

Revised

Management Statement

for

HEFCE

June 2006

| | Page no |
|--|---------|
| 1. INTRODUCTION | 3 |
| 1.1 This document..... | 3 |
| 1.2 Founding legislation; status..... | 4 |
| 1.3 The functions, duties and powers of the HEFCE..... | 4 |
| 1.4 Classification | 5 |
| 2. AIMS, OBJECTIVES AND TARGETS | 6 |
| 2.1 Overall aims | 6 |
| 2.2 Objectives and key targets | 6 |
| 3. RESPONSIBILITIES AND ACCOUNTABILITY | 6 |
| 3.1 The Secretary of State | 6 |
| 3.2 The Accounting Officer of the sponsor Department..... | 7 |
| 3.3 The sponsoring team in the Department | 7 |
| 3.4 The Chairman of the HEFCE | 9 |
| 3.5 The HEFCE's Board..... | 10 |
| 3.6 The Chief Executive's role as Accounting Officer..... | 12 |
| 3.7 The Chief Executive's role as Consolidation Officer..... | 14 |
| 3.8 Delegation of duties..... | 14 |
| 3.9 The Chief Executive's role as Principal Officer for Ombudsman cases..... | 14 |
| 4. PLANNING, BUDGETING AND CONTROL | 14 |
| 4.1 The Strategic plan | 14 |
| 4.2 The Operating plan..... | 15 |
| 4.3 Publication of plans | 15 |
| 4.4 Reporting performance to the Department | 15 |
| 4.5 Budgeting procedures | 16 |
| 4.6 Internal audit | 16 |
| 4.7 Additional Departmental access to the HEFCE | 17 |
| 5. EXTERNAL ACCOUNTABILITY | 17 |
| 5.1 The annual report and accounts..... | 17 |
| 5.2 External audit | 17 |
| 5.3 VFM examinations..... | 18 |
| 6. STAFF MANAGEMENT..... | 18 |
| 6.1 General | 18 |
| 7. REVIEWING THE ROLE OF THE HEFCE | 19 |

1. INTRODUCTION

1.1 This document

1.1.1 This management statement and its associated financial memorandum have been drawn up by the Department for Education and Skills in consultation with the Higher Education Funding Council for England of Northavon House, Coldharbour Lane, Bristol, BS16 1QD. This joint document sets out the terms and conditions subject to which the HEFCE will make payments, out of monies voted by Parliament to the higher education sector. The document is based on a model prepared by the Treasury.

1.1.2 Subject to the legislation noted below, the management statement sets out the broad framework within which the HEFCE will operate, in particular:

- the NDPB's overall aims, objectives and targets in support of the sponsor Department's wider strategic aims and current Public Service Agreement (PSA);
- the rules and guidelines relevant to the exercise of the HEFCE's functions, duties and powers;
- the conditions under which any public funds are paid to the HEFCE;
- how the HEFCE is to be held to account for its performance.

However, the management statement and financial memorandum do not convey any legal powers or responsibilities.

- 1.1.3 The associated financial memorandum sets out in greater detail certain aspects of the financial provisions which the HEFCE shall observe.
- 1.1.4 The document shall be periodically reviewed by the Department in accordance with the timetable referred to in Section 7 below.
- 1.1.5 The HEFCE, or the Secretary of State, may propose amendments to this document at any time. Any such proposals by the HEFCE shall be considered in the light of evolving departmental policy aims, operational factors and the track record of the HEFCE itself. The guiding principle shall be that the extent of flexibility and freedom given to the HEFCE shall reflect its role, the quality of its internal controls and its operational needs. The Secretary of State shall determine by agreement what changes, if any, are to be incorporated in the document. Legislative provisions shall take precedence over any part of the document. Significant variations to the document shall be cleared with the Treasury or Cabinet Office as appropriate. (The definition of “significant” will be determined by the sponsor department in consultation with the Treasury/Cabinet Office, and in relationship with letters of guidance from the Secretary of State).
- 1.1.6 The combined document is to be signed and dated by the Department and the HEFCE.
- 1.1.7 Any question regarding the interpretation of the document shall be resolved by the Department after consultation with the HEFCE and, as necessary, with the Treasury and/or the Cabinet Office.
- 1.1.8 Copies of this document and any subsequent substantive amendments shall be placed in the Libraries of both Houses of Parliament. Copies shall also be made available to members of the public on the HEFCE’s website.

1.2 Founding legislation; status

- 1.2.1 The Higher Education Funding Council for England (HEFCE) was established under the Further and Higher Education Act 1992. The constitution of the HEFCE is set out in Part Two of the Further and Higher Education Act 1992 and Schedule 1 to the FHE Act 1992 (FHE Act) as inserted by section 27 of the Teaching and Higher Education Act 1999, and as amended in subsequent legislation.

1.3 The functions, duties and powers of the HEFCE

- 1.3.1 Working in partnership, the Higher Education Funding Council for England (HEFCE) promotes and funds high-quality, cost-effective teaching and research, meeting the diverse needs of students, the economy and society. The functions, limitations, duties, and powers of the HEFCE are set out in Part Two of the FHE Act 1992.

1.4 Classification

- 1.4.1 For policy/administrative purposes the HEFCE is classified as an executive non-departmental public body.
- 1.4.2 For national accounts purposes the HEFCE is classified to the central government sector.
- 1.4.3 References to HEFCE include all its subsidiaries and joint ventures that are classified to the public sector for national accounts purposes. If such a subsidiary or joint venture is created, there shall be a document setting out the arrangements between it and the HEFCE (paragraphs 65-66 of the financial memorandum). The Council may create Related Bodies which are neither subsidiaries nor joint ventures. These bodies shall be covered by the accountability arrangements contained in the Council's Related Bodies framework.

2. AIMS, OBJECTIVES AND TARGETS

2.1 Overall aims

2.1.1. Through the annual letter of guidance ('grant letter'), the Secretary of State for Education and Skills sets out the policy framework, funding and student numbers for higher education.

2.2 Key performance targets

2.2.1 The sponsor Department determines the HEFCE's performance framework in the light of the Department's wider strategic aims and current PSA targets (paragraph 1.1.2). The HEFCE's key performance targets shall be agreed within the NDPB's strategic planning process (Section 4 below).

2.2.2 Guidance on these matters is available on the Treasury's public website.

3. RESPONSIBILITIES AND ACCOUNTABILITY

3.1 The Secretary of State

3.1.1 The Secretary of State is accountable to Parliament for the activities and performance of the HEFCE. His/her responsibilities include:

- approving the HEFCE's key performance targets and the policy and performance framework within which the HEFCE will operate (as set out in this management statement and financial memorandum and associated documents);
- keeping Parliament informed about the NDPB's performance;
- approving the amount of grant-in-aid/grant/other funds to be paid to the HEFCE, and securing Parliamentary approval;
- carrying out responsibilities specified in the founding legislation including appointments to the Board, approving the terms and conditions of Board members.

3.2 The Accounting Officer of the sponsor Department

3.2.1 The Permanent Secretary, as the Department's principal Accounting Officer, is responsible for the overall organisation, management and staffing of the sponsor Department and for ensuring that there is a high standard of financial management in the Department as a whole. The principal Accounting Officer is accountable to Parliament for the issue of any grant-in-aid to the HEFCE. The principal Accounting Officer designates the Chief Executive of the HEFCE as the HEFCE's Accounting Officer, and may withdraw the accounting officer designation if he/she believes that the incumbent is no longer suitable for the role.

3.2.2 In particular the principal Accounting Officer of the Department shall ensure that:

- the HEFCE's key performance targets support the Department's wider strategic aim[s] and current PSA;
- the financial and other management controls applied by the Department to the HEFCE are appropriate and sufficient to safeguard public funds and for ensuring that the HEFCE's compliance with those controls is effectively monitored ("public funds" include not only any funds granted to the HEFCE by Parliament but also any other funds generated by approved activities or falling within the stewardship of the HEFCE);
- the internal controls applied by the HEFCE conform to the requirements of regularity, propriety and good financial management;
- any grant-in-aid to the HEFCE is within the ambit and the amount of the Request for Resources and that Parliamentary authority has been sought and given

3.2.3 The responsibilities of a departmental Accounting Officer are set out in more detail in the annex to Chapter 4 of *Government Accounting*.

3.3 The sponsoring team in the Department

3.3.1 Within the Department, The HE HEFCE Sponsorship and Governance Team within the HE directorate is the sponsoring team for the HEFCE. The Team, in consultation as necessary with the relevant departmental Accounting Officer, is the primary source of advice to the Secretary of State on the discharge of his/her responsibilities in respect of the HEFCE, and the primary point of contact for the HEFCE in dealing with the Department. The sponsoring team shall carry out its duties under a senior officer who shall have primary responsibility for overseeing the activities of the HEFCE.

3.3.2 The sponsoring team shall advise the Secretary of State on:

- an appropriate framework of targets for the HEFCE in the light of the Department's wider strategic aims and current PSA;

- an appropriate budget for the HEFCE in the light of the Department's overall public expenditure priorities;
- how well the HEFCE is achieving its strategic objectives and whether it is delivering value for money.

3.3.3 In support of the departmental Accounting Officer the sponsoring team shall:

on performance and risk management -

- monitor the HEFCE's activities on a continuing basis through an adequate and timely flow of information from the HEFCE on performance resource management and risk management, including early sight of any changes to the HEFCE's Statement on Internal Control as agreed in the annual year end timetable;
- address in a timely manner any significant problems arising in the HEFCE, whether financial or otherwise, making such interventions in the affairs of the HEFCE as the Department judges necessary;
- periodically carry out a risk assessment of the HEFCE's activities to inform the Department's oversight of the HEFCE; strengthen these arrangements if necessary; and amend the management statement accordingly. The risk assessment shall take into account the nature of the HEFCE's activities; the public monies at stake; the body's corporate governance arrangements; its financial performance; internal and external auditors' reports, the openness of communications between the body and the Department; and any other relevant matters;

on communication with the HEFCE -

- inform the HEFCE of relevant Government policy in a timely manner; advise on the interpretation of that policy; and issue specific guidance to the HEFCE as necessary and/or as requested by the HEFCE;
- bring concerns about the activities of the HEFCE to the attention of the full DfES or HEFCE Board, and require explanations and assurances from the Board that appropriate action has been taken.

3.4 The Chairman of the HEFCE

3.4.1 The Chairman is appointed by the Secretary of State, normally for a period of up to three years, using the Code of Practice issued by the Commissioner for Public Appointments (OCPA).

3.4.2 The Chairman is responsible to the Secretary of State. The Chairman shall aim to ensure that the HEFCE's policies and actions support the wider strategic policies of the Secretary of State; and that the HEFCE's affairs are conducted with probity, regularity, and with due regard to value for money. The Chairman shares with other Board members the corporate responsibilities set out in paragraph 3.5.2, and in particular for ensuring that the HEFCE take account of the policy framework set by the Secretary of State.

3.4.3 The Chairman has a particular leadership responsibility on the following matters:

- ensuring that the Board develops a suitable strategy;
- ensuring that the Board, in reaching decisions, takes proper account of guidance provided by the Secretary of State or department;
- promoting the efficient and effective use of grant funding, staff and other resources;
- encouraging high standards of propriety;
- representing the views of the Board to the general public;
- adhering to the corporate governance arrangements of the Council.

3.4.4 The Chairman shall also:

- ensure that all members of the Board, when taking up office, are fully briefed on the terms of their appointment and on their duties, rights and responsibilities, and receive appropriate induction training, including on the financial management and reporting requirements of public sector bodies and on any differences which may exist between private and public sector practice;
- advise the Secretary of State of the needs of the HEFCE when Board vacancies arise, with a view to ensuring a proper balance of academic, professional and financial expertise, and with due regard to gender and ethnic diversity;
- assess the performance of individual Board members on a regular basis.

3.4.5 The Chairman shall also ensure that a Code of Practice for Board Members is in place, based on the Cabinet Office's model Code of Practice for Board Members of Public Bodies. The Code shall commit the Chairman and other Board Members to the Nolan seven principles of public life, and shall include a requirement for the accurate completion of a comprehensive and publicly available register of Board Members' interests.

3.4.6 Communications between the Board and the Secretary of State shall normally be through the Chairman. The Chairman shall ensure that the other Board members are kept informed of such communications.

3.5 The HEFCE's Board

3.5.1 The Board Members are appointed by the Secretary of State, normally for a period of up to three years, using the Code of Practice issued by the Commissioner for Public Appointments (OCPA).

3.5.2 The Board has corporate responsibility for ensuring that the HEFCE fulfils its aims and objectives as set out in the Strategic Plan and for promoting the efficient and effective use of staff and other resources by the HEFCE. To this end, and in pursuit of its wider corporate responsibilities, the Board shall:

- establish the overall strategic direction of the HEFCE within the policy and resources framework determined by the Secretary of State;
- establish, in agreement with the Secretary of State, the HEFCE's key performance targets in the light of the Department's wider strategic aim[s] and current PSA;
- ensure that the Secretary of State is kept informed of any changes which are likely to impact on the strategic direction of the HEFCE or on the attainability of its targets, and determine the steps needed to deal with such changes;
- ensure that any statutory or administrative requirements for the use of public funds are complied with; that the Board operates within the limits of its statutory authority and any delegated authority agreed with the Secretary of State, and in accordance with any other conditions relating to the use of public funds; and that, in reaching decisions, the Board takes into account guidance issued by the sponsor Department;
- ensure that the Board receives and reviews regular financial information concerning the management of the HEFCE; is informed in a timely manner about any concerns about the activities of the HEFCE; and provides positive assurance to the Department that appropriate action has been taken on such concerns;
- demonstrate high standards of corporate governance at all times, including by using the independent audit committee (paragraph 4.6.2) to help the Board to address the key financial and other risks facing the HEFCE;

- appoint with the Secretary of State's approval a Chief Executive to the HEFCE and, in consultation with the Department, set performance objectives and remuneration terms linked to these objectives for the Chief Executive which give due weight to the proper management and use of public monies.

3.5.3 Individual Board members shall act in accordance with their wider responsibility as Members of the Board – namely to:

- comply at all times with the Code of Practice [paragraph 3.4.5 above] that is adopted by the HEFCE and with the rules relating to the use of public funds and to conflicts of interest;
- not use information gained in the course of their public service for personal gain or for political profit, nor seek to use the opportunity of public service to promote their private interests or those of connected persons or organisations;
- comply with the Board's rules on the acceptance of gifts and hospitality, and of business appointments;
- act in good faith and in the best interests of the HEFCE.

3.6 The Chief Executive's role as Accounting Officer

3.6.1 The Chief Executive of the HEFCE is designated as the HEFCE's Accounting Officer by the Departmental Accounting Officer of the Department.

3.6.2 The Accounting Officer of the HEFCE is personally responsible for safeguarding the public funds for which he/she has charge; for ensuring propriety and regularity in the handling of those public funds; and for the day-to-day operations and management of the HEFCE.

3.6.3 As Accounting Officer the Chief Executive shall exercise the following responsibilities in particular:

on planning and monitoring -

- inform the Department of the HEFCE's progress in helping to achieve the Department's policy objectives and in demonstrating how resources are being used to achieve those objectives;
- ensure that timely forecasts and monitoring information on performance and finance are provided to the Department; that the Department 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 notified to the department in a timely fashion;

on advising the Board -

- advise the Board on the discharge of its responsibilities as set out in this document, in the founding legislation and in any other relevant instructions and guidance that may be issued from time to time;
- advise the Board on the HEFCE's performance compared with its aim[s] and objectives;
- ensure that financial considerations are taken fully into account by the Board at all stages in reaching and executing its decisions, and that standard financial appraisal techniques are followed as far as this is practical;
- take action as set out in paragraphs 14-18 of the HEFCE Accounting Officer Memorandum if the Board, or its Chairman, is contemplating a course of action involving a transaction which the Chief Executive considers would infringe the requirements of propriety or regularity or does not represent prudent or economical administration or efficiency or effectiveness;

on managing risk and resources -

- ensure that a system of risk management is maintained to inform decisions on financial and operational planning and to assist in achieving objectives and targets;
- ensure that effective systems of programme and project management and contract management are maintained;
- ensure that all public funds made available to the HEFCE, including any approved income or other receipts, are used for the purpose intended by Parliament, and that such moneys, together with the HEFCE's assets, equipment and staff, are used economically, efficiently and effectively;
- ensure that adequate internal controls are maintained by the HEFCE, including effective measures against fraud and theft;
- maintain a comprehensive system of internal delegated authorities which are notified to all staff, together with a system for regularly reviewing compliance with these delegations;
- ensure that effective human resource management policies are maintained;

on accounting for the HEFCE's activities -

- sign the accounts and be responsible for ensuring that proper records are kept relating to the accounts and that the accounts are properly prepared and presented in accordance with any directions issued by the Secretary of State;
- sign a Statement of Accounting Officer's responsibilities, for inclusion in the annual report and accounts;
- sign a Statement on Internal Control regarding the HEFCE's system of internal control, for inclusion in the annual report and accounts;
- ensure that effective procedures for handling complaints about the HEFCE are established and made widely known within the HEFCE;
- act in accordance with the terms of this document and with the instructions and guidance in *Government Accounting* and other instructions and guidance issued from time to time by the Department, the Treasury and the Cabinet Office - in particular, the Treasury documents *The Responsibilities of an HEFCE Accounting Officer* and *Regularity and Propriety*, both of which the Chief Executive shall receive on appointment. Section XII of the attached financial memorandum refers to other key guidance;
- give evidence, normally with the Accounting Officer of the sponsor Department, when summoned before the Committee of Public Accounts on the use and stewardship of public funds by the HEFCE.

3.7 The Chief Executive's role as Consolidation Officer

- 3.7.1 For the purposes of Whole of Government Accounts the Chief Executive of the HEFCE is normally appointed by the Treasury as the HEFCE's Consolidation Officer.
- 3.7.2 As the HEFCE's Consolidation Officer the Chief Executive shall be personally responsible for ensuring the preparation of the consolidation information that sets out the financial results and position of the HEFCE, for arranging for its audit and for sending the information and the audit report to the Principal Consolidation Officer nominated by the Treasury.
- 3.7.3 As Consolidation Officer the Chief Executive shall comply with the requirements of the Consolidation Officer Memorandum and shall, in particular:
- ensure that the HEFCE has in place and maintains sets of accounting records that will provide the necessary information for the consolidation process;
 - prepare the consolidation information (including the relevant accounting and disclosure requirements and all relevant consolidation adjustments) in accordance with the consolidation instructions and directions ["Dear Consolidation Officer" (DCO) and "Dear Consolidation Manager" (DCM) letters] issued by the Treasury on the form, manner and timetable for the delivery of such information.

3.8 Delegation of duties

- 3.8.1 The Chief Executive may delegate the day-to-day administration of his/her Accounting Officer and Consolidation Officer responsibilities to other employees in the HEFCE. However, he/she shall not assign absolutely to any other person any of the responsibilities set out in this document.

3.9 The Chief Executive's role as Principal Officer for Ombudsman cases

- 3.9.1 The Chief Executive is the Principal Officer for handling cases involving the Parliamentary Commissioner for Administration. As Principal Officer he/she shall inform the Permanent Secretary of the sponsor Department of any complaints about the HEFCE accepted by the Ombudsman for investigation, and about the HEFCE's proposed response to any subsequent recommendations from the Parliamentary Ombudsman.

4. PLANNING, BUDGETING AND CONTROL

4.1 The strategic plan

- 4.1.1 Consistent with the timetable for public spending reviews the HEFCE shall submit annually to the Department a draft of the HEFCE's key performance targets in relation to the HEFCE's strategic plan.
- 4.1.2 The plan shall reflect the HEFCE's statutory duties and, within those duties, the priorities set from time to time by the Secretary of State.

4.1.3 The strategic plan shall set out:

- the HEFCE's key objectives and associated key performance targets for the years covered by the plan, and its strategy for achieving those objectives;
- a review of the HEFCE's risks and activities, with achievements set out in the Annual Report;
- other matters as agreed between the department and the HEFCE.

4.1.4 The key performance targets shall be agreed between the Secretary of State and the HEFCE in the light of the Department's decisions on policy and resources taken in the context of the Government's wider public expenditure plans and decisions.

4.1.5 The Department shall aim to give the HEFCE greater planning certainty by observing the principles set out in paragraph 15 of PES(2000)25 concerning three year planning and end year flexibility (EYF). These principles are summarised in paragraph 89 of the financial memorandum.

4.2 The operating plan

4.2.1 The annual operating plan shall be updated to include key targets and milestones for the year immediately ahead and shall be linked to budgeting information so that resources allocated to achieve specific objectives can readily be identified by the Department.

4.3 Publication of plans

4.3.1 Subject to any commercial considerations the strategic and summary operating plans shall be published and made available on the Internet.

4.4 Reporting performance to the Department

4.4.1 The HEFCE shall operate management information and accounting systems which enable it to review in a timely and effective manner its financial and non-financial performance against the budgets and targets set out in its agreed strategic and operating plans.

4.4.2 The HEFCE shall inform the Department of changes in external conditions which make the achievement of objectives more or less difficult, or which may require a change to the budget or objectives set out in the strategic and operating plans.

4.4.3 The HEFCE's performance in delivering the strategic plan, operating plan, and key performance targets, including the achievement of key objectives, shall be reported to the Department on a three-monthly basis. Performance will be formally reviewed by officials of the Department. The Secretary of State shall meet the Board formally each year to discuss the HEFCE's performance, its current and future activities and any policy developments relevant to those activities.

4.4.4 The HEFCE's performance against key targets shall be reported in the HEFCE's annual report and accounts [see Section 5.1 below].

4.5 Budgeting procedures

4.5.1 The HEFCE are notified of their overall funding by the Grant Letter issued annually by the Secretary of State.

4.5.2 The HEFCE's budgeting procedures are set out in more detail within the financial memorandum.

4.6 Internal audit

4.6.1 The HEFCE shall establish and maintain arrangements for internal audit in accordance with the Treasury's Government Internal Audit Standards. The HEFCE shall consult the Department to ensure that the latter is satisfied with the competence and qualifications of the Head of Internal Audit and the requirements for approving appointment in accordance with Government Internal Audit Standards (GIAS) 5.2.

4.6.2 The HEFCE shall set up an independent audit committee as a committee of its Board in accordance with the Cabinet Office's Guidance on Codes of Practice for Public Bodies and the Treasury's Audit Committee guidance.

4.6.3 The HEFCE shall arrange for periodic quality reviews of its internal audit in accordance with the GIAS. The Department shall consider whether it can rely on these reviews to provide assurance on the quality of internal audit. However, the Department reserves a right of access to carry out independent reviews of internal audit in the HEFCE.

4.6.4 The Department's Internal Audit Service shall also have a right of access to all documents prepared by the HEFCE's internal auditor, including where the service is contracted out. The audit strategy, periodic audit plans and annual audit report, including the HEFCE's Head of Internal Audit's opinion on risk management, control and governance shall be forwarded as soon as possible to the sponsoring team who shall consult the Head of Internal Audit as appropriate.

4.6.5 In addition, the HEFCE shall forward to the Department an annual report on fraud and theft suffered by the HEFCE; notify any unusual or major incidents as soon as possible; and notify any changes to internal audit's terms of reference, the audit committee's terms of reference or the HEFCE's Fraud Policy and Fraud Response Plan.

4.7 Additional Departmental access to the HEFCE

4.7.1 In addition to the right of access referred to in paragraph 4.6.3 above, the Department shall have a right of access to all the HEFCE's records and personnel for purposes such as sponsorship audits.

5. EXTERNAL ACCOUNTABILITY

5.1 The annual report and accounts

5.1.1 After the end of each financial year the HEFCE shall publish an annual report of its activities together with its audited annual accounts. The report shall also cover the activities of any corporate bodies under the control of the HEFCE.

5.1.2 The report and accounts shall comply with the Government Financial Reporting manual (FReM), <http://www.financial-reporting.gov.uk/manual.htm>. The accounts shall be prepared in accordance with the relevant statutes and the specific Accounts Direction issued by the Department.

5.1.3 The report and accounts shall outline the HEFCE's main activities and performance during the previous financial year and set out in summary form the HEFCE's forward plans. Information on performance against key financial targets shall be included in the notes to the accounts, and shall therefore be within the scope of the audit.

5.1.4 The report and accounts shall be laid before Parliament and made available on the Internet, in accordance with the guidance on the procedures for presenting and laying the combined annual report and accounts as prescribed in Chapter 7 of the FReM.

5.2 External audit

5.2.1 The Comptroller and Auditor General (C&AG) audits the HEFCE's annual accounts and lays them before Parliament, together with the HEFCE's annual report. For the purpose of audit the C&AG has a statutory right of access to relevant documents as provided for in the Government Resources and Accounts Act 2000, including by virtue of any Order made under section 25(8) of that Act.

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

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

5.3 VFM examinations

5.3.1 The C&AG may carry out examinations into the economy, efficiency and effectiveness with which the HEFCE has used its resources in discharging its functions. For the purpose of these examinations the C&AG has statutory access to documents as provided for under section 8 of the National Audit Act 1983. In addition, the HEFCE shall provide, in conditions to grants and contracts, for the C&AG to exercise such access to documents held by grant recipients and contractors and sub-contractors as may be required for these examinations; and shall use its best endeavours to secure access for the C&AG to any other documents required by the C&AG which are held by other bodies.

6. STAFF MANAGEMENT

6.1 General

6.1.1. Within the arrangements approved by the Secretary of State and the Treasury the HEFCE shall have responsibility for the recruitment, retention, rewarding and motivation of its staff. To this end the HEFCE shall ensure that:

- its rules for the recruitment and management of staff create an inclusive culture in which diversity is fully valued; where appointment and advancement is based on merit; and where there is no discrimination on grounds of gender, marital status, sexual orientation, race, colour, ethnic or national origin, religion, disability, community background or age;
- the level and structure of its staffing, including gradings and numbers of staff, is appropriate to its functions and the requirements of efficiency, effectiveness and economy;
- the performance of its staff at all levels is satisfactorily appraised and the HEFCE's performance measurement systems are reviewed from time to time;
- its staff are encouraged to acquire the appropriate professional, management and other expertise necessary to achieve the HEFCE's objectives;

- proper consultation with staff takes place on key issues affecting them;
- adequate grievance and disciplinary procedures are in place;
- whistle blowing procedures consistent with the Public Interest Disclosure Act are in place;
- pay remits are approved where appropriate
- a code of conduct for staff is in place based on the Cabinet Office document *Model Code for Staff of Executive Non-Departmental Public Bodies*.

7. REVIEWING THE ROLE OF THE HEFCE

- 7.1 The HEFCE shall be reviewed periodically, in accordance with the business needs of the Department and of the HEFCE. [NOTE: Departments are required, as part of a Departmental Change Programme or otherwise, to undertake a "landscape" review of all their delivery agents in accordance with methodology prepared by the Office of Public Sector Reform.]