

**DEPARTMENT OF BUSINESS ENTERPRISE AND REGULATORY REFORM
HEARING AID COUNCIL (HAC) CORPORATE SUBMISSION**

**HEARING AID COUNCIL (HAC)
COUNCIL MEETING 11 MARCH 2009
ITEM 7 STATEMENT OF REGULATORY CONTROL**

Issue

BERR has asked the HAC to change the way it composes its Statement of Internal Control (SIC). The SIC is an annual statement the Accounting Officers is required to make alongside the annual accounts of the HAC. The SIC should be the end result of a risk management process that is embedded in the planning, operational, monitoring and HAC review activities.

As part of the new process, the HAC must complete the attached proforma scoring its performance in nine categories (the categories are listed from page six). Then the Accounting Officer must sign a statement declaring satisfaction that the HAC meet the five statements on page two and three.

The HAC staff and Directors have reviewed performance under each category and make draft suggestions.

Action

Council members are asked to consider the draft responses, raise any concerns or omissions then agree the findings of the review.

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**STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL
PERIOD ENDED 31 MARCH 2009**

As Accounting Officer, I have primary accountability for reviewing the effectiveness of risk management and internal control within the organisation and the completion of the overall HAC Statement on Internal Control on behalf of my organisation.

In relation to the wider governance system, style and behaviours operating within the organisation, I have documented my current state assessment in the attached Corporate Governance Submission.

I have also satisfied myself that the following factors, which underpin the effectiveness of risk management and internal control, have been adhered to in HAC, throughout the year. Any areas where positive assertions cannot be made are set out in the summary overleaf.

Risk management

- 1. “My staff and I are sufficiently aware of the risks to achieving our objectives”**
 - a. Risk identification and prioritisation is conducted regularly and consistently, including the assessment of risks against defined criteria (reputation and credibility, operational delivery, financial performance, compliance).
 - b. HAC regularly reviews objective risk register(s) relevant to the organisation.
 - c. HAC has debated and reported any significant changes to the organisation’s risk profile or risk appetite on a timely basis.
- 2. “My staff and I are capable of applying basic skills, tools and techniques to identify, assess and prioritise risks inherent to delivery, and evaluate actions in place or required to manage them”**
 - a. When a risk has been identified, ownership has been assigned to appropriate individuals to develop risk management actions to address the risk. These action plans have been developed and implemented in a timely manner.
 - b. My staff have received appropriate guidance / training to ensure they are sufficiently risk aware, and are equipped to manage risk in a way that is appropriate to their authorities and duties.
 - c. Where management of any individual risk is not within my or my team’s control, it has been documented and elevated to the appropriate level of management within HAC and, where appropriate, contingency plans have been put in place.
- 3. “My staff and I ensure decisions to pursue new policies and approaches are made with due consideration of the ‘appetite’¹ there is for taking risks in pursuit of objectives or targets”**
 - a. HAC has debated the organisation’s risk appetite and the conclusions communicated to staff.
 - b. Risks have been considered at key decision points within HAC during the year (e.g. within policy submissions, project gates, purchasing approval).

¹ The amount of risk we are prepared to be exposed to at that point in time

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Financial Control

4. “As Accounting Officer, I have overall responsibility for financial control in my organisation. I ensure that”:

- a. All staff, including non-finance staff, are aware of their financial responsibilities and have the knowledge and skills required to discharge responsibilities delegated to them.
- b. Budgets are properly managed (i.e. budgets are not over spent or significantly under spent) and resources are allocated appropriately between competing priorities.
- c. The internal financial control components covering: the reliability of financial management information, particularly relating to forecasts, budgets and actuals, are used to support accurate financial reporting and inform resourcing decisions throughout the year.

I am satisfied that HAC complies with relevant rules and procedures as set out in “Managing Public Money”.

Significant Internal control

5. Where a significant internal control issue² has been identified, the steps below have been followed:

- a. A corrective action plan has been developed to mitigate or anticipate the exposure at Unit level, where practical and possible;
- b. Where not practical or possible, the issue has been escalated to BERR for consideration / action
- c. Internal Audit have been notified; and
- d. The issue and response have been adequately communicated within HAC to emphasise lessons learned and enable process improvements where required.

Details of the cause and effect of any significant internal control issues that occurred during the year and the remedial action taken are provided in the statement overleaf.

Signature: Date:
Chief Executive

Please use the box below to:

² A single definition is not possible. Judgement needs to be exercised in deciding whether or not a particular issue should be regarded as falling into this category. Factors that may be helpful in exercising that judgement include:

- a the issue seriously prejudiced or prevented achievement of a Public Service Agreement (PSA) target;
- b the issue has resulted in a need to seek additional funding from Treasury (or, for Executive Agencies and NDPBs, the sponsoring department) to allow it to be resolved, or has resulted in significant diversion of resources from another aspect of the business;
- c the external auditor regards it as having a material impact on the accounts;
- d the Audit Committee advises it should be considered significant for this purpose;
- e the Head of Internal Audit reports on it as significant, for this purpose, in their annual opinion on the whole of risk, control and governance;
- f the issue, or its impact has attracted significant public interest or has seriously damaged the reputation of the department.

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- a) Indicate any reservations / concerns which might lead to full or partial non-compliance with any statements 1-5 above.
- b) Detail any actions undertaken / planned which will address these reservations / concerns.
- c) In your response clearly state the issue, the actions that will be taken to address the issue and timeframes within each action to be taken

Reservations / Concerns

Control Issues

Outcome of Previous Control Issues

(Continue on a new page as required)

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Guidance Notes on Completing the Return

Please evaluate the Hearing Aid Council's performance against the definitions contained in each section of the return

You may choose to make reference to the examples of indicative best practice contained in Annex A.

You should provide comments to support the evaluation and to provide examples of actions (complete or planned). The following approach should be applied when completing each section of the return:

Evidence to support score

Indicate the rationale for the score selected (e.g. if '3' is selected, what evidence can be provided to support this score).

Refer to progress in 12 months up to 31/03/09.

Evidence may be provided which relates to the management of particular risks which have faced the HAC over the past year.

Planned / proposed actions

Indicate actions (planned or potential) to bridge any gap which exists between current state and desired score

Indicate owner and timescales for actions identified

Indicate also any potential risks to maintaining this score over the coming year how the current score relates to the desired score for the HAC.

This form is to be agreed by the Accounting Officer (Chief Executive Officer), assisted as appropriate by members of staff.

THE HEARING AID COUNCIL (HAC)

CORPORATE GOVERNANCE SUBMISSION

DATE: _____

CH EXEC: _____

1. Leadership					
Definition					
<ul style="list-style-type: none"> • Leaders within HAC demonstrate and communicate a shared vision. • Leaders build effective relationships with others. • Leaders show commitment to the behaviours set out in the organisation's values. • Leaders think, plan and take ideas from conception to implementation. 					
Evaluation	1 Awareness & Understanding	2 Implementation planned & in progress	3 Implemented in all key areas	4 Embedded and improving	5 Excellent capability established
<i>Please use "Shading Colour – Bright Green" to highlight your evaluation</i>					
Mission statement agreed with stakeholders. Corporate plan agreed and discussed at each level of HAC Annual report sets out work completed, risks, and objectives Annual budget setting Board level training and workshops Shared objective for transfer Statement of regulatory intent agreed in consultation with industry Good communication between staff, senior staff and Council. Individual reviews with each staff and Council member					

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2. Strategy and Direction

Definition

- The HAC Business Plan is clearly defined in terms of priorities, use of resources and is communicated throughout the organisation.
- Clear accountability defined for delivery.
- Clear communication and agreement where delivery accountability lies outside the HAC.

Evaluation	1 Awareness & Understanding	2 Implementation planned & in progress	3 Implemented in all key areas	4 Embedded and improving	5 Excellent capability established
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Please use "Shading Colour – Bright Green"  to highlight your evaluation

Corporate plan set and reviewed 6 monthly, published on line
 Transfer plan will be reviewed by Audit and SEC Committee and Council as transfer approaches. Objectives and workplan agreed.
 Statement of regulatory intent agreed and published online
 Improved relationships with stakeholders and increased media presence.

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CH EXEC: _____

3. Risk Management and Internal Control					
Definition					
<ul style="list-style-type: none"> • Risk Management & Internal control procedures have been documented communicated and consistently applied. • HAC’s key risks are subject to regular review and help to support informed decision-making within the organisation. • When making decisions to pursue new opportunities/activities, the capability to manage risks effectively are weighed against the benefits. • Risk Management and Internal Control processes are embedded and applied at key decision points within business processes. • Risks faced by other organisations³ contributing to the achievement of objectives are understood and jointly managed with your partners. • Management reporting enables early warning of key risks and control issues – supporting management discussion and decisions. 					
Evaluation	1 Awareness & Understanding	2 Implementation planned & in progress	3 Implemented in all key areas	4 Embedded and improving	5 Excellent capability established
<i>Please use “Shading Colour – Bright Green” to highlight your evaluation</i>					
<p>Risk register reviewed by staff, Directors, Audit and Council. Work plans to mitigate risks implemented and monitored.</p> <p>Whistle blowing and fraud policy agreed and distributed amongst staff.</p> <p>Thorough internal and external audit finds strong control environment.</p> <p>Meeting to meet audit requirements held at all levels of organisation.</p> <p>Standing item at Directors meeting.</p> <p>Evidence if emerging risks tackled: data handling reviewed led to new data handling systems and positive data handling audit outcome from BERR.</p>					

³ Examples of other organisations are Agencies, NDPBS, external organisations, contractors and suppliers

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4. Culture, Capability and Ethics					
Definition					
<ul style="list-style-type: none"> Culture of the HAC is communicated with processes in place to encourage behaviours that are consistent with the culture. Performance Review, induction and training mechanisms are reviewed to ensure they support behaviours & culture of the HAC. Roles and responsibilities of staff are well defined and enable appropriate assessment of progress against objectives. Skills and capabilities of the Senior Management Team (or equivalent) are subject to regular review. The HAC fulfils the requirement regarding Professional Skills in Government. 					
Evaluation	1 Awareness & Understanding	2 Implementation planned & in progress	3 Implemented in all key areas	4 Embedded and improving	5 Excellent capability established
<p><i>Please use “Shading Colour – Bright Green” to highlight your evaluation</i></p>					
<p>Staff receive induction period.</p> <p>Training and support available, eg office staff completing second NVQ. Training is planned to increase during final year to support staff in to new employment and will be based around staff self-identified learning needs.</p> <p>Staff feel the culture of the HAC is transparent, flat, committed and focussed on quality.</p> <p>The HAC seeks external advice where needed, eg from NAO, Counsel, BERR, industry and consumer groups. An example would be recent judicial review where external advice was sought at each stage of process to control cost and risk.</p>					

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CH EXEC: _____

5. Structure, Policies and Processes⁴					
Definition					
<ul style="list-style-type: none"> • Structure of the HAC enables efficient and effective management of its activities. • The HAC ensures effective matrix working when delivery objectives are dependent on others. • Clear understanding of relevant policies and procedures across the organisation. • Policies and procedures support delivery of objectives within the organisation and are subject to regular review. 					
Evaluation	1 Awareness & Understanding	2 Implementation planned & in progress	3 Implemented in all key areas	4 Embedded and improving	5 Excellent capability established
<i>Please use “Shading Colour – Bright Green” to highlight your evaluation</i>					
<p>Corporate plan, committee structure, management and operational meetings provide continuity.</p> <p>Organisational structure has responded to change, eg Merger of education committees in to a single committee, Director roles redefined, new legal structure put in place to smooth transfer to PHC.</p> <p>Success reflected in strong audit findings.</p> <p>Processes reviewed at operation level when staff completed NVQ in LEAN management.</p>					

⁴ Examples of Processes – delegated authorities, procurement, (incl. consultancy and professional services guidelines), budgeting and accounting. Operational – legal, IT, project management, insurance and business continuity. HR Related – security of information & physical assets, staff handbook, succession planning, health & safety, employee expenses / costs.

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6. Business Reporting and Information Systems					
Definition					
<ul style="list-style-type: none"> • Information & reporting systems allow the HAC to operate efficiently and effectively. • Systems used within the HAC ensure financial resources allocated are effectively managed in year. • Systems used are subject to regular review by the organisation’s central team to ensure compliance with legal obligations and HAC’s best practice. • Data handling procedures comply with best practice and are fully applied across the HAC and its delivery partners⁵. 					
Evaluation	1 Awareness & Understanding	2 Implementation planned & in progress	3 Implemented in all key areas	4 Embedded and improving	5 Excellent capability established
<i>Please use “Shading Colour – Bright Green” to highlight your evaluation</i>					
<p>Data handling and Freedom of Information policies reviewed. BERR audit of former requested and findings positive.</p> <p>Training for Council and staff on Freedom of Information obligations.</p> <p>Co-opted Audit Committee members provide strong challenge and scrutiny.</p> <p>Info shared through meetings, workshops, committees and Council. Published online.</p> <p>Positive outcomes demonstrated through audit findings of strong control environment.</p>					

⁵ Examples of delivery partners are Agencies, NDPBS, contractors and suppliers

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CH EXEC: _____

7. Assurance and Audit Provision⁶					
Definition					
<ul style="list-style-type: none"> HAC’s management has assurance that risks to objectives are being effectively controlled and managed. The HAC has appropriate assurance arrangements in place over the performance (financial & non-financial) of their delivery partners. Assurance activities are co-ordinated to provide sufficient evidence of the effectiveness of the system of internal control. Reports from assurance providers are appropriately considered by the HAC and required actions duly implemented and reviewed. 					
Evaluation	1 Awareness & Understanding	2 Implementation planned & in progress	3 Implemented in all key areas	4 Embedded and improving	5 Excellent capability established
<p><i>Please use “Shading Colour – Bright Green” to highlight your evaluation</i></p> <p>Internal audit plans agreed and implemented through audit committee, eg Co-opted Member proposed external audit of data handling procedures, Audit Committee agreed, outcome of audit positive.</p> <p>Co-opted Audit members provide strong scrutiny and challenge.</p> <p>Management team works closely with Audit Committee and Council to review audit findings and action positive changes.</p>					

⁶ Assurance Activities are procedures designed to monitor and assess the performance / quality of the business and to ensure that it continues to operate in an effective and controlled manner. Assurance activities may be internal to the Group (self-assessment tools, management review, peer review) or independent (IA Directorate, NAO, external consultants).

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8. Board Procedures and Oversight⁷ (To be completed at Group level only)					
Definition					
<ul style="list-style-type: none"> • HAC's Senior Management Team (or equivalent) has a clear mandate with roles and responsibilities documented. • HAC's Senior Management (or equivalent) oversees HAC performance. • Membership and performance of Senior Management Team (or equivalent) is periodically evaluated (including independent representation). • HAC's Senior Management (or equivalent) has debated its risk appetite and communicated its conclusions with staff in relation to decision-making. 					
Evaluation	1 Awareness & Understanding	2 Implementation planned & in progress	3 Implemented in all key areas	4 Embedded and improving	5 Excellent capability established
<i>Please use "Shading Colour – Bright Green" to highlight your evaluation</i>					
<p>Do Council members engage in business planning and key decisions?</p> <p>Do members understand their terms of reference and role?</p> <p>Do members feel they sufficiently review finance info as a committee and Council?</p> <p>Do members feel they provide sufficient expertise as a board?</p> <p>Do members feel they provide sufficient oversight of the executive?</p> <p>Do members feel they agree as a board the level of risk they are happy to accept?</p>					

⁷ The adequacy and efficiency of Departmental level oversight will be assessed separately with the Accounting Officer / Departmental Board.

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CH EXEC: _____

9. Stakeholder Relations, Compliance and Disclosure Requirements⁸					
Definition					
<ul style="list-style-type: none"> • Clear understanding within HAC of who key internal and external stakeholders are. • Clear understanding within HAC of the information and assurance it is required to provide to the Board and to other external stakeholders. • All staff comply with relevant legislation and internal policies and procedures. 					
Evaluation	1 Awareness & Understanding	2 Implementation planned & in progress	3 Implemented in all key areas	4 Embedded and improving	5 Excellent capability established
<i>Please use “Shading Colour – Bright Green” to highlight your evaluation</i>					
<p>Strong relationships built up with Government, consumer groups, industry, HPC and other agencies.</p> <p>Council meetings and Committee structure enable members to receive and review information on HAC performance.</p> <p>Training on data handling, freedom of information and audit requirements given to staff, success of which demonstrated by strong control environment in audit.</p>					

⁸ Stakeholder Groups include Parliament, the Treasury, UK industry, consumer groups, Trade unions, the media, the NAO, suppliers and the general public

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Indicative Examples of Best Practice**1. Leadership**

- The vision for HAC is established, clearly communicated and understood.
- Leadership shows a determination to create and achieve something of lasting value.
- Leaders and managers are quick to trust others with responsibility delegate appropriately and celebrate the growth and success of others.
- Leaders treat colleagues and subordinates with dignity and respect and clearly live for the values, future goals and structures.
- Leaders have the capacity to think laterally, be innovative, accept calculated risk and be able to see and present alternative ways forward.
- Leadership is visible and desired behaviour and attitudes are re-enforced through behaviours of leaders and team activities
- Senior Staff demonstrate and communicate the importance of being innovative and seeking new ways of working to achieve improved operational efficiency and quality of output.

2. Strategy and Direction

- The Chief Executive's vision for the organisation is established and clearly communicated.
- The Business plan was developed with input from the Senior Management Team, staff and stakeholders, agreed in good time and published at the beginning of financial year.
- The Business Plan is developed in the context of the HAC's operating environment and strategic priorities.
- The Business Plan was communicated to staff and is readily accessible, for example, available on the HAC Intranet.
- Accountability was established in Business Plan.
- Senior Staff demonstrate and communicate the importance of being innovative and seeking new ways of working to achieve improved operational efficiency and quality of output.
- Performance Management was used to sharpen focus on accountability in-year.
- The Business Plan set out clearly the actions and milestones of co-deliverers. Formal Memorandums of Understanding, Management Statements and Memoranda underpinned these, where appropriate.

3. Risk Management and Internal Control

- HAC's risk appetite is agreed, was communicated to staff and risks are managed in accordance with the organisation's appetite. Risk appetite is reviewed regularly.
- Risk mitigation plans are set up for each objective as part of the business planning process, are reviewed quarterly and where appropriate remedial action is taken to manage risks.
- Key projects have Risk Registers and project managers have sufficient risk management knowledge to manage project risks effectively.
- A shared approach to managing risk with partners is applied with responsibilities clearly defined and risks regularly reviewed together.
- Management of risk is used to inform decisions at all levels⁹.
- Business continuity and Disaster recovery plans are in place for the HAC.

4. Culture, Capability and Ethics

- Leadership is visible and desired behaviour and attitudes are re-enforced through behaviour of leaders and team activities.
- Personal Development Plans are undertaken at all levels across HAC.
- Roles and responsibilities of teams and individuals are discussed and agreed in Personal Development Plans at the end of each reporting period.
- Regular Personal Development reviews are carried out during the year to monitor progress and revise objectives and priorities where appropriate. Senior Management Team conduct "quality reviews" on a sample of Personal Development reviews.
- Induction events are held with new staff to give an overview of the role and internal workings of the organisation and are reviewed and updated during the course of the year.

⁹ Decisions include identifying and appraising options, determining priorities and resource allocation and when undertaking new projects and activities, to ensure risks are identified and assessed from the outset

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- The Senior Management Team have assessed their skills and capabilities during the year and undertaken appropriate development opportunities that were identified.
- The organisation maintains close working relationships with a range of relevant experts, and ensures their advice is integrated into the decisions taken by the organisation.
- Knowledge sharing is encouraged and new working practices/tools, successes and lessons learned are communicated across the organisation.

5. Structure, Policies and Processes

- HAC's Board and Senior Management Team provide continuity and direction in the efficient and effective management of activities.
- HAC's structure is flexible and receptive to change. Appropriate organisational changes have been made to support delivery of objectives.
- Delegated authorities were issued to the Senior Management Team and further sub-delegated to managers as necessary.
- Financial, operational and HR policies and procedures have been communicated by the Senior Management Team through distribution of guidance, workshops etc to all staff.
- Compliance with the HAC's policies, procedures and practices regularly reviewed through management checks during the year.

6. Business, Reporting and Information Services

- Using management information and other information available (e.g. experience), management engage in trend analysis and Horizon Scanning to develop an evidence base to support the vision of the organisation and the best way for the organisation to deliver.
- Reports from financial management systems, on budget, forecast and actual, used to effectively plan, monitor and review financial resources position in year.
- Regular partnership meetings, take place to ensure best practice is followed.
- Senior Management Team regularly reviews compliance in areas such as Data Protection, Health & Safety and IT Physical Security within the HAC.
- Board members provided additional scrutiny of information reported to them.
- A champion for the organisation leads to maximise the use of electronic record keeping systems, to spread good practice, and address problems.
- Information and knowledge was shared through the use of Group Intranet, Lunchtime Events, Newsletters, and Dialogue Sessions.

7. Assurance and Audit Provision

- Regular meetings with Finance Team on finance and business planning processes takes place and provides valuable feedback on the internal control systems in place.
- Balanced scorecards are used to provide senior management with assurance that resources are being appropriately allocated to deliver business objectives.
- An IA plan agreed early between the Chief Executive and Head of IA focuses on key risks and activities.
- Challenge was provided through 'independent members' at Board meetings.
- Review/discussion of scorecard risk registers at quarterly objective delivery group meetings.
- Findings and recommendations/action points of Audits and results of surveys were considered by the organisation's Board or SMT.
- Audit recommendations/action points agreed were implemented within the agreed timescales.
- External/other sources of assurance are used by HAC to gain confidence in the efficient and effective management of the organisation.

8. Board Procedures and Oversight

- Board members (including Independent members) are engaged in the business planning process and key decisions.

Period Ended 31 March 2009

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- The Board's terms of reference was published as well as meeting agendas, Board Papers and minutes of meetings.
- The Board reviews financial information (including forecasting), HR information (including sick leave and headcount), and other appropriate operational information.
- An assessment of the performance of the Board has been made during the year.
- The composition of the Board is appropriate with all members suitably qualified.
- Board has 'independent members' with differing but relevant backgrounds and perspectives on the HAC's work.
- Board has discussed its risk appetite and communicated it to staff.

9. Stakeholder Relations, Compliance and Disclosure Requirements

- Regular dialogue with key stakeholders, as appropriate, supporting effective relationship management with key stakeholders.
- Stakeholder expectations are managed and satisfaction is measured. Action is taken to address declining stakeholder engagement.
- Fulfilled requirements for providing information from the organisation relating to Freedom of Information Act, and other requisite sources, as necessary from within the HAC.
- A wide range of stakeholders are consulted frequently on emerging policy, strategy and business planning priorities.
- Training and information is available to staff on how to comply with relevant legislation and internal policies and procedures.

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Corporate Governance and Risk Management within the BERR family.

Corporate Governance represents the overall systems, styles and behaviours that exist within the BERR family to direct and control corporate activities and to ensure the controlled achievement of strategy and objectives. It provides a code of roles, responsibilities, rules and procedures for making decisions on your organisation’s affairs.

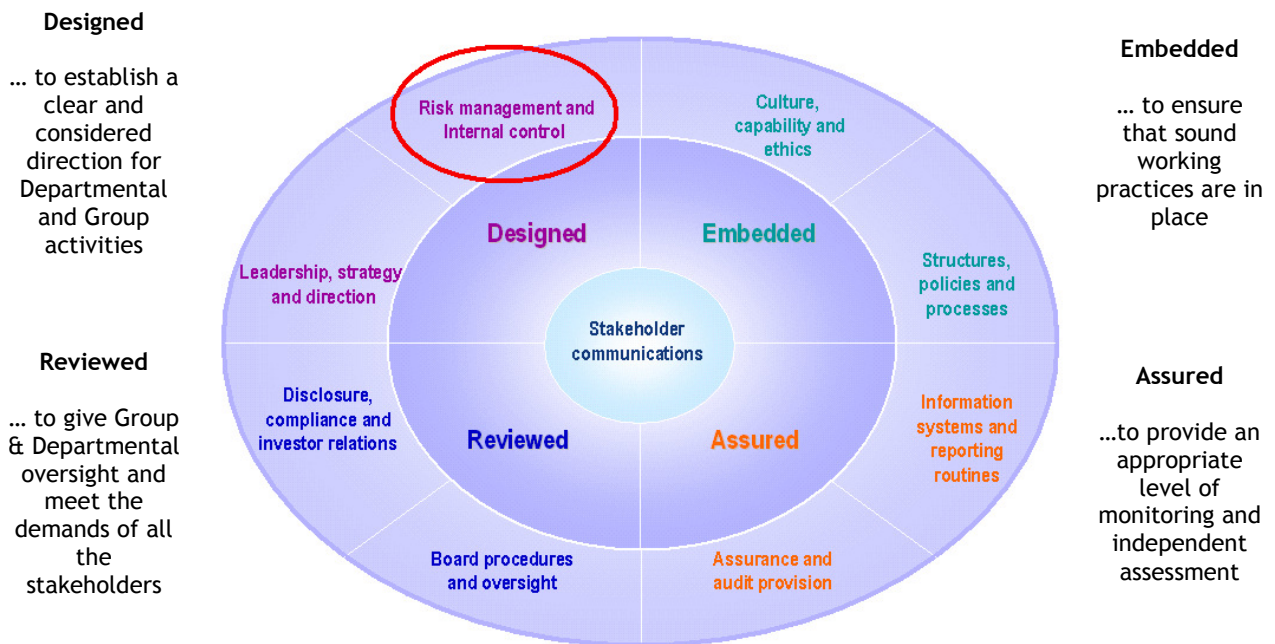
In particular, effective corporate governance seeks to:

- Ensure that the interests of key stakeholders are protected;
- Ensure the board and executive officers fulfil their primary role to direct the organisation and to monitor the performance both of the organisation and of executive management;
- Ensure that the organisation maintains accurate reporting/compliance procedures and reliable management controls.

The main elements included within a corporate governance framework are shown in the diagram at the bottom of this page.

Effective Risk Management and Internal Control processes act as enablers for the delivery of effective governance - ensuring appropriate consideration of risk at all decision points, and formalising the way in which key risks are controlled.

The role of Risk Management and Internal Control within the overall approach to Corporate Governance is also illustrated in the diagram.



Corporate Governance is encapsulated in a wide number of processes, policies, and values (written and unwritten) across the BERR family. The following Risk Management policy focuses on the key process steps to delivery of risk management within the BERR family. It provides guidelines on:

- Definitions and a rationale
- Principles underlying current and future risk management activity
- Roles and responsibilities
- Document management

Period Ended 31 March 2009