



**Isle of Man
Government**

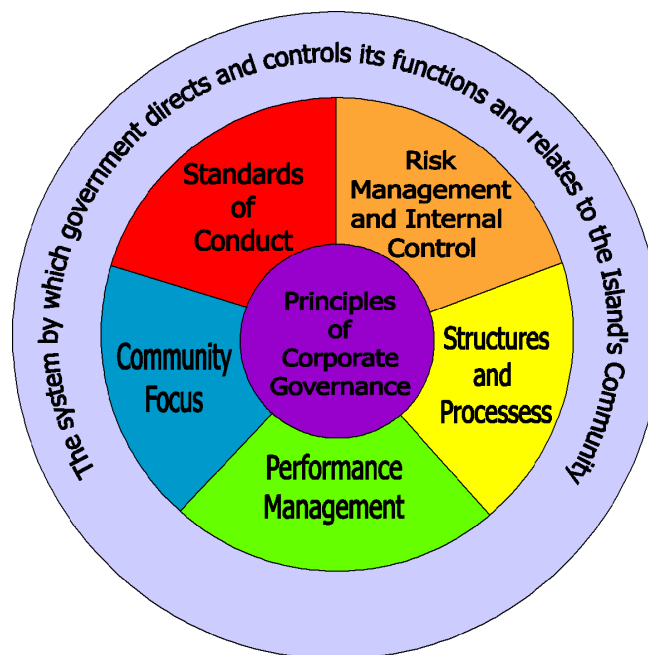
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Corporate Governance Principles

and

Code of Conduct

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Isle of Man Government Corporate Governance Principles and Code of Conduct

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The Isle of Man Corporate Governance Principles and Code of Conduct apply to all "designated bodies" and "departments of Government" within the meaning of the Treasury Act 1985. **In this Code they are all referred to as "departments"**. The following are "designated bodies":

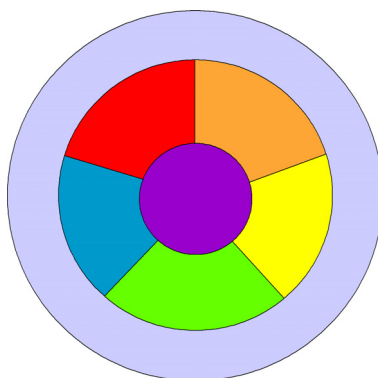
all departments (Department of Agriculture, Fisheries and Forestry, Department of Education, Department of Health & Social Security, Department of Home Affairs, Department of Trade and Industry, Department of Local Government and the Environment, Department of Tourism and Leisure, Department of Transport, and Treasury, that is the bodies established by the Government Departments Act 1987);

all Statutory Boards (the Communications Commission, Office of Fair Trading, Financial Supervision Commission, Insurance and Pensions Authority, Isle of Man Post Office, Isle of Man Water Authority and the Manx Electricity Authority, that is the bodies to whom the Statutory Boards Act 1987 applies);

any other body or authority (other than a local authority), for example Manx National Heritage, constituted by any enactment for any purposes involving the expenditure of public moneys or the receipt of public moneys for the purposes of that body or authority or for the public revenue;

any other body designated as such for the purposes of the Treasury Act 1985 by order of the Council of Ministers.

For the purposes of this document, the term "department of Government" includes the Chief Secretary's Office, Attorney General's Chambers, General Registry, Personnel Office, Gambling Control Commission, Office of the Data Protection Supervisor, and Industrial Relations Service which are not "designated bodies".



1 Aims and Objectives

Corporate Governance in Government

Corporate governance is the system by which Government directs and controls its functions and relates to the Island's community

- 1.1 Effective government relies on the credibility of, and public confidence in, elected politicians and departmental officials. By making explicit the high standards Government expects itself to meet, it can give confidence to potential partners, the public, private, or voluntary sectors, and to the people of the Isle of Man. Adoption of the principles of corporate governance will assist in maintaining credibility and confidence in the public service
- 1.2 All Departments should attempt to meet the highest standards and their governance arrangements should not only be sound, but be seen to be sound. To ensure this, governance arrangements need to be clear, effective and reviewed on a regular basis.
- 1.3 This Code defines the minimum standards of corporate governance to be applied by Departments, but Departments may wish to further develop the code to take account of their individual circumstances and responsibilities.
- 1.4 The purpose of this Code is to:
 - define the principles that must underpin the governance of each Department;
 - provide the framework within which each Department can ensure confidence and credibility, minimise risk, and manage change, and;
 - assist Departments by articulating what is considered to be best practice.
- 1.5 Each Department will be expected to:
 - regularly review its corporate governance arrangements in line with the Code;
 - establish arrangements for ensuring the Code is put into operation, and;
 - report regularly, through Statements of Internal Control, on how the Department is complying with the Code.
- 1.6 Statements of Internal Control will be required to be produced by Departments on an annual basis and will contain :
 - an explanation of the Department's responsibility for financial probity;
 - confirmation that the Department complies with the Code, and
 - evidence to support compliance with the Code.
- 1.7 The Chief Financial Officer will report corporately, on an annual basis, providing a Statement of Internal Control for Government as a whole, stating how it is applying and upholding the principles of corporate governance.

2 Fundamental Principles of Corporate Governance

2.1 The three fundamental principles of corporate governance are:

- Openness** An open approach is required to ensure all interested parties are confident in the organisation itself. Being open in the disclosure of information leads to effective and timely action and lends itself to necessary scrutiny.
- Integrity** This is described as both straightforward dealing and completeness. It should be reflected in the honesty of an organisation's annual report and its portrayal of a balanced view. The integrity of reports depends on the integrity of those who prepare and present them which, in turn, is a reflection of the professional standards within the organisation.
- Accountability** This is the process whereby individuals are responsible for their actions. It is achieved by all parties having a clear understanding of those responsibilities, and having clearly defined roles through a robust structure.

2.2 These principles are relevant to both public service bodies and private sector entities. They apply equally to all public service bodies, irrespective of whether they are elected or appointed.

2.3 These principles are consistent with the following internationally agreed principles of conduct which should underpin public life:

- Selflessness** Holders of public office should take decisions solely in terms of the public interest. They should not do so in order to gain financial or other material benefits for themselves, their family, or their friends.
- Integrity** Holders of public office should not place themselves under any financial or other obligation to outside individuals or organisations that might influence them in the performance of their official duties.
- Objectivity** In carrying out public business, including making public appointments, awarding contracts, or recommending individuals for rewards and benefits, holders of public office should make choices on merit.
- Accountability** Holders of public office are accountable for their decisions and actions to the public and must submit themselves to whatever scrutiny is appropriate to their office.
- Openness** Holders of public office should be as open as possible about all the decisions and actions that they take. They should give reasons for their decisions and actions and restrict information only when the wider public interest clearly demands.
- Honesty** Holders of public office have a duty to declare any private interests relating to their public duties and to take steps to resolve any conflicts arising in a way that protects the public interest.
- Leadership** Holders of public office should promote and support these principles by leadership and example.

3 A CODE OF CONDUCT FOR CORPORATE GOVERNANCE

3.1 The fundamental principles of corporate governance need to be reflected in the different aspects of a Department's functions. These aspects are identified as:

- community focus;
- performance management;
- structures and processes;
- risk management and internal control;
- standards of conduct.

3.2 The next section considers how the principles of corporate governance can be reflected in the above "aspects" and what that means for Departments in practice. The principles of each aspect are outlined in the boxes. Additional guidance on what each Department will need to do to meet these principles is outlined below each box.

Aspect 1 – Community Focus

Through carrying out their general and specific duties and responsibilities and their ability to exert wider influence, Departments should work for and with the Island's community and, where appropriate, exercise leadership within the community by maintaining effective arrangements to:

- communicate and engage with relevant members of the Island's community (including business) to encourage active participation;
- demonstrate integrity in building effective relationships and partnerships with other public agencies and the private/voluntary sectors in delivering services appropriate to local needs;
- demonstrate openness through consulting with key stakeholders including service users;
- develop and articulate a clear and up to date vision and corporate strategy in response to community needs.

To meet these principles, a Department will need to:

- put in place arrangements and channels of communications, where appropriate, to encourage individuals and groups from the community to engage with, contribute to and participate in the work of the Department and have processes in place to ensure that these arrangements continue to work in practice;
- make an explicit commitment to openness in all of their dealings, subject only to the need to preserve confidentiality in those specific circumstances where it is proper and appropriate to do so, and by their actions and communications, deliver against that commitment;
- comply with the Government's Code of Practice on Access to Government Information (see extract below).

Code of Practice on Access to Government Information

"Open government is part of an effective democracy. Citizens must have adequate access to the information and analysis on which government business is based. Ministers and public servants have a duty to explain their policies, decisions, and actions to the public. Governments need, however, to keep some information confidential, and have a duty to protect the proper privacy of those with whom they deal."

The above paragraph, which is fully consistent with the underlying governance principles of openness, integrity, and accountability, is the opening statement of the document "**Code of Practice on Access to Government Information**", which was approved and issued by the Council of Ministers with effect from 1 September 1996.

Aspect 2 – Performance Management

A Department should ensure that agreed policies are implemented and decisions are carried out by maintaining arrangements which:

- demonstrate proper accountability for the Department's performance and effectiveness in the delivery of services and the use of resources;
- ensure effectiveness through setting targets and measuring performance;
- are flexible so that they are up to date and can be adapted to accommodate change;
- enable work across Departmental boundaries in pursuit of the principles above.

To meet these principles, Departments will need to:

- publish as part the Government's Corporate Government and Business Planning process an objective and understandable assessment of it's :
 - activities and achievements, and;
 - financial position and performance;
- ensure that this assessment includes details of the Department's current performance in respect of service delivery and plans to maintain and/or improve service quality;
- set performance standards and targets for service delivery that are consistent with :
 - the Government's corporate aims and objectives, and
 - the Key Performance Indicators established within the Isle of Man Government Plan;
- put in place systems for producing management information for performance reporting purposes;
- monitor individual and organisational performance and report against agreed standards and targets, and;
- establish systems that support collaborative working between Departments in common areas of service delivery.

Aspect 3 – Structures and Processes

A Department needs to establish effective political and managerial structures and processes to govern decision-making and the exercise of authority within the organisation. A Department should maintain arrangements to:

- define roles and responsibilities of Members and officers to ensure accountability;
- ensure that there is proper scrutiny and review of all aspects of performance and effectiveness;
- demonstrate integrity in the decision making process;
- document clearly such structures and processes and to ensure that they are communicated and understood to demonstrate openness;
- ensure such structures and processes are flexible so that they can be adapted to accommodate change and be kept up to date.

To meet these principles, a Department will need to:

- develop and maintain an up to date scheme of delegated or reserved powers, which should include a formal schedule of those matters specifically reserved for the decision of the Department Minister;
- put in place arrangements to ensure that Members are properly briefed and assisted for their roles and have access to all such relevant information, advice and resource as is necessary to enable them to carry out their role effectively;
- define clearly the roles and responsibilities of all Members (and Committee Members) of the Department;
- ensure, where relevant, that Members are remunerated in accordance with The Payment of Members' Expenses Act 1989;
- ensure a Chief Officer (Accounting Officer) or equivalent is responsible for all aspects of executive management. He or she is accountable for the ultimate performance and implementation of policy;
- ensure a senior officer (Finance Officer) is made responsible to the Accounting Officer for ensuring that appropriate advice is given on all financial matters, for keeping proper financial records and accounts, and for maintaining an effective system of internal financial control;
- ensure the Accounting Officer or a senior officer has clear delegated responsibility for ensuring that agreed procedures are followed and that all applicable statutes and regulations, and other relevant statements of good practice are complied with;
- define clearly the roles and responsibilities of all senior officers, in writing.

Aspect 4 – Risk Management and Internal Control

A Department needs to establish and maintain a systematic strategy, framework and process for managing risk. Together these arrangements should:

- allow for public scrutiny of the Department's risk management strategy, process and framework to demonstrate accountability;
- demonstrate integrity by being based on robust systems;
- include mechanisms for monitoring and review;
- display openness by involving all those associated with planning and delivering services;

To meet these principles effectively, a Department will need to:

- develop and maintain sound systems for identifying, evaluating, controlling and monitoring all significant strategic and operational opportunities and risks;
- ensure the systems are developed and implemented in consultation with interested parties, and that they are clearly stated and disseminated;
- ensure the systems are in compliance with all applicable statutes and regulations and other relevant statements of best practice;
- ensure that public funds are properly safeguarded, used economically, efficiently and effectively, and in accordance with statutory and other authorities that govern their use;
- ensure that services are delivered by trained and competent people;
- put in place arrangements to allocate resources according to priorities;
- put in place effective arrangements for objective review and monitoring of risk management and internal control systems, including internal audit, to ensure effectiveness in practice;
- maintain professional and objective standards with their internal auditors, external auditors, and other statutory inspectors;
- provide within its annual Statement of Internal Control, an objective, balanced and understandable statement and assessment of the Department's risk management and internal control mechanisms and their effectiveness in practice;

Aspect 5 – Standards of Conduct

The openness, integrity and accountability of individuals within a Department is the cornerstone of effective corporate governance. The reputation of the Department depends on the standards of behaviour of everyone in it, including agents contracted to it.

Therefore the Minister, Members, and senior officers of a Department will need to:

- exercise leadership by conducting themselves as role models for others within the Department to follow;
- ensure compliance with relevant professional and corporate standards of personal behaviour and codes of ethics;

To meet these principles, Departments need to:

- put in place arrangements to ensure :
 - accountability and effectiveness through establishing and monitoring systems for discipline and grievance;
 - that objectivity and impartiality are maintained in all relationships to demonstrate integrity;
 - that agreed complaints procedures are fully complied with.
- comply with the formal codes of conduct defining the standards of personal behaviour to which individual Members, officers and agents of the Department should be required to subscribe and put in place arrangements to ensure that they are complied with in practice;
- put in place arrangements to ensure that Members and all staff of the Department are not influenced by prejudice, bias, or conflicts of interest in dealing with different interested parties and ensure that these arrangements continue to operate in practice;
- put in place arrangements to ensure that their procedures and operations are designed and monitored in conformity with
 - prescribed Government Policy;
 - the general framework of financial regulations;
 - any relevant legislative requirements, and
 - appropriate ethical standards.