

ANNEX B TO DAO(GEN) 16/04

The Public Accounts Committee's 57th Report, 2001-02

The operation and wind-up of Teesside Development Corporation

The PAC made the following recommendations that are of general application to departments that have sponsored bodies. In its response the Government accepted the recommendations.

PAC recommendation (i) “For limited life bodies, departments should specify the basis for the valuation and accounting treatment of assets and liabilities at wind-up, distinguishing between actual and potential assets and liabilities, to provide a clear basis for assessing a body's financial legacy. More generally, departments should protect public interests when a body is to be wound up by seeking independent assurance on key transactions, financial commitments and cash flows, and by considering representation on the Board to ensure that wind-up is conducted in a proper and satisfactory manner.”

PAC recommendation (iii) “... As limited life bodies approach the end of their lives, departments should put in place procedures to collect sufficient information to protect public funds and to maintain the momentum of work inherited by residuary bodies.”

PAC recommendation (iv) “... Departments should review the performance objectives of Chief Executives of sponsored bodies, and give due weight to the proper management and use of public monies as a key part of Chief Executives' operational responsibilities.”

PAC recommendation (v) “... Departments should retain the ability to influence the bonus paid to an Accounting Officer of a sponsored body where the Accounting Officer has not satisfactorily discharged his or her responsibilities to the department.”

PAC recommendation (vi) “Departments should satisfy themselves that the Boards of sponsored bodies receive and review regular financial information, and take appropriate action to manage key risks including the establishment of an independent audit committee.”

PAC recommendation (vii) “Departments should provide Board members with sufficient knowledge and understanding of the financial management and reporting requirements of public sector bodies, and draw their attention to any differences which may exist between private and public sector practice.”

PAC recommendation (viii) “Departments should bring concerns about the activities of a sponsored body to the attention of the whole Board, and require explanations and assurances from the Board that appropriate action has been taken.”

PAC recommendation (ix) “Departments should not be reluctant to intervene in the affairs of a sponsored body if that body fails to respond to other requests to bring its activities under proper control.”

PAC recommendation (x) “... Departments should consider designating a senior officer with primary responsibility for overseeing the activities of a sponsored body, with that person seeking advice from other specialists as required.”

PAC recommendation (xi) “... Departments should target oversight on those sponsored bodies that pose the greatest risk, based on a periodic risk assessment. These assessments should reflect, for example, the nature of the body's activities; the public monies at stake; the body's corporate governance arrangements; its financial performance; internal and external auditors' reports; and the openness of communications between the body and the department.”