organisation in understanding your digital maturity, developing your strategy and sourcing the skills and capability to deliver on your transformation ambitions.

Audit Scotland's report, [Managing ICT Projects](#), published in August 2012 set out recommendations for Senior Responsible Owners and Accountable Officers. In June 2015 Audit Scotland considered the Scottish Government's progress in strategic oversight and support of central government ICT programmes including the revision of the ICT Assurance framework, supporting guidance and templates. Key findings and recommendations were published in [Managing ICT contracts in central government: An update](#).

➤ BEST VALUE, EFFICIENT GOVERNMENT AND RELOCATION

Best Value, Efficient Government and Relocation are all essential elements of the public service reform agenda. These issues are covered in [Guidance Note 4](#).

FURTHER INFORMATION



- Community Empowerment (Scotland) Act 2015
- Improvement Framework
- Improvement Service
- Public bodies (Joint Working) (Scotland) Act 2014
- McClelland Review
- Central Government ICT Assurance Framework
- Scottish Government's response to the McClelland Review
- Audit Scotland Managing ICT Projects in central government: an update



**Principles of
Corporate Governance**
Guidance Note 2



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➤ Overview

Corporate governance concerns the strategic direction and effective stewardship of the organisation. A number of concerns have been raised about corporate governance in the private and public sectors in recent years, mainly relating to the perceived lack of control at the top of some organisations and inadequately designed systems that failed to prevent fraudulent, inefficient or inappropriate behaviour.

A number of initiatives have addressed these concerns and strengthened the approach to corporate governance in both the private and public sectors. This section explains the main developments that have led to the principles of corporate governance and how these translate into the conduct and management of public business.

➤ Key References and Contacts

[UK Corporate Governance Code](#)

[Ethical Standards in Public Life etc. \(Scotland\) Act 2000](#)

[Good Governance Standard for Public Services](#)

Key Messages

- ➔ Corporate governance is concerned with the strategic direction and effective stewardship of the organisation.
- ➔ There have been a number of reviews in the private sector which together led to the development and publication of a [UK Corporate Governance Code](#).
- ➔ There are similarities between the public and private sectors in terms of corporate governance principles – but Board members should recognise that it is not always possible to draw a direct parallel between the two.
- ➔ The [Nolan Committee](#) set new standards of conduct for Board members of public bodies in 1995 and the [Ethical Standards in Public Life etc. \(Scotland\) Act 2000](#) introduced the ethical standards framework, which includes Codes of Conduct for Board members, a Chief Investigating Officer and a Standards Commission.
- ➔ Non-Executive Board members should be familiar with the nine key principles that underpin public life in Scotland which are set out in the Model Code of Conduct for Board Members of Devolved Public Bodies.



➤ Corporate Governance

Corporate governance is the way in which organisations are directed, controlled and led. It defines relationships and the distribution of rights and responsibilities among those who work with, and in, the public body, determines the rules and procedures through which objectives are set, and provides the means of attaining those objectives and monitoring performance. Importantly, it defines where accountability lies throughout the public body.

Corporate governance has been a high-profile topic in recent years, principally because of concern about ensuring control at the top of, and within, organisations. There is a perception that, in certain cases, senior managers appear to have been able to act without restraint and that inadequately designed systems have failed to prevent fraudulent, inefficient or inappropriate behaviour. **The results of poor corporate governance cannot be underestimated.** The international financial crisis was partially attributed to failures in governance within the Boards of major financial institutions.

Key Developments in the Private Sector

A number of key corporate governance reports in the private sector have contributed to the development of the **UK Corporate Governance Code**:

Reports that shaped corporate governance in the UK

Cadbury, 1992

Greenbury, 1995

Hampel, 1998

Turnbull, 1999

Myners, 2001

Smith, 2003

Higgs, 2003

Tyson, 2003

Turnbull, updated 2005

Walker, 2009

Women on Boards, 2011

Francis, 2013



The UK Corporate Code – Impact on the Public Sector

Although there are elements of the UK Corporate Code which are relevant to Board members of public bodies, it applies primarily to companies listed on the London Stock Exchange.

While there are a number of similarities between the public and private sectors in terms of corporate governance principles, Board members should be aware that it will not always be possible to draw a direct parallel between the two. Whilst public bodies face many similar challenges as private organisations, they cannot be considered to be exactly the same.

Effective strategic engagement between the Scottish Government and the public body is essential in order that they work together as effectively as possible to maintain and improve public services and deliver improved outcomes. There is greater accountability, with control over public services handed in greater measure to those who use them, while Scottish Ministers take strategic policy decisions. The varying size and nature of ‘arm’s length bodies’ and the range of functions they carry out means that there is no one absolute template for how the relationship between Scottish Government Directorates and the public body operates. Further consideration on the relationship between Scottish Government Directorates and public bodies is examined in [Guidance Note 3](#).

Findings from the Financial Crisis Report – Lack of Diversity and Groupthink

Although the [Walker Report](#) specifically related to the collapse of banks and financial institutions its findings had significant ramifications for the Boards of all types of bodies. A key finding of the review was that ‘groupthink’, attributable in turn to a lack of diversity, had been a major contributory factor to the governance failures of the relevant Boards.

Many subsequent studies have identified that companies with Boards that are apparently more diverse, such as in relation to gender, age and industry background, perform better than those companies with less diverse Boards. The different perspectives that different types of Board members bring mean that they are more likely to be able to constructively challenge proposals. If Board members are too similar to the executives, a Board’s decision-making risks being narrow and blinkered.

It is important to understand that a Board made up of people who are ‘visibly diverse’ will not necessarily be immune to groupthink. Visible diversity is simply an indicator but no guarantee that the Board’s members have the diversity of skills, knowledge, experience and perspectives needed to make it effective. Having said that, a lack of diversity on the Boards of Scotland’s public bodies, which can be evidenced in relation to factors ranging from gender to BME status, employment sector and income, is an indicator that our Boards are not yet sufficiently diverse.



The Impact for Scottish Public Bodies

Scottish Ministers are committed to redressing this imbalance with gender parity being a particular area of focus. Boards themselves should give consideration to establishing a committee to consider matters such as planning for succession and Board performance as this should lead to more diversity at Board level. **The aim should be to have 50:50 gender balance by 2020.**

Key Developments in the Public Sector

There have been a number of high-profile reports and inquiries in Scotland highlighting inadequacies in the governance of public bodies. In one report, a Parliamentary Committee concluded that the governance arrangements in a public body did not identify or prevent a crisis which it should have done. Although not the primary factor, the Committee believed that the Board failed sufficiently to challenge the Chief Executive over a significant operational development that ultimately failed.

In another report, the Scottish Parliament's Public Audit Committee concluded that, on the evidence received, members of the Board of a public body had acted with probity throughout a very difficult period but could not escape criticism for not being aware of problems of which they should have been aware.

As in the private sector, there have been a number of developments aimed at improving corporate governance in the public sector:

Nolan Principles

In 1995, the **Committee on Standards in Public Life (the Nolan Committee)** identified seven principles of conduct underpinning public life and recommended that public bodies should draw up Codes of Conduct incorporating these principles.

NOLAN COMMITTEE 1995



Recommendation

Public bodies should draw up Codes of Conduct incorporating seven Nolan Principles of:

- Selflessness
- Integrity
- Objectivity
- Accountability
- Openness
- Honesty
- Leadership.



The then Scottish Executive took the Nolan Committee recommendations one step further with the introduction of the **Ethical Standards in Public Life etc. (Scotland) Act 2000** which brought in a statutory Code of Conduct for Board Members of Devolved Public Bodies and set up a **Standards Commission for Scotland** to oversee the ethical standards framework. The Scottish Executive also identified nine key principles underpinning public life in Scotland, which incorporated the seven Nolan principles and introduced two further principles, Duty (Public Service) and Respect. These nine principles and their practical implications for Boards and Board members are explored in **Guidance Note 5**.

International Framework: Good Governance in the Public Sector

In 2014 the Chartered Institute of Public Finance and Accountancy and the International Federation of Accountants produced an updated International Framework: **Good Governance in the Public Sector**.

The 2014 Framework defines and describes one interpretation of the principles that should underpin good governance:

GOOD GOVERNANCE IN THE PUBLIC SECTOR



Core Principles

- Behave with integrity, demonstrating strong commitment to ethical values, and respect the rule of law;
- Ensure openness and comprehensive stakeholder engagement;
- Define outcomes in terms of sustainable economic, social and environmental benefits;
- Determine the interventions necessary to optimise the achievement of the intended outcomes;
- Develop the entity's capacity, including the capability of its leadership and the individuals within it;
- Manage risks and performance through robust internal control and strong public financial management; and
- Implement good practices in transparency, reporting and audit to deliver effective accountability.




➤ **Translating Principles into Action**

The remaining sections of this guidance provide the practical advice that is needed to enable public bodies and Board members to apply the concepts of good corporate governance to their own organisations. They pull together good practice from the private and public sectors to provide guidance to Board members across the three main dimensions of corporate governance:

- ➔ Roles, Responsibilities and Relationships (**Guidance Note 3**)
- ➔ Effective Financial Management (**Guidance Note 4**)
- ➔ Ethics and Standards of Behaviour (**Guidance Note 5**)

These guidance notes explain the meaning of these dimensions of corporate governance more fully and their relevance to you as a Board member of a public body in Scotland.



Roles, Responsibilities and Relationships

Guidance Note 3



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➤ Overview

Every member of a Board of a public body must be clear about their specific roles and responsibilities if the Board and the public body are to operate successfully.

This section outlines the roles and responsibilities of the Board, its committees, individual Board members and key internal and external stakeholders, such as the Chief

Executive, Scottish Ministers, the Scottish Government and the Scottish Parliament. It explains the importance of managing these relationships effectively, including a clear understanding of the operational and statutory accountability responsibilities of the Chief Executive, including as the body's Accountable Officer.

Key Messages

- ➔ The main role of the Management Advisory Board is to assist the body deliver its functions either on behalf of Ministers or as a Non-Ministerial body. Members of the Board offer strategic advice and constructive challenge to the Chief Executive; seek to improve performance and promote good governance; and hold officials to account for identifying and managing risk. Members of Audit Committees provide assurance to the Accountable Officer regarding risk, systems and performance.
- ➔ Board members must adhere to the fundamental principles of Board life – confidentiality and the highest standards of conduct.
- ➔ Individual Board members should contribute fully to Board deliberations and exercise a healthy challenge function. The Chief Executive or meeting Chair will ensure that all Board members have an opportunity to contribute to Board discussions.
- ➔ Committees are established to deal with particular areas of interest outside main Management Advisory Board meetings and are required to submit substantive reports to summarise issues, debates and decisions.
- ➔ The Chief Executive or meeting Chair (where someone other than the Chief Executive chairs the Board) has additional responsibilities to Board members, particularly leadership, directing a diverse team and harnessing the benefits of this, and the conduct of Board business.
- ➔ The Chief Executive is entirely responsible for the overall organisation, management and staffing of the public body. The Chief Executive is normally designated as its Accountable Officer with responsibility for the proper management of public funds under the public body's control.
- ➔ The Chief Executive is solely responsible for operational issues. The Board helps the Chief Executive and senior management team focus on strategy, performance, risk and behaviour.
- ➔ The Framework Document sets out how the organisation will operate and its relationship with the Scottish Government. It describes the financial and wider accountabilities of the organisation and its approach to staffing and other organisational matters.



➤ Key References

Audit Committee Handbook
 Audit Scotland – The Role of Boards
 Equality Act 2010
 NDPB Model Framework Document
 Scottish Public Finance Manual (Accountability)

➤ Fundamental Principles of Board Life

There are two fundamental principles of Board life to which all Advisory Board members must adhere:

Principle 1 – Confidentiality

All Board members must respect the confidentiality of how decisions are made and sensitive information held by the public body. This includes commercially sensitive information, personal information and information received in confidence by the organisation. It is also essential that discussion of a confidential nature inside the Boardroom is not reported outside it. Board members should not publicly criticise the organisation's decisions.

Principle 2 – Conduct

All Board members should set an example by demonstrating the highest standards of behaviour. It is important that nothing you do or say when you are acting in your capacity as a Board member tarnishes in any way the reputation of the public body or the Board. If you have specific concerns about the manner in which the public body is being run, or about how your critical challenge role is being taken into account, these should be raised with the Chief Executive in the first instance. If you fail to achieve resolution with the Chief Executive, it is open to you to take them to the relevant senior civil servant in the Scottish Government (usually a Director or Director-General) – but you should appreciate this is a significant step. Your Framework Document should set out the lines of accountability for your public body.

The principle of Corporate Responsibility which applies to Statutory Boards does not apply to members of Advisory Boards as the Board has no formal decision-making responsibilities.

➤ Role of Management Advisory Boards

The main role of the Management Advisory Board is to assist the body to deliver its functions either on behalf of Ministers or as a Non-Ministerial body. This is achieved through the provision of strategic advice and support to the Chief Executive, and through constructive challenge. Advisory Board members are not appointed to hold the Chief Executive and senior management team to account.

The Board provides the Chief Executive and the senior management team with support, advice and challenge. Advice from Non-Executives and the outside perspective they bring help the Chief Executive and senior management team make well-considered and well-rounded decisions.

Non-Executives can often be more comfortable in providing challenge to senior management, as they do not have a line management relationship. The critical challenge function of Non-Executives helps decision-makers consider their rationale, motivations, logic and principles in a way that should both help the Executive to make good decisions and make the reasons for decisions more transparent.

The Chief Executive should encourage advice and challenge and offer Non-Executives and executives support for frank and open discussion.



THE MANAGEMENT ADVISORY BOARD



Key Functions

- **Strategic Advice** – brings external perspectives, stimulates innovation and brings fresh eyes to issues and challenges, acts as a “critical friend”;
- **Improving Performance** – ensures clarity and rigour in scrutiny, measurement and evaluation in delivering objectives and outcomes;
- **Promoting Good Governance** – helps bodies to discharge their functions effectively;
- **Audit** – members of the Audit Committee provide assurance to the Accountable Officer regarding risks, systems and performance;
- **Risk** – seeks assurance from officials about how they are identifying and managing risks within their defined areas of responsibility, and ensures risk strategies are fit for purpose, monitored and evaluated.

Issues on which the Management Advisory Board will provide support, advice or challenge will usually include:

- Developing the strategic aims and objectives of the body and steps needed to deal with changes which are likely to impact on the strategic aims and objectives of the body or on the attainability of its operational targets;
- Developing and reviewing the corporate, business and budget plans of the public body;
- Promoting the efficient, economic and effective use of staff and other resources by the public body consistent with the principles of Best Value;
- Ensuring that effective arrangements are in place to provide assurance on risk management, governance and internal control;

- Taking into account relevant guidance issued by Scottish Ministers (as appropriate) and ensuring strategy and plans are aligned with the National Performance Framework - Board members should be clear about the extent to which Ministerial priorities apply to their respective public bodies;
- Scrutinising financial and performance information concerning the management of the public body and being informed in a timely manner about any concerns regarding the activities of the public body;
- Where the public body is an employer, ensuring that employment policies and procedures comply with the Civil Service Management Code;
- Ensuring systems are in place to enable early notification to be provided to the Scottish Government about emerging issues which will impact on the operation or reputation of the public body; and
- Encouraging and demonstrating high standards of corporate governance at all times, including openness and transparency in decision-making.

➤ Role of the Body’s Committees

Many public bodies establish committees to deal with particular areas of interest outside of main Board meetings.

Where appropriate, committees can allow for specialist areas relating to the Board’s role to be debated in detail by members with the appropriate knowledge or skills. The key points can then be presented to the full Board for discussion, making more effective use of scarce time. As the Board cannot be expected to understand the issues dealt with by the committee from the minutes alone, it will generally require substantive reports from the committee to summarise issues, debates and recommendations.



➤ Role of the individual Board Member

Your specific role as a Board member will depend on the role of the Board to which you have been appointed and the capacity in which you have been appointed, but will normally cover a number of general duties and responsibilities.

Individual Board members should act in accordance with the role of the Board as a whole and comply at all times with the Code of Conduct adopted by the public body and with the rules relating to the use of public funds and to conflicts of interest. In this context 'public funds' means not only any funds provided to the public body by the Scottish Ministers or the Scottish Parliament but also any other funds falling within the stewardship of the public body, including trading and investment income, gifts, bequests and donations. General guidance on Board members' roles will be summarised in their letter of appointment.

Performance Appraisal and Appointments

Members are appointed to the Board because their personal skills, knowledge and experience match the criteria for the post and meet the needs of the public body.

Performance as a Board member is regularly reviewed throughout the term of appointment by the Chief Executive. In some cases, an independent Chair may be in place, who will contribute to this process. The Chief Executive will consider whether the needs of the Board will most effectively be met by an appointment, re-appointment or extension to an appointment. Appointments of Non-Executive members to Management Advisory Boards are not regulated by the 2013 Code of Practice for Ministerial Appointments to Public Bodies in Scotland published by the Commissioner for Ethical Standards, but Chief Executives are expected to have regard to the Code.

The Code states that members may be re-appointed for second and subsequent terms in the same role without open competition, if they possess the skills and knowledge required on the Board at the time of re-appointment and their performance has been properly appraised as effective. No member's total period of appointment in the same position may exceed eight years. This eight year maximum is based on the aggregate time in post and applies regardless of whether the time in post was continuous or not. The terms and conditions of re-appointment should be outlined in a re-appointment letter.

ROLE OF THE INDIVIDUAL BOARD MEMBER



The Board member

- ➔ Understands the operational environment in which their public body operates within the context of the wider public service delivery landscape;
- ➔ Attends Board meetings on a regular basis and is well prepared by reading relevant papers in advance and, if necessary, seeks further information to ensure their understanding;
- ➔ Attends training events and keeps up to date with subjects relevant to the public body's work;
- ➔ Contributes to the work of any committees that have been established by the Board;
- ➔ Contributes to strategic development and discussion;
- ➔ Questions and, as necessary, challenges proposals made by fellow Board members and the executive team constructively and carefully to reach and articulate a considered view on their suitability;
- ➔ Provides a creative contribution to the Board by providing an independent perspective on issues of strategy, performance and resources;
- ➔ Where appropriate establishes and promotes the public body's role in the community.



Role and Responsibilities of the Chief Executive

The Chief Executive of the public body is appointed by, or on the recommendation of, the Scottish Ministers to discharge certain functions – either administratively as head of an Executive Agency or by statute as a Non-Ministerial Officeholder.

The Chief Executive is responsible for all aspects of the operation of the body, any policy developed and any policy or service delivered. The Chief Executive is personally accountable either to the Scottish Ministers and

the Scottish Parliament (for Executive Agencies) or directly to the Scottish Parliament (for Non-Ministerial Offices).

The relationship between the Chief Executive and the Management Advisory Board is an important one.

The relationship could be set out in a way that includes a process for resolving disputes or disagreements between the parties that may arise from time to time. Chief Executives are responsible for considering whether such an arrangement would be appropriate for their public body.

ROLE AND RESPONSIBILITIES OF THE CHIEF EXECUTIVE



Chief Executive

- Ensures that financial considerations are taken fully into account at all stages in reaching and executing decisions, and that appropriate financial appraisal and evaluation techniques, consistent with the Scottish Public Finance Manual, are followed;
- Agrees the public body's corporate and business plans;
- Ensures effective relationships with stakeholders;
- Ensures that timely forecasts and monitoring information on performance and finance are provided to the Scottish Government as appropriate; that the Scottish Government is notified promptly if overspends or underspends are likely and that corrective action is taken; and that any significant problems, whether financial or otherwise, and whether detected by internal audit or by other means, are promptly notified to the Scottish Government;
- Ensures robust performance and risk management arrangements, consistent with the Scottish Public Finance Manual, are in place to support the achievement of the public body's aims and objectives and facilitate comprehensive reporting to the Scottish Ministers or the Scottish Parliament and the wider public;
- Ensures that the public body adheres, where appropriate, to the Scottish Government's Programme and Project Management Principles;
- Ensures that adequate systems of internal control are maintained by the public body, including effective measures against fraud and theft consistent with the Scottish Public Finance Manual;
- Establishes appropriate documented internal delegated authority arrangements consistent with the Scottish Public Finance Manual.



➤ Role and Responsibilities of the Accountable Officer

The Permanent Secretary to the Scottish Government is the Principal Accountable Officer of the Scottish Administration. The Principal Accountable Officer designates Directors-General (DGs) as Portfolio Accountable Officers. The Portfolio Accountable Officer has specific responsibilities with regard to a public body with its own Accountable Officer. These responsibilities are set out in a Memorandum sent by the Principal Accountable Officer on appointment of an Accountable Officer.

Where a public body manages its own budget, the Chief Executive will normally be designated as its Accountable Officer, but this is not always the case. If the Accountable Officer is not the Chief Executive, their respective roles will be clearly set out in the Framework Document.

Accountable Officers are personally answerable to the Scottish Parliament for the exercise of their functions, as set out in the Memorandum to Accountable Officers for Other Public Bodies issued to the Chief Executive at the time of formal designation (normally at the same time as they are appointed as Chief Executive).

ROLE AND RESPONSIBILITIES OF THE ACCOUNTABLE OFFICER



The Accountable Officer

- ➔ Signs the annual accounts and associated governance statements;
- ➔ Ensures the propriety and regularity of the public body's finances and that there are sound and effective arrangements for internal control and risk management;
- ➔ Ensures that the resources of the public body are used economically, efficiently and effectively, and that arrangements are in place to secure Best Value for the organisation and deliver Value for Money for the public sector as a whole;
- ➔ Ensures compliance with relevant guidance issued by the Scottish Ministers, in particular the Scottish Public Finance Manual;
- ➔ Represents the public body before the Public Audit and Post-legislative Scrutiny Committee of the Scottish Parliament;
- ➔ May have their Accountable Officer status withdrawn or suspended if the Principal Accountable Officer has serious concerns about their actions and performance.



➤ Role of Management Advisory Board Chair

The role of chairing the Management Advisory Board may not always fall to the Chief Executive. It may be appropriate in some circumstances for the Chief Executive to delegate that role to a Non-Executive Board member. The Chair has additional responsibilities over and above those of Board members, particularly in relation to leadership and the conduct of Board business.

Where a Management Advisory Board is chaired by someone other than the Chief Executive it should be made clear in the body's corporate documents how responsibilities are divided between the Chief Executive and the Chair.

In general the respective duties could be set out along the following lines:

ROLE OF THE MANAGEMENT ADVISORY BOARD CHAIR



The Member Chairing

- ➔ Leads the Board, ensures that the Board has the ability to carry out functions effectively and chairs Board meetings;
- ➔ Leads the Board's approach to the establishment of committees and ensures the Board considers substantive reports from any committees established;
- ➔ Ensures that the work of the Board and any committees is subject to regular self-assessment and that the Board is operating strategically and effectively;
- ➔ Has an input into the appraisal process as carried out by the Chief Executive.

Chief Executive

- ➔ Leads representation and links with Ministers and Scottish Parliament;
- ➔ Leads the Board's approach to strategic planning;
- ➔ Ensures the Board has a balance of skills appropriate to directing the public body's business, in accordance with recognised good practice in corporate governance;
- ➔ Is appraised annually by the relevant Scottish Government Director-General or Director;
- ➔ Ensures the Board members are fully briefed on terms of appointment, duties, rights and responsibilities; and
- ➔ Ensures there is a Code of Conduct for members in place, if applicable.



➤ Role and Responsibilities of the Minister

Public bodies in the Scottish Administration work within a strategic, policy and operational framework determined by the Scottish Ministers. Executive Agencies fall within the portfolio of a specific Scottish Minister who will set overall policy aims, define expected outcomes arising from implementation of policy and review progress against outcomes. Agency Chief Executives will have close and direct relationships with their portfolio Ministers.

Non-Ministerial Offices such as Registers of Scotland and the National Records of Scotland have a less direct relationship with Ministers. These bodies are not subject to direction of Ministers in the exercise of their statutory functions.

Ministers may seek to increase their understanding of the public body through formal meetings with the public body's Chief Executive and other more informal events.

As Ministers are responsible to the Scottish Parliament, they may be asked at any time to attend Parliament or one of its Committees to answer questions from Members of the Scottish Parliament (MSPs) about the activities of public bodies within their remit.

ROLE AND RESPONSIBILITIES OF THE MINISTER



The Minister

- ➔ Considers and approves the public body's strategic objectives and the policy and performance framework within which it operates;
- ➔ Secures and approves the allocation of public funds for public bodies;
- ➔ Approves key documents such as the Framework Document and corporate plan;
- ➔ Approves the Chief Executive's and staff pay in line with Scottish Public Sector Pay Policy.



➤ The Role of the Scottish Government

The day-to-day link between the public body and the Minister depends on the status of the public body. Executive Agency Chief Executives have a direct relationship with the Scottish Ministers for whom they develop policy or deliver a service. The Executive Agency is also part of the Scottish Government. It will be for the Agency to make sure it is adequately briefed about the Scottish Government's policies and priorities. The relevant DG, as Portfolio Accountable Officer, has a leadership role in relation to an Executive Agency. Drawing on the original concept of the 'Fraser Figure',* DGs are responsible for overseeing the relationship between Scottish Ministers and Agencies and for ensuring that Agencies are part of portfolio management arrangements including business planning, performance reporting and risk management. DGs are usually responsible for appraising the Chief Executive's performance, but in certain circumstances may delegate this role to an appropriate SG Director.

DGs provide support and constructive challenge to ensure that operational accountability is being exercised properly and that Agencies are high-performing and continuously-improving organisations. Appropriate arrangements will be in place to achieve effective, high-level performance monitoring and review. As part of their advice to Ministers about strategic matters, DGs provide advice about the strategic direction and contribution of Executive Agencies.

For Non-Ministerial Offices there may be policy links with Scottish Government officials but less direct contact with Ministers. The DGs are also unlikely to have a direct leadership role. Non-Ministerial Offices operate outwith the

remit of Portfolio Accountable Officers, with the Accountable Officer instead reporting directly to the Principal Accountable Officer.

➤ Diversity, Equality and Human Rights

Diversity

The Scottish Ministers expect all public bodies to champion diversity and mainstream equal opportunities. Equality, diversity and inclusion need to become central to the work and the way the public bodies operate. The Board should give specific consideration to the impact on equality of opportunity when developing policies and making decisions. The Board should also look at how information can be presented to different groups in formats that best suit their needs and find ways of consulting effectively with people with different needs and backgrounds.

Scottish Ministers particularly welcome applications for public appointments from groups that are under-represented on Scotland's public bodies, with the aim of ensuring that Boards of public bodies are broadly reflective of the wider Scottish population **and have a gender balance by 2020**. Public bodies are expected to take positive action to support and enable greater diversity of Ministerial appointments, through:

- ➔ taking an active role in **succession planning**, and providing advice to Ministers about the Board's membership needs, both for new and re-appointments;
- ➔ ensuring that suggested criteria for the selection of new Board members meet the needs of the body, are unbiased and are not unnecessarily restrictive;
- ➔ taking action both during and between Board member recruitment exercises to attract the broadest range of candidates to the work of the Board;

* The term Fraser Figure was derived from the report "Making the most of Next Steps" (1991) by Sir Angus Fraser. The 'Fraser Figure' concept was originally intended to provide a senior link between Agency Chief Executives and the parent government department.



- providing mentoring, shadowing and training opportunities for potential Board members; and
- establishing a succession planning committee.

From April 2017, public authorities are required to report on the steps they are taking towards diversity amongst their members in terms of relevant protected characteristics. This will be through the mainstreaming reports that are published every two years as part of the requirements of the **Equality Act 2010 (Specific Duties) (Scotland) Regulations 2012** and should form part of Board succession planning more broadly.

Equality

Equality and fairness are at the heart of the Scottish Government's ambition for a socially just and inclusive Scotland. They are central to its purpose, outcomes and approach to public service reform.

The public sector equality duty in the **Equality Act 2010** came into force in April 2011 – this is often referred to as the general duty. Scottish public authorities must have 'due regard' to the need to eliminate unlawful discrimination, advance equality of opportunity and foster good relations. Scottish Ministers made regulations in May 2012 placing specific duties on Scottish public authorities, as defined in the regulations, to enable the better performance of the public sector equality duty. These are also known as the Scottish Specific Duties.

Public bodies should ensure that they operate in a way which promotes equality of opportunity and all policies must meet the requirements of equality legislation.

Human Rights

Under the **Human Rights Act 1998**, it is unlawful for a public body to act in a way that is incompatible with a right under the European Convention on Human Rights. The Board should also be committed to protecting the privacy of individuals in relation to how personal information is used as required by the **Data Protection Act 1998**. Management Advisory Boards should support the Chief Executive in fulfilling their statutory duties in these areas.

FURTHER INFORMATION AND CONTACTS



Data Protection Act 1998

Equality Act 2010

Equality Act 2010 (specific Duties) (Scotland) Regulations 2012

Freedom of Information (Scotland) Act 2002

Guidance on Succession Planning for Public Bodies
Information Commissioner's Office (Data Protection)

Human Rights Act 1998

Principles of Strategic Engagement – December 2011

The Commissioner for Ethical Standards in Public Life

Scottish Information Commissioner (FOI)

Standards Commission for Scotland



**Effective Financial
Management**
Guidance Note 4





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➤ Overview

The Chief Executive and senior management team must demonstrate effective financial stewardship of public funds. They must meet the requirements of the [Public Finance and Accountability \(Scotland\) Act 2000](#) and the [Scottish Public Finance Manual](#), including the need to account for the use of public money and the safe keeping of public assets.

This section explains key aspects of the [Scottish Public Finance Manual](#) which aim to ensure proper stewardship of public funds. It covers the allocation of funds to public bodies by Scottish Ministers, the requirement for robust financial monitoring and reporting systems, the importance of effective risk management and internal controls, and the processes by which internal and external audit provide assurance on the proper management of public funds and resources.

Key Messages

- ➔ The Chief Executive is responsible for assurance that systems are in place to provide accurate and timely information to the Scottish Government or Scottish Parliament as part of the management of the Scottish Budget.
- ➔ The Board's roles and responsibilities as set out in Guidance Note 3 cover the key elements of effective financial management – scrutinising financial reports and corporate plans as well as ensuring systems are in place for risk management and effective internal controls.
- ➔ Where an organisation is responsible for expenditure, an Audit Committee must be established to advise the Chief Executive on internal control (including corporate governance) and audit matters.
- ➔ The Accountable Officer of the public body is responsible for signing the accounts and ultimately responsible to the Scottish Parliament for their actions.
- ➔ On completion of the external audit of the annual accounts, the appointed auditor sends a copy of the accounts and the audit opinion to the Auditor General, who may add a report of their own, before the body sends the accounts and reports to the Scottish Ministers or to the Scottish Parliament for formal laying before the Parliament.
- ➔ The [Public Audit and Post-legislative Scrutiny Committee of the Scottish Parliament](#) uses reports of the Auditor General as the basis for conducting enquiries.

➤ Key References and Contacts

[Scottish Public Finance Manual](#)

[Scottish Public Finance Manual \(Best Value\)](#)

[Audit Scotland](#)

[Audit Scotland \(Improving Public Service Efficiency\)](#)

[Public Finance Accountability \(Scotland\) Act 2000](#)

[Scottish Parliament \(Public Audit and Post-legislative Scrutiny Committee\)](#)



➤ The Scottish Public Finance Manual ➤ Budgeting in a Public Body

The primary document that governs all matters relating to public finance and reporting in Scottish public bodies is the **Scottish Public Finance Manual** (SPFM).

The SPFM provides guidance to your public body and its sponsor Directorate on the proper handling of public funds. It is mainly designed to ensure compliance with statutory and parliamentary requirements (in particular, the **Public Finance and Accountability (Scotland) Act 2000**) to promote Value for Money and high standards of propriety, and to secure effective accountability and good systems of internal control.

The Accountable Officer must ensure that the public body has processes and systems in place to ensure compliance with the SPFM.

The Accountable Officer has a personal responsibility for the propriety and regularity of the finances under their stewardship and for the economic, efficient and effective use of all related resources. Accountable Officers are personally answerable to the Parliament for the exercise of their functions.

It is important to recognise that the Accountable Officer's role in relation to Value for Money is not a narrow one, restricted to considerations affecting that body, but, as defined by the SPFM, **Value for Money is to be judged for the public sector as a whole.** This wider consideration of Value for Money would be relevant to considerations of property and accommodation, for example, in relation to shared services.

The resources to be allocated to bodies by the Scottish Parliament are determined as part of the Spending Review process. Spending Reviews take place every few years.

This process dovetails with the United Kingdom Spending Review which largely sets the overall Scottish budget for each Spending Review period. After deduction has been made for the costs of the Scotland Office plus the Scottish Parliamentary Corporate Body and Audit Scotland, the Scottish Government, subject to the consent of the Scottish Parliament, has discretion to decide how the Scottish budget should be divided between its various portfolios, Non-Ministerial Offices and programmes. The grant-in-aid necessary to support the agreed budgets of sponsored bodies is authorised by the Scottish Parliament in the annual Budget Act.

The Chief Executive is responsible for the approval of the corporate plan (and possibly operational plans) before submission to the Scottish Government. The Management Advisory Board should receive regular financial reports (at least quarterly) showing expenditure/use of resources against planned budgets and progress towards financial targets including projected efficiency savings. Board members should provide the 'challenge function', carefully scrutinising plans, performance against plans and underlying assumptions.

The Chief Executive will approve high value, novel or contentious expenditure proposals for submission to the Scottish Government and Ministers for approval when it is necessary/ appropriate to seek approval from the Scottish Government. In this area too, the Board provides an important challenge function.



➤ Best Value, Efficient Government and Relocation

Best Value

Best Value provides a common framework for continuous improvement in public services in Scotland, and is a key foundation of the Scottish Government's public service reform agenda.

The principles of Best Value complement good governance standards and offer a sound approach to running a public service organisation.

The duty of Best Value, as set out in the SPFM, is to make arrangements to secure continuous improvement in performance whilst maintaining an appropriate balance between quality and cost and in making those arrangements and securing that balance, to have regard to economy, efficiency, effectiveness, the equal opportunities requirements and to contribute to the achievement of sustainable development. Best Value ultimately is about creating an effective organisational context from which public bodies can deliver their key outcomes.

Accountable Officers appointed by the **Principal Accountable Officer for the Scottish Administration** have a specific responsibility to ensure that arrangements have been made to secure **Best Value**. The Scottish Ministers expect all Accountable Officers to comply with the duty of Best Value and for any associated matters relating to Value for Money, judged for the public sector as a whole placed upon them. In addition the Boards (or equivalents) of relevant public service organisations have corporate responsibility for promoting the efficient and effective use of staff and other resources by the organisations in accordance with the principles of Best Value. Under the terms of the Public Finance and Accountability (Scotland) Act 2000 the implementation of the duty of Best Value by relevant public service organisations is subject to scrutiny by the Auditor General for Scotland.

As a Board member, you should always bear in mind the need for your public body to continually secure Best Value in the performance of its functions. In a tight financial climate, service improvements may need to be funded from internal efficiencies.

Audit Scotland has adopted a generic framework for Best Value for all public bodies. This enables a consistent approach to auditing against Best Value principles across the public sector. Sustainable development and equalities are themes that run through the framework. It is a risk-based approach, recognising the increasing focus on partnership working, with the specific aim of:

- ➔ Reporting on overall governance and management arrangements
- ➔ Reporting on the delivery of outcomes
- ➔ Protecting taxpayers' interests by examining the use of resources
- ➔ Increasing the emphasis on self-assessment by public bodies with audit support and validation.



Efficient Government

The Public Services Reform (Scotland) Act 2010, section 32(1)(b) provides that as soon as is reasonably practicable after the end of each financial year each listed public body must publish a statement of the steps it has taken during that financial year to improve efficiency, effectiveness and economy in the exercise of its functions. Efficiency is not about making cuts, it is about enhancing Value for Money, improving public service and raising productivity and as such efficient Government is focused on the sound management of resources and ensuring that public bodies continually review their operations to identify opportunities for efficiency improvements. Efficiency improvements are about improving the ratio of resource inputs to outputs and can be made in any area, including the administration and delivery of services and in the procurement of goods and services. By making efficiency savings, more resources are available for re-investing in the delivery of public services.

Opportunities for efficiency improvements within your body should be identified as part of the corporate and business planning processes. As a Board member you should ensure that such opportunities are being identified and that arrangements are in place for measuring, monitoring, and reporting on the delivery of efficiency savings to the Chief Executive.

This should include having efficiency performance indicators (such as a range of input/output ratios) that will allow you to routinely monitor the efficiency of your public body's operations.

Audit Scotland's report on Improving Public Service Efficiency identified that public bodies will need to improve productivity and efficiency in the delivery of public services to meet continued demands on public spending. Audit Scotland concluded that public bodies will need to take a more

fundamental approach to identifying priorities, improving the productivity of public services, and improving collaboration and joint working. A **Good Practice Checklist** was produced to help leaders in public bodies check and challenge their approach and ultimately support better productivity and efficiency.

Relocation

Relocation policy is related to Best Value and Efficient Government. Location reviews are triggered by the creation or reorganisation of bodies, as well as by property events (such as lease breaks). Relocation remains an option as part of streamlining the public bodies landscape, but should only be pursued following a rigorous and transparent process that shows any move provides best possible Value for Money for the public finances and optimum service delivery. Ministers will expect Board members to have regard to this policy in decisions they make on the most efficient and effective way of delivering services.

➤ Annual Report and Accounts

The accounting guidance issued to those bodies that are subject to reporting requirements set by the Scottish Ministers will set out the applicable accounting policies and principles and disclosure requirements.

Where the Scottish Government makes funds available to a sponsored body the Scottish Government will account to the Parliament for the provision of those funds in the Scottish Government's annual accounts.

A body which is a separate accounting entity, such as a Non-Ministerial body, will account for the use of those funds (and of other funds in its stewardship) in its own annual accounts.

The Chief Executive of a Non-Ministerial body is responsible for approving the body's annual accounts and ensuring that the annual report and accounts are laid before the Scottish Parliament.



The Accountable Officer of the public body is responsible for signing the accounts and ultimately responsible to the Scottish Parliament for their actions.

The accounting requirements for a public body will normally be set out in its founding legislation and/or its Framework Document.

Performance Measurement and Reporting

Key targets for efficiency and effectiveness of operations and quality of service provided will be agreed as part of the planning process. The Board should assist the Chief Executive to ensure that robust systems are in place to monitor performance against these targets. A report on the extent to which performance targets have been achieved should be incorporated in the Annual Report, where appropriate giving a summary of trends over a five-year period.

➤ Risk Management and Internal Controls

Risk concerns uncertainty of outcome. The delivery of an organisation's objectives is surrounded by uncertainty which both poses threats to success and offers opportunities for increasing success. Risk is defined as this uncertainty of outcome, whether positive opportunity or negative threat, of actions and events. Each public sector organisation's internal control systems should include arrangements for identifying, assessing and managing risks. Risk management should be closely linked to the business planning process and performance monitoring arrangements.

Public bodies are required to provide a **Governance Statement** in order to comply with best practice as recommended by the **Turnbull Committee Report**. As part of that process, the Chief Executive is required to review, at least annually, the effectiveness of all controls, including financial, operational and compliance controls. Organisations need to show that they have established and maintained effective and on-going procedures for identifying, evaluating and

managing business risks.

The Board should help ensure that there is a system in place for continuous risk management which extends from the front-line services through to the Board and ultimately through to the Chief Executive. This involves having a framework of prudent and effective controls in place to enable risks to be identified, assessed and managed. The Board should regularly assist the Chief Executive to review key business risks affecting the organisation.

Audit Committee

Where a body is responsible for a budget, an **Audit Committee** must be established to advise the Accountable Officer on internal control (including corporate governance) and audit matters.

All accounting entities to which the SPFM is directly applicable should establish an Audit Committee. The Committee should comprise at least three members all of whom should be either Board members or independent external members.

All Audit Committees in organisations to which the SPFM is directly applicable are subject to the guidance in the **Audit Committee Handbook** published by the Scottish Government. A degree of flexibility will be appropriate in applying the guidance in the Handbook, particularly with regard to smaller accounting entities.

The exact role of the Audit Committee will depend on the particular circumstances of the organisation. Examples of issues affecting the role of the Audit Committee include the strategic risk management arrangements that the Accountable Officer has established, whether or not there is a separate Risk Committee and the whistleblowing arrangements which have been put in place as part of the anti-fraud and corruption arrangements. An Audit Committee should not have any executive responsibilities or be charged with making or endorsing any decisions, although it may draw attention to



strengths and weaknesses in control and make suggestions for how weaknesses might be dealt with. The overarching purpose of the Audit Committee is to advise the Accountable Officer; it is then the Accountable Officer who makes the relevant decisions.

To fulfil its role, an Audit Committee should generally meet at least three or four times per year. Additional meetings should be convened as deemed necessary, reflecting the needs of the organisation.

All Audit Committee members, whatever their status or background, will have training and development needs. Those who have recently joined the Audit Committee will need induction training, either to help them understand their role; or if they have audit committee experience elsewhere, to help them understand the organisation. In particular, those joining a public sector Audit Committee for the first time will need training to help them understand public sector standards, especially those relating to governance and accountability.

AUDIT COMMITTEE



The Audit Committee should:

- Have written terms of reference from the Chief Executive, which encompass all the assurance needs of the Accountable Officer. Within this, the Audit Committee should have particular engagement with the work of Internal Audit, the work of the External Auditor and with financial reporting issues;
- Support the Accountable Officer by reviewing the scope, reliability and integrity of the assurances provided to them;
- Highlight those aspects of risk management, governance and internal control that are functioning effectively and, just as importantly, those that need to be improved;
- Have at least three non-executive members, under the chairmanship of a non-executive member who should be someone other than the meeting Chair of the public body or Chair of any other sub-committee;
- Own corporately an appropriate skills mix to allow it to carry out its overall function. At least one of the Committee members should have recent and relevant financial experience;
- Have a Chair whose role goes beyond chairing meetings – this is key to achieving Committee effectiveness. The additional workload should be taken into account in the appointment of the Chair;
- Have a Chair who is involved in the appointment of new Committee members, including providing advice on the skills and experience being sought by the Committee, and is responsible for ensuring that the work of the Audit Committee is appropriately resourced;
- Be independent and objective; in addition each member should have a good understanding of the objectives and priorities of the organisation and of their role as an Audit Committee member;
- Encourage the Accountable Officer, Head of Internal Audit and Director of Finance to attend meetings (though not as members of the Audit Committee);
- Should have regular and on-going liaison with External Auditors;
- Should ensure it has effective communication with the Accountable Officer, the Head of Internal Audit, the External Auditor, and other stakeholders. In addition, the role of the Chair and provision of appropriate secretariat support are important elements in achieving Audit Committee effectiveness.



Internal Audit

In any government related organisation there will be two significant sources of assurance that the Audit Committee can be certain will be present: Internal Audit and External Audit. Internal Audit provides an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations.

Internal Audit is an internal appraisal service, established by the management of an organisation, to review the internal control system. It objectively examines, evaluates and reports on the adequacy of internal control as a contribution to the proper, economic, efficient and effective use of resources. The scope of the Internal Audit service should be unrestricted across the organisation's operations. The Internal Auditors should have sufficient authority to access assets, records and personnel as necessary for the discharge of their responsibilities.

The work of Internal Audit is likely to be the single most significant resource used by the Audit Committee in discharging its responsibilities. This is because the Head of Internal Audit, in accordance with the Public Sector Internal Audit Standards, has a responsibility to offer an annual opinion on the overall adequacy and effectiveness of the organisation's risk management, control and governance processes. There is consequently a major synergy between the purpose of the Head of Internal Audit and the role of the Audit Committee.

The role of the Audit Committee in relation to Internal Audit should include advising (to ensure consistency) the Accountable Officer on:

- The Audit Strategy and periodic Audit Plans, forming a view on how well they support the Head of Internal Audit's responsibility to provide an annual opinion on the overall adequacy and effectiveness of the organisation's risk management, control and governance processes;
- The results of Internal Audit work, and the management response to Internal Audit findings; and
- Internal Audit coverage.



External Audit

External Audit provides independent scrutiny of an organisation's finances, performing an audit of the financial statement of an organisation. External Audit can also give assurance that organisations have used their resources in discharging their functions properly, efficiently and effectively e.g. through a performance audit. The Audit Committee should engage with the activity of the External Auditor, ensuring that examinations are carried out effectively. As well as considering the results of External Audit work, they should enquire about and consider the External Auditor's planned approach and the way in which the External Auditor is co-operating with Internal Audit to maximise overall audit efficiency, capture opportunities to derive a greater level of assurance and minimise unnecessary duplication of work.

The **Auditor General for Scotland** is the External Auditor of a number of public bodies.

The Auditor General may appoint a member of the staff of Audit Scotland or an appropriately qualified professional firm as the auditor of your body.

External Audit of the Annual Accounts

An External Audit of the annual accounts undertaken by the Auditor General is conducted in accordance with the **Public Finance and Accountability (Scotland) Act 2000** and the **Code of Audit Practice issued by Audit Scotland** on behalf of the Auditor General.

On completion of the External Audit, the appointed auditor sends a copy of the accounts and the audit opinion to the Auditor General. The Auditor General may then add a report (for example, on a qualification of the auditor's opinion or other matter drawn to their attention by the auditor) before Executive Agencies and sponsored bodies

send their accounts and reports to the Scottish Ministers for laying before the Parliament. Non-Ministerial bodies lay their accounts directly before the Parliament.

EXTERNAL AUDIT OF THE ANNUAL ACCOUNTS ▼

The appointed auditor will:

- Issue an opinion as to whether the accounts give a true and fair view of the state of affairs of the public body at the year end and of its income and expenditure for the year and whether the accounts have been prepared in accordance with any applicable legislation and accounts direction;
- Issue an opinion (known as the "regularity" opinion) as to whether the income and expenditure has been properly received or incurred in accordance with legislation, the Budget Act for the relevant year and any other guidance issued by the Scottish Ministers;
- Review the Governance Statement prepared by the body and report if it is not in accordance with the auditor's understanding of the body;
- Review the body's arrangements in relation to financial sustainability, financial management, governance and transparency and Value for Money;
- Consider the body's governance arrangements and arrangements for prevention and detection of fraud; and
- Provide reports to the Chief Executive and Audit Committee on matters arising during the course of the audit.



Performance Audit

Performance audits look at the performance of a public body and include a Value for Money audit which is an examination of the economy, efficiency and effectiveness with which a body has used its resources to carry out its functions.

The **Auditor General** has powers to conduct performance audits. These audits examine the economy, efficiency and effectiveness of aspects of the public sector. They can assess:

- performance across several public bodies in a particular theme – for example, managing changes in the workforce; or
- performance of an individual public body or a particular aspect of that body's performance.

Performance audits may be conducted by Audit Scotland staff, the appointed auditor, consultants or any combination of these. A draft report on the audit will be discussed with the public body (or bodies) to ensure factual accuracy. Once finalised, the report will be laid before the Scottish Parliament and published with an accompanying news release. In most cases, the **Auditor General** will present the report to the **Scottish Parliament's Public Audit and Post-legislative Scrutiny Committee**. Performance audit reports may contain material such as checklists to assist non-executive Board members in holding management to account.

For many public bodies, the founding legislation provides that the **Auditor General** will appoint the auditor. In such circumstances, the **Auditor General** has a statutory right to carry out a Value for Money examination.

Where the **Auditor General** is not the auditor of a public body and has not appointed the auditor, they should have rights under statute or by agreement to carry out an inspection of the use of resources by those bodies.

▶ The Public Audit and Post-legislative Scrutiny Committee of the Scottish Parliament

The **Public Audit and Post-legislative Scrutiny Committee of the Scottish Parliament** is one of the committees established under the Standing Orders of the Parliament. The Public Audit and Post-legislative Scrutiny Committee uses the reports of the Auditor General, which are laid before the Parliament, as the basis for conducting enquiries. It is chaired by a senior member of the Opposition and conducts its business on non-party political lines.



PUBLIC AUDIT AND POST-LEGISLATIVE SCRUTINY COMMITTEE

The key stages:

- The Auditor General's report is discussed with the body concerned and the facts are agreed;
- The report is laid before Parliament and published together with a Press Release;
- If an enquiry is to be conducted by the Public Audit and Post-legislative Scrutiny Committee, witnesses are called to give evidence – usually the Accountable Officer of the public body;
- After the evidence session, the Committee drafts and approves a report which is published; and
- A formal response to the Committee's report is provided by the Scottish Government (or by the body in consultation with the Scottish Government) within two months of the Committee's report being published.

FURTHER INFORMATION



Audit Committee Handbook

Audit Scotland (Auditing Best Value in Central Government Bodies)

Audit Scotland (Code of Audit Practice)

Audit Scotland (Efficient Public Services Good Practice Checklist)

Public Finance Accountability (Scotland) Act 2000

Public Services Reform (Scotland) Act 2010

Scottish Public Finance Manual (Best Value)

Scottish Public Finance Manual (Risk Management)

Scottish Public Finance Manual (Spending Reviews)

ISSUES ON WHICH BOARD MEMBERS SHOULD SEEK ASSURANCE

Typically the range of issues on which Board members should help the Chief Executive seek assurance will include:

- compliance with the SPFM, Framework Document and legislation (e.g. founding legislation, Equality Act 2010);
- financial monitoring and reporting arrangements and arrangements for delivering and reporting on efficiency savings;
- arrangements for securing Best Value for the organisation and Value for Money for the public sector as a whole;
- systems for identifying, assessing and managing risks;
- processes for preventing and detecting fraud, and, linked to this, whistleblowing procedures;
- arrangements for business continuity and disaster recovery;
- information management systems, including in relation to protection of personal data and compliance with Freedom of Information legislation;
- propriety and regularity of public finances;
- management systems that have clear lines of delegation and accountability;
- arrangements for meeting procurement requirements;
- arrangements for meeting the body's moral and legal obligations to its employees; and
- complaints handling procedures.

Boards might advise the Chief Executive to supplement these areas of assurance having regard to the purpose of the organisation and the nature of the business conducted.

Ethics and Standards of Behaviour

Guidance Note 5





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Ethics and Standards of Behaviour

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➤ Overview

The Scottish public has high expectations of those who serve on the Boards of public bodies and the way in which they conduct themselves in undertaking their duties. As a Board member, it is your personal responsibility to ensure that you meet these expectations by ensuring that your conduct is above reproach.

This section sets out the ways in which standards of conduct are maintained on Management Advisory Boards. It refers both to the Civil Service Codes (UK and Scottish) and to the ethical standards framework introduced by the Ethical Standards in Public Life etc. (Scotland) Act 2000.

Key Messages

- ➔ Management Advisory Board members are not bound by the **Ethical Standards in Public Life (Scotland) Act 2000**, but they should comply with their Board's Code of Conduct, which is likely to be based on the nine key principles outlined in the **Model Code of Conduct for Board members**.
- ➔ Executive members are covered by the Civil Service Code (the **UK Code** for Non-Ministerial Offices and the **Scottish Code** for Executive Agencies).
- ➔ Board members should declare financial and non-financial interests which might be perceived to influence their contribution to a discussion or decision in Board proceedings.
- ➔ The test on making a declaration is whether a member of the public, with knowledge of the relevant facts, would reasonably regard the interest as so significant that it is likely to prejudice your discussion or decision-making.
- ➔ You must ensure that the reputation of your public body is not damaged by the receipt (or provision) of inappropriate gifts and hospitality.
- ➔ It is good practice for public bodies to set up, maintain and make available for public inspection a register of Board member interests. It is your responsibility to ensure that your entries are current.





➤ Code of Conduct for Members of Management Advisory Boards

It is good practice for Management Advisory Boards to have Codes of Conduct.

Management Advisory Board members are not bound by the the Ethical Standards in Public Life (Scotland) Act 2000. However, the Code of Conduct which applies to your public body is likely to be based on the nine key principles of public life included in the Model Code of Conduct:

➤ Key Principles

Duty

You have a duty to uphold the law and act in accordance with the law and the public trust placed in you. You have a duty to act in the interests of the public body of which you are a member and in accordance with the core functions and duties of that body.

Selflessness

You have a duty to take decisions solely in terms of public interest. You must not act in order to gain financial or other material benefit for yourself, family or friends.

Integrity

You must not place yourself under any financial, or other, obligation to any individual or organisation that might reasonably be thought to influence you in the performance of your duties.

Objectivity

You must make decisions solely on merit and in a way that is consistent with the functions of the public body when carrying out public business including making appointments, awarding contracts or recommending individuals for rewards and benefits.

Accountability and Openness

You are accountable for your decisions and actions to the public. You have a duty to consider issues on their merits, taking account of the views of others and must

ensure that the public body uses its resources prudently and in accordance with the law.

Openness

You have a duty to be as open as possible about your decisions and actions, giving reasons for your decisions and restricting information only when the wider public interest clearly demands.

Honesty

You have a duty to act honestly. You must declare any private interests relating to your public duties and take steps to resolve any conflicts arising in a way that protects the public interest.

Leadership

You have a duty to promote and support these principles by leadership and example, and to maintain and strengthen the public's trust and confidence in the integrity of the public body and its members in conducting public business.

Respect

You must respect fellow members of your public body and employees of the body and the role they play, treating them with courtesy at all times. Similarly you must respect members of the public when performing duties as a member of your public body.

Board members should apply these principles in their dealings with fellow members of their public body, its employees and other stakeholders. Similarly Board members should also observe these principles in their dealings with the public when performing duties as a member of a public body.



> Code of Conduct for Board Members

Upon appointment to the Board, your body's Code should have been provided to you (if one is in place).

You are discouraged from advocating or encouraging any action contrary to the Code of Conduct. It is your personal responsibility to make sure that your actions comply with the provisions of the Code at all times as the Code contains the standards against which your conduct will be measured. You should review regularly, and at least annually, your personal circumstances against the requirements of the Code.

If you are uncertain about any aspect of the Code, you should seek advice from the Chief Executive.

The following issues covered under the ethical standards framework may be helpful for Management Advisory Board Codes or Standing Orders.

> Gifts and Hospitality >

As a Board member, you should ensure that the reputation of your public body is not damaged through the receipt (or provision) of inappropriate gifts and hospitality.

> Bribery

Board members must be familiar with the provisions of the **Bribery Act 2010** which came into force on 1 July 2011 and their organisation's policy in this area. The Act makes it a criminal offence for a person to take part in active bribery (making a bribe) or passive bribery (receiving a bribe). All public bodies operate a zero tolerance approach to bribery, with any allegations investigated in accordance with the relevant procedures and reported to the appropriate authorities.

GIFTS AND HOSPITALITY



- Do not canvass or actively seek gifts or hospitality;
- Your conduct should not foster the suspicion of any conflict between your official duties and your private interests;
- Your actions, when acting in an official capacity, should not give the impression of having been influenced by a gift or consideration to show favour or disfavour to any person or organisation;
- Do not accept any offer of a gift or hospitality from any individual or organisation that stands to gain from a decision that your public body may be involved in determining or that is seeking to do business with your public body;
- You should usually refuse offers of gifts and/or hospitality except in the following cases: gifts of an isolated and trivial character under £50; normal hospitality associated with your duties and reasonably regarded as appropriate; or gifts received on behalf of the public body;
- Do not accept repeated hospitality or repeated gifts from the same source; and
- If you are in doubt about the propriety of accepting a gift or an item of hospitality you should contact the Standards Officer and/or the Chief Executive for advice.



> Conflicts of Interest

Public bodies should have in place clear rules and procedures for managing conflicts of interests. Together with the rules on registration of interests, this ensures transparency of your interests which might influence, or be thought to influence, your actions. You should note that the appearance of a conflict of interest in terms of public perception can be every bit as damaging as an actual conflict – both should be avoided.

Handling Conflicts of Interest

Public confidence in your public body and its Board members depends on it being clearly understood that decisions are taken in the public interest and not for any other reason. In deciding whether to declare an interest, the key test is whether a member of the public, acting reasonably, might think that a particular interest could influence you.

> Registration of Interests

It is good practice for public bodies to set up, maintain and make available for public inspection a register of Board member interests.

Your Code of Conduct should contain definitions of what is required under each of these categories and if you are in any doubt as to what you should or should not be registering, you should discuss this with the Chief Executive.

The Register could also be available for inspection by the public (electronic and paper version). Public bodies could prepare a page for this purpose on their website. The electronic version of the Register does not need to include any personal information that would compromise personal security although the full details would be made available for public inspection in hard copy.

Board members should keep their entries in the Register of Interests up-to-date.

REGISTRATION OF INTERESTS



- Remuneration from employment, self-employment or directorships;
- Related undertakings i.e. certain unremunerated directorships;
- Contracts with the public body;
- Gifts and hospitality;
- Houses, land and buildings that you own or have an interest in which are of significance or relevance to, or bear upon the work and operation of, the public body;
- Shares and securities – holdings in a company or organisation which are of significance or relevance to, or bear upon the work and operation of, the public body; and
- Non-financial interests including membership or holding office in other public bodies, clubs, societies and organisations such as Trade Unions and voluntary organisations.

Declaration of Interests

In deciding whether to declare an interest, the key test is whether a member of the public, with knowledge of the relevant facts, would reasonably regard the interest as so significant that it is likely to prejudice your discussion or decision-making in your role as a member of a public body.

If you have a financial, or non-financial, interest you must declare your interest at Board meetings.

Non-Declaration of Interest

Where a material conflict of interest exists and a Board member does not declare their interest and withdraw, the Chief Executive or Chair should take appropriate action to ensure that the Board (and the Board member concerned) is not compromised.



Frequent Declarations of Interest

If as a Board member you are frequently declaring interests at meetings, you should consider whether it is appropriate for you to continue in your role. In such circumstances, you may wish to discuss your continued appointment as a Board member with the Chief Executive.

➤ Confidentiality

On occasions, Board members will be required to treat discussions, documents and other information relating to the work of the body in a confidential manner. It is imperative that Board members respect this duty of confidentiality at all times. In particular, as a Board member you should never use information to which you have privileged access for personal or financial gain or in a way that brings the public body into disrepute.

➤ Lobbying

The Code of Conduct sets out clear guidance in respect of dealing with lobbyists and lobbying. If you have any concerns over the approach or methods used by anyone in their contacts with you, you should discuss the matter with your body's Standards Officer and/or the Chief Executive.

➤ Use of Social Media

When using social media the distinction between work and private life can become blurred, and speedily made comments can be misconstrued. It is important to take special care when expressing views on social media not to compromise your position as a member of a public body. Social media offers many benefits in communicating with stakeholders and interested parties. However, you should always remember that hastily expressed views through social media can reach large (sometimes unintended) audiences instantaneously and can be difficult to retract if required to do so. Your public body should have a policy in place

about the use of social media. You should familiarise yourself with the content of that policy to protect the public body's reputation, its legal obligations, its information and its systems. You will be expected to approach any use of social media platforms responsibly and with care.

➤ Whistleblowing

The **Public Interest Disclosure Act 1998** gives legal protection to employees who raise certain matters or concerns, known as 'qualifying disclosures', without fear of reprisal. As a Board member, you should ensure that your public body has a whistleblowing policy and appropriate procedures in place. This will allow staff to raise concerns on a range of issues such as fraud, health and safety etc. without having to go through the normal management structure. **Audit Scotland has published guidance on employers' and employees' responsibilities in relation to whistleblowing.**

➤ Valuing Complaints

The **Scottish Public Services Ombudsman (SPSO)** is the independent body that provides the final stage for complaints from members of the public about devolved public services in Scotland.

As a Board member, you have a responsibility to ensure that complaints are considered as part of your organisation's overall governance and assurance arrangements.

You should be aware of the importance of having an effective complaints policy in place. You can also help to promote a culture which values complaints and has a proactive approach to effective resolution, monitoring and learning from complaints.

The Board has a collective responsibility, and Board members and the Chief Executive are also individually responsible for ensuring the public body has an effective, efficient, customer-focused approach to complaints resolution in place.



You should also be aware of the issues and concerns people are raising in their complaints. Your scrutiny of these issues will help to ensure that service users receive a high quality service and that taxpayers receive value for money.

The SPSO has a duty to publish model Complaints Handling Procedures (CHP) which public bodies have a statutory requirement to adopt. The CHP includes a commitment for public bodies to publish information against performance indicators, which will provide consistent complaints data across the various sectors of the public service in Scotland.

The SPSO has produced a [short briefing note](#) for Board members which will help you to consider complaints as part of your organisation's governance arrangements.

COMPLAINTS HANDLING

- Ensure the public body and executive team are learning from service failures and customer insight provided by complaints, with systems in place to record, analyse and report on complaints outcomes, trends and actions taken;
- Ensure that processes are in place for the public body and executive team to identify and respond immediately to critical or systemic service failures identified from complaints handling;
- Take an active role in monitoring and reviewing learning from complaints and reviewing individual complaints to obtain an understanding of how any failures occurred and have been addressed;
- Provide the necessary challenge and hold the senior officer(s) to account for the public body's performance in complaints handling, with Board/ Board members themselves regularly monitoring and reviewing the complaints handling performance of the public body; and
- Ensure that service improvements are agreed, actioned and reviewed, possibly on a quarterly basis.

FURTHER INFORMATION

Audit Scotland – Employer's Guide to Whistle Audit Scotland – Employer's Guide to Whistle Blowing

Bribery Act 2010

Civil Service Code

Ethical Standards in Public Life Etc. (Scotland) Act 2000

Ethical Standards Registration of Interests (Regulations) 2003

Scottish Parliamentary Commissions and Commissioners etc. Act 2010

SPSO's Valuing Complaints

The Scottish Public Services Ombudsman

The model Complaints Handling Procedure (CHP) for the Scottish Government, Scottish Parliament and associated public authorities in Scotland.



Annex A: Classification of Public Bodies



There are occasions where bodies carrying out public functions should operate more at 'arm's-length' from Government. This may be appropriate for a variety of reasons. This can be to provide independent advice and expertise on technical, scientific or other complex issues and take this outside the political arena, e.g. on ethical issues, or funding decisions. Tribunals and other quasi-judicial bodies are set up to meet specific requirements for separation of decision-making and appeals. Public bodies carry out a wide range of functions such as independent regulation, advice, investigation, adjudication, ombudsman services, appeal, funding, partnership, commercial and health services. Such 'arm's-length bodies' focus in depth on clear and specific functions and purposes. These bodies have been established to meet particular needs and situations. This flexibility and responsiveness means that the landscape of public bodies is necessarily both complex and diverse.

The following provides a snapshot of the features of public bodies operating in Scotland.

Executive Agencies – although an integral part of the Scottish Government, Executive Agencies generally have a strong focus on the management and direct delivery of public services which do not require day-to-day ministerial oversight; in some cases they may also have responsibility for a discrete area of government policy. They are staffed by civil servants, including the Chief Executive who is directly accountable to Ministers. They are not statutory bodies but operate in accordance with a Framework Document approved by Ministers, which may be reviewed, amended or revoked at any time. This has the advantage that they can normally be set up by administrative action without the need for legislation.

Executive Non Departmental Public Bodies (NDPBs) – are not part of the Scottish Government or the Scottish Administration. They perform administrative, commercial, executive or regulatory functions on behalf of Government and operate within a framework of governance and accountability set by Ministers. They are funded by the Scottish Government through grant or grant-in-aid, but many generate additional income through provision of services. They are normally established by statute, employ staff (who are not civil servants) on their own terms and conditions subject to Scottish Public Sector Pay Policy, and manage their own budgets. They are accountable to a Board whose members are normally appointed by Ministers and publish their own annual report and accounts.



Advisory NDPBs – provide independent expert advice to Ministers and others or input into the policy-making process in relation to a particular subject. They are normally established by Ministers on a non-statutory basis, do not normally employ staff (administrative support is usually provided by the Scottish Government) and are not normally responsible for budgets or expenditure other than remuneration for Board members. They are accountable to a Board whose members are normally appointed by Ministers. Ministers are answerable to Parliament for the activities of the body and can dissolve the body at any time.

Tribunals – are established by statute and have specific responsibilities for prescribed judicial functions. They are not part of the court system and are independent of the Scottish Government. They have both specialist and lay members, do not employ staff and are not responsible for budgets or expenditure other than the remuneration of Tribunal members.

Non Ministerial Departments (NMDs) – are headed by non-ministerial offices (NMOs) (Boards or statutory officeholders) who are not part of the Scottish Government but are part of the Scottish Administration in their own right. Staff are civil servants. The NMOs are generally funded by Parliament and are required to publish their own annual report and accounts. They are directly accountable to the Scottish Parliament, not Ministers, for the discharge of their statutory functions.

Public Corporations – are industrial or commercial enterprises under Government control which recover more than 50% of their costs through fees charged for services provided to customers. They employ their own staff, who are not civil servants, manage their own budgets and report to a Board whose members are appointed by Ministers.

Health Bodies – currently comprise 14 territorial health boards, eight special health boards and the Mental Welfare Commission for Scotland (MWCS). With the exception of MWCS, health bodies are part of NHSScotland and provide healthcare services or management, technical or advisory services.

Parliamentary Commissions, Commissioners and Ombudsman – are typically responsible for safeguarding the rights of individuals, monitoring and reporting on the handling of complaints about public bodies, providing an adjudicatory role in disputes and reporting on the activities and conduct of public Boards and their members. Commission Members, Commissioners and Ombudsmen are appointed by the Parliamentary Corporation. They are accountable, and report directly, to the Scottish Parliament.

Other Significant Bodies – do not fall within the recognised categories of public bodies set out above but they have a direct relationship with either the Scottish Government or the Parliament and operate within a framework set by Ministers.



**Annex B: Induction and
Training for Board Members**



Induction programmes, events and material should be a standard feature, with a public body providing information on a range of topics, e.g. policies, procedures, roles, responsibilities, rules and key personnel.

The following list of induction guidance and training is not prescriptive but is designed to give you an idea of the type of support that may be provided by your public body.

Meetings

A one-to-one meeting should take place with the Chief Executive immediately following appointment to discuss in broad terms what is expected of a Board member in the first year and any individual role he or she is expected to play. (The Chief Executive and Board member should meet on a regular basis as part of the appraisal process.)

An induction session within one month of appointment should explain:

- The legislative framework for the organisation and its remit
- Organisational structure
- The collective role of the Board
- Arrangements, formats etc. of Board meetings including agenda planning
- Details of any subsidiary Boards and committees (e.g. Regional Boards, Audit Committee) and their responsibilities
- The long-term strategy of the organisation
- The corporate planning system
- The role of the Chief Executive as the Accountable Officer
- Current priority areas of work
- Budget and financial information, including the monitoring role of the Board
- The public body's policies on openness – where appropriate, including the role of Board members in promoting the public body to the public and in the media
- Links to other key partner organisations and an outline of who the key stakeholders and customers are
- Arrangements for Board members' remuneration and expenses
- The organisation's Code of Conduct for Board members and Code of Conduct issues, including policies on the registration and declaration of interests, gifts and hospitality, use of social media by Board members etc. This should include guidance on completing the Register of Interests
- Whistleblowing procedures – how to raise concerns and how to respond to concerns being raised
- Details of arrangements for monitoring and reporting on the performance of Board members
- The Corporate Risk Register and approach to risk management

Ideally, this session should be attended by all new Board members and by some existing Board members to allow the latter to pass on experience. Some other members of the senior management team may also attend, including the Board secretary.

New Board members may require support in certain areas. The induction process should explore development needs for all new Board members and agree a development plan.

It may also be appropriate for a Board member to meet with other key staff in the organisation – for example the senior management team and, where the Board member is to sit on the Audit Committee, they may wish to meet audit and finance staff.

Obtaining feedback from new Board members on the induction they received will provide a useful source of information and will help ensure the process remains effective.



Publications

- The latest Annual Report and Accounts
- The latest Corporate Plan and Operational/Business Plan
- The Corporate Strategy or similar strategic document
- Any significant recent policy or consultation documents which the public body has published

Written Material

- Guide to any legislation under which the public body was established
- Copy of the Budget Allocation and Monitoring letter from the sponsor Minister for the coming year
- **National Performance Framework**
- Strategic guidance from the Scottish Government
- Copy of the public body's current Framework Document
- Standing Orders for the conduct of Board meetings
- Organisational structure, staff directory, office addresses etc
- Biographical and contact details of other Board members (and, where appropriate, those in subsidiary Boards and committees)
- Summary of key roles and responsibilities within the organisation - Chief Executive/Accountable Officer, management team, other senior staff, Board, subsidiary Boards and committees
- Forward programme of Board meeting dates and any other key events (press launches, conferences etc)
- The organisation's Code of Conduct for Board members
- Copy of the organisation's Data Protection, Freedom of Information and other relevant policies and procedures

relating to corporate governance and accountability - and if they exist:

- Policy for Board members in dealing with the media
- List of acronyms relating to the public body's area of work, partner organisations etc.
- The Corporate Risk Register
- Schedule of Matters Reserved for the Decision of the Board and Scheme of Delegation
- Action plan arising from most recent review of effectiveness
- The **Scottish Public Services Ombudsman** model Complaints Handling procedure and briefing note for Board members
- Minutes from at least the last four Board and Audit Committee meetings
- Copy of Corporate Parent Plan (should the public body be classified as a Corporate Parent in **schedule 4** of the Children and Young People (Scotland) Act 2014)

Terms and Conditions

- Guidance on claiming **travel and subsistence** expenses
- Guidance on claiming other allowances where appropriate (e.g. child care)
- Guidance on **tax issues** (e.g. for home to office travel)
- Guidance on Register of Interests, and Gifts and Hospitality

First Board Meeting

Time should be included so that the new Board member can be formally introduced to all present. In advance of this meeting, the new member should be made aware of any protocols, for example in relation to making points at meetings, presenting information



and overall expectations as to behaviour (being inclusive, respecting others etc.). At the end of the Board meeting, the Chair should spend a few minutes with the new Board member to allow them the opportunity to ask any questions or raise concerns that they may have.

Training

The public body should consider providing any further training deemed necessary to assist the Board members, individually or collectively, to carry out its duties, particularly covering areas such as their roles, the financial management and reporting requirements of public bodies, appraisal systems both for individual members and collective functionality, ethical standards and any other differences which may exist between private and public sector practice.



Annex C: The Organisation of Central Government over Devolved Matters in Scotland

**The organisation of central government over devolved matters in Scotland:
The Scottish Parliament, the Scottish Administration and bodies outwith the Scottish
Administration**

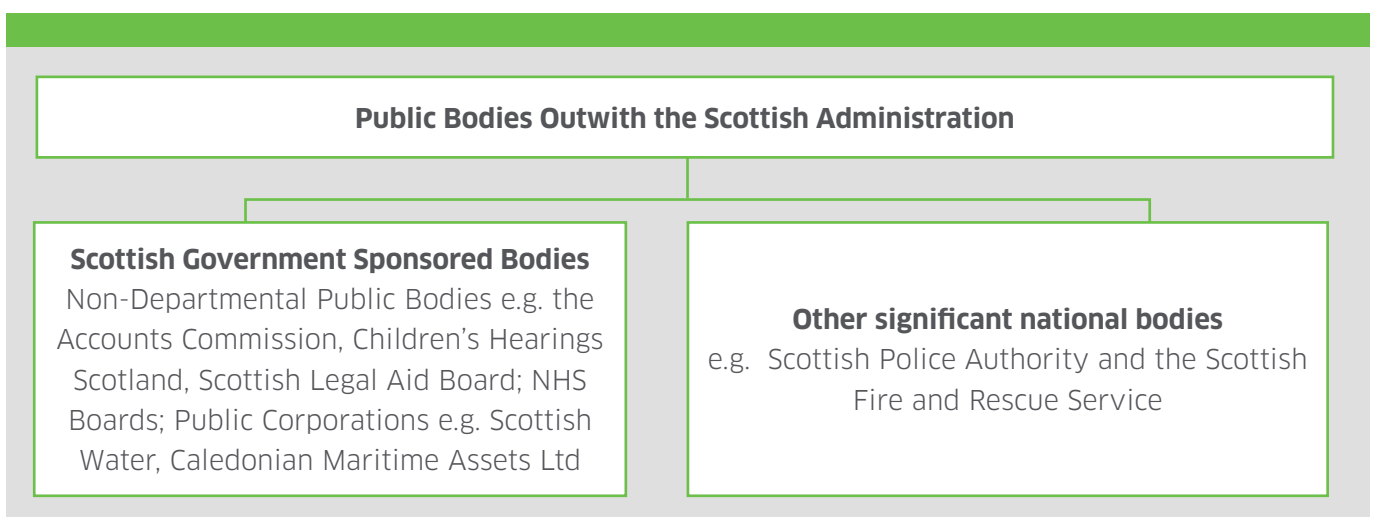
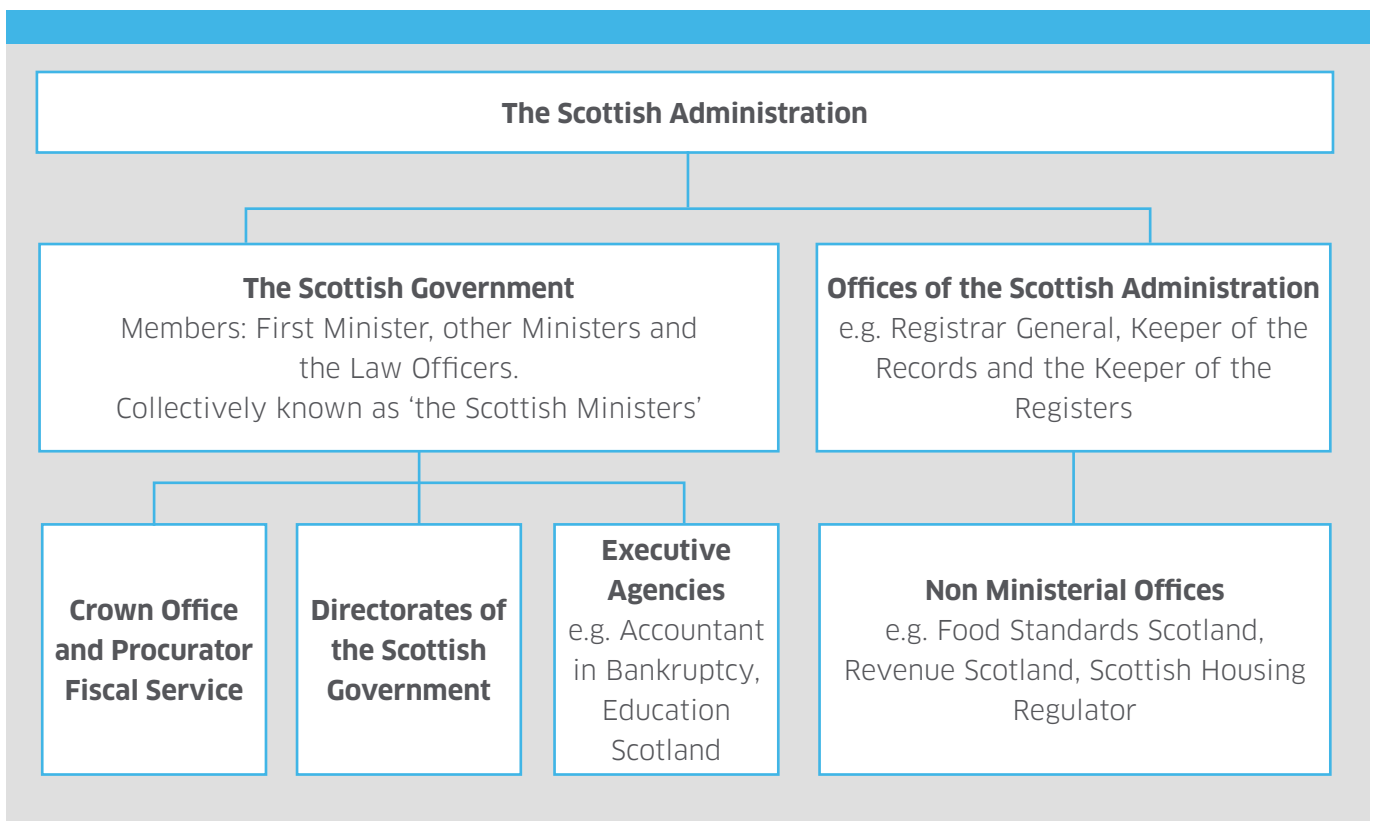
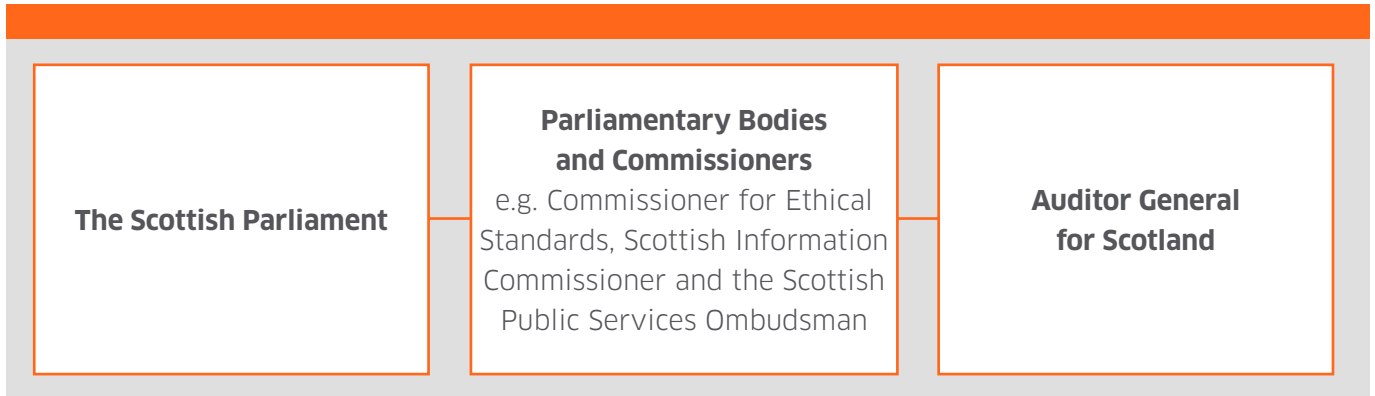


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