

## **EAST AYRSHIRE COUNCIL**

### **POLICY AND RESOURCES COMMITTEE – 10 APRIL 2003**

#### **LOCAL CODE OF CORPORATE GOVERNANCE**

##### **Report by Chief Executive**

### **1. PURPOSE OF REPORT**

- 1.1 To advise the Committee of progress in the implementation of the Council's Corporate Governance Action Plan and to seek the Committee's approval to the adoption of a revised Local Code of Corporate Governance and revised Action Plan.

### **2. BACKGROUND**

- 2.1 The Policy and Resources Committee at its meeting on 5 October 2000 considered a report on the CIPFA/SOLACE draft framework for Corporate Governance in Local Government. Among other things, the Council agreed to advise CIPFA of the Council's support for the draft framework document. The Committee also noted that whilst the Council operated many or similar types or systems identified within the draft guidance, that on receipt of the final framework document from CIPFA/SOLACE a report would be prepared on the development of East Ayrshire Council's own Corporate Code of Corporate Governance.
- 2.2 Following publication of the finalised CIPFA/SOLACE framework for Corporate Governance in Local Government, a report was presented to the Council Meeting of 27 June 2002 recommending the adoption of a Local Code of Corporate Governance.
- 2.3 Among other things, the Council agreed to adopt the Local Code of Corporate Governance and to implement an Improvement Action Plan to strengthen further the Council's approach to Corporate Governance.

### **3. ANNUAL REVIEW OF CORPORATE GOVERNANCE ARRANGEMENTS**

- 3.1 An important element in relation to the process of assurance that the Council's arrangements for Corporate Governance are in place and working effectively is the need for continuing monitoring and annual review of these arrangements.
- 3.2 Whilst this process of review is co-ordinated corporately, clearly it is the responsibility of Service Directors to ensure that they are satisfied that their own governance arrangements are adequate and operating effectively. In line with the CIPFA/SOLACE framework for Corporate Governance in Local Government, each Service Director is required to make an annual statement confirming that this is the case and, thereafter, the Council prepares and publishes an Annual Statement of Assurance confirming that its corporate arrangements for governance within the Authority are robust.

- 3.3 In light of the importance of these matters, the Council's Corporate Governance arrangements have been a matter for consideration by the Council's Senior Staff Management Team. Additionally, Directors have contributed to the formal process of review of the Council's Local Code of Corporate Governance and Improvement Action Plan.

#### **4. ACTION PLAN PROGRESS**

- 4.1 Appendix 1 to this report sets out the Council's Corporate Governance Action Plan agreed at the 27 June 2002 meeting of Council. The final column of the Action Plan provides an update on the progress in achieving the agreed actions.
- 4.2 The Council has made good progress over the last year in strengthening further its Corporate Governance arrangements, with all of the previously agreed actions achieved, or planned to be completed.

#### **5. REVISED LOCAL CODE OF CORPORATE GOVERNANCE**

- 5.1 Appendix 2 to this report provides a proposed revised East Ayrshire Local Code of Corporate Governance for 2003/04.
- 5.2 In terms of structure, the revised Local Code of Corporate Governance continues to follow the CIPFA/SOLACE Framework. This is considered to be good practice and means that the Council will be well placed to respond to the external audit requirements of the Council's Corporate Governance arrangements, the template for which also adheres to the CIPFA/SOLACE Framework.
- 5.3 It is worthy of note that in developing the Council's existing Local Code of Corporate Governance, current arrangements were found to comply significantly with the CIPFA/SOLACE Framework. The conclusion of this review one year on has been that the Council continues to have effective arrangements in place to protect the Council's interests and promote good governance within the Authority. For ease of reference, proposed amendments to the Local Code of Corporate Governance are highlighted within the appendix in bold italics.

#### **6. ADOPTION OF A REVISED ACTION PLAN**

- 6.1 Whilst this review of the Council's Corporate Governance arrangements has concluded that the Council continues to have effective governance arrangements in place, it should always be the case that these arrangements are subjected to a process of continuous improvement.
- 6.2 In light of this, a limited number of new improvement actions have been identified for implementation over the coming year which are intended to strengthen further the Council's Corporate Governance Arrangements. This proposed Improvement Action Plan is set out in Appendix 3 to this report and progress in its implementation will feature in the next Annual Review of the Council's Corporate Governance Arrangements.

## **7. POLICY IMPLICATIONS**

7.1 The Council places a high degree of importance on the need to ensure that its arrangements for Corporate Governance are effective and continue to be the subject of ongoing review and improvement.

## **8. LEGAL IMPLICATIONS**

8.1 Nil.

## **9. FINANCIAL IMPLICATIONS**

9.1 Nil.

## **10. RECOMMENDATIONS**

10.1 The Committee is asked to:-

- (i) note the process of review for the Council's Corporate Governance Arrangements;
- (ii) note the good progress made in the implementation of the previously agreed Corporate Governance Action Plan;
- (iii) agree the revised East Ayrshire Local Code of Corporate Governance set out in Appendix 2 to this report;
- (iv) agree the proposed Corporate Governance Improvement Action Plan set out in Appendix 3 to this report;
- (v) note that the revised Local Code of Corporate Governance and the Corporate Governance Improvement Action Plan will be published and made available to the general public; and
- (vi) otherwise note the content of this report.

### **LIST OF BACKGROUND PAPERS**

CIPFA/SOLACE Corporate Governance in Local Government A Keystone for Community Governance, 2001.

Members wishing further information on this report should contact Fiona Lees, Depute Chief Executive/Director of Corporate Resources, tel: 01563 576019 or John Clayton, Head of Corporate Development and Communication, tel: 01563 576165.

**Implementation Officer: Fiona Lees, Depute Chief Executive/Director of Corporate Resources**

**David Montgomery  
Chief Executive  
2 April 2003**

## Appendix 1- 2002/03 Improvement Action Plan Update

Action Required	Officer Responsible	Timetable	Progress Update April 2003
<b>Dimension 1 – Community Focus</b>			
Prepare specific Implementation Plans for the key themes in East Ayrshire Community Plan.	Head of Corporate Development and Communication	March 2003	Report being considered at the 10 April 2003 meeting of the Policy and Resources Committee. <b>Action achieved</b>
<b>Dimension 2 – Service Delivery Arrangements</b>			
Review feedback from the first East Ayrshire Public Performance Report and incorporate changes into the 2002 PPR	Head of Corporate Development and Communication	December 2002	Report considered at the meeting of the Policy and Resources Committee on 20 February 2003. <b>Action achieved</b>
<b>Dimension 3 – Structures and Processes</b>			
Further develop Scheme of Delegation and Administration for East Ayrshire Council targeting the needs of individual service users and identifying further the roles of Members within the Council's decision-making process.	Depute Chief Executive/Director of Corporate Resources.	December 2002	Review of Scheme of Delegation and Administration ongoing. On target for a report to Meeting of Council in June 2003.
Review decision-making process.	Chief Executive	October 2002 (report to council)	Report considered at Council Meeting in October 2002. <b>Action achieved.</b> Further report to be submitted to June 2003 Council Meeting.

Develop a training plan for Elected Members.	Depute Chief Executive/Director of Corporate Resources.	2002/03	Training Plan developed and to be implemented following Council Elections. <b>Action achieved</b>
<b>Dimension 4 –Risk Management and Internal Control</b>			
Conduct mid year discussions with clients to discuss achievement of the Audit Plan.	Chief Auditor	November 2002	<b>Action achieved</b>
Enhance the existing Accountancy Policy Bulletins and introduce Accountancy Policy Bulletins to cover additional areas.	Head of Accounting Services	Ongoing	Accounting Policy Bulletin APB 27 – External Funding Guidance for External Bodies introduced. <b>Action achieved</b>
Undertake mid year reporting of Audit Plan to elected members.	Chief Auditor	November 2002	<b>Action achieved</b>
Develop a basic Risk Management Awareness course for Members and relevant officers	Risk Manager/Head of Personnel Services	June 2003	Incorporated into Finance Induction training for new Members. <b>Action achieved</b> Further development carried into 2003/04 Action Plan.
<b>Dimension 5 –Standards of Conduct</b>			
Review/develop guidance to Members following approval of the Councillors Code of Conduct introduced under the Ethical Standards and Public Life etc (Scotland) Act 2000.	Depute Chief Executive/Director of Corporate Resources.	March 2003	Report to 10 April 2003 Meeting of the Policy and Resources Committee. Guidance to Members will initially form part of Members training plan introduced following May 2003 Elections and addressed on an ongoing basis thereafter. <b>Action achieved</b>

## Appendix 2 – Local Code of Corporate Governance 2003/04

For each dimension of a local Authority's business, the CIPFA/SOLACE Corporate Governance in Local Government Guidance Note provides illustrative tables to show how the principles of corporate governance should be reflected, the requirements the local code should reflect, and examples of systems, processes and documentation that may be used to demonstrate compliance. These are, however, only examples and individual authorities will differ in respect to how they comply with the terms of the Code. The CIPFA/SOLACE template has broadly been followed in developing this authority's Local Code.

### **Dimension 1: Community Focus**

#### **How the principles of corporate governance should be reflected.**

Through carrying out their general and specific duties and responsibilities and their ability to exert wider influence, local authorities should:

- work for and with their communities
- exercise leadership in their local communities, where appropriate
- undertake an 'ambassadorial' role to promote the well-being of their area, where appropriate.

Local authorities should therefore maintain effective arrangements:

- for explicit **accountability** to stakeholders for the authority's performance and its **effectiveness** in the delivery of services and the sustainable use of resources
- to demonstrate **integrity** in the authority's dealings in building effective relationships and partnerships with other public agencies and the private/voluntary sectors
- to demonstrate openness in all their dealings
- to demonstrate **inclusivity** by communicating and engaging with all sections of the community to encourage active participation
- to develop and articulate a clear and up-to-date vision and corporate strategy in response to community needs.

Requirements of Corporate Governance	Council documents or processes to which reference may be made to demonstrate compliance	Demonstration of Local Compliance
<p>(a) publish on a timely basis an annual report presenting an objective, understandable account of the authority's:</p> <ul style="list-style-type: none"> <li>• activities and achievements</li> <li>• financial position and performance</li> <li>• improvement targets.</li> </ul> <p>The reports should include statements:</p> <ul style="list-style-type: none"> <li>• explaining the authority's responsibility for the financial statements.</li> <li>• confirming that the authority complies with relevant standards and codes of corporate governance.</li> <li>• on the effectiveness of the authority's system for risk management and internal control.</li> </ul>	<p>Financial statements Public Performance Report</p>	<ul style="list-style-type: none"> <li>◆ Publish annual report including financial position and performance and highlight activities and achievements</li> <li>◆ Publish East Ayrshire Public Performance Report</li> <li>◆ High level progress incorporated into the Annual Report</li> <li>◆ Publish Statutory Performance Indicators</li> <li>◆ <b>Community Plan and Progress Updates</b></li> <li>◆ <b>Audit Plan (agreed by Committee)</b></li> </ul>
<p>(b) publish on a timely basis a performance plan presenting an objective, balanced and understandable account and assessment of the authority's</p> <ul style="list-style-type: none"> <li>• current performance in service delivery</li> <li>• plans to maintain and improve service quality</li> </ul>	<p>Public Performance Report Community strategy</p>	<ul style="list-style-type: none"> <li>◆ Publish annual Public Performance Report</li> <li>◆ <b>Service Improvement Plans</b></li> </ul>
<p>(c) put in place proper arrangements for the independent review of the financial and operational reporting process</p>	<p>Annual audit letter and other audit reports Scrutiny Inspection reports</p>	<ul style="list-style-type: none"> <li>◆ External Audit – final report by Controller of Audit considered by Members</li> <li>◆ Internal and External Audit</li> <li>◆ Annual Plan and report</li> <li>◆ Budget Scrutiny Group</li> <li>◆ Committee Scrutiny</li> <li>◆ Accounting Policy Bulletins</li> <li>◆ Best Value Scrutiny Groups</li> <li>◆ Property Monitoring Group</li> </ul>
<p>(d) put in place proper arrangements designed to encourage individuals and groups from all sections of the community to engage with, contribute to and participate in the work of the authority and put in place appropriate</p>	<p>Strategic partnership framework Stakeholders forums' terms of reference Area forums' roles and responsibilities Residents' panel structure Annual report</p>	<ul style="list-style-type: none"> <li>◆ Local Committee.</li> <li>◆ Local Planning Committees</li> <li>◆ Youth Forums/Youth Conferences</li> <li>◆ Public consultation on budget.</li> <li>◆ Community Council Consultations</li> </ul>

Requirements of Corporate Governance	Council documents or processes to which reference may be made to demonstrate compliance	Demonstration of Local Compliance
<p>monitoring processes to ensure that they continue to work in practice</p>	<p>Community planning process <b>Better Neighbourhood Services Fund – Citizen’s Panels</b></p>	<ul style="list-style-type: none"> <li>◆ Local Liaison Committees</li> <li>◆ Social Inclusion Partnership Boards</li> <li>◆ The Council’s comments and suggestions scheme</li> <li>◆ Customer Focus Groups</li> <li>◆ Better government for older people</li> <li>◆ Other Stakeholder Consultations</li> <li>◆ Residents Survey</li> <li>◆ Council for Voluntary Organisations Partnership</li> <li>◆ Community Safety Partnership</li> <li>◆ <b>Better Neighbourhood Services Fund – Citizen’s Panels</b></li> <li>◆ <b>Race Equality Scheme</b></li> <li>◆ <b>General Consultative Forums, including:-</b> <ul style="list-style-type: none"> <li>◆ Disability Forum</li> <li>◆ Women’s Forum</li> <li>◆ Ethnic Minorities Forum</li> </ul> </li> <li>◆ <b>Community Safety Forum</b></li> <li>◆ <b>Disabled Access Forum</b></li> </ul>
<p>(e) 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 an account against that commitment</p>	<p>Constitution</p>	<ul style="list-style-type: none"> <li>◆ Access is one of the council’s 4 core values</li> <li>◆ Minimal council business held in private</li> <li>◆ Limited application of access to information exclusion grounds</li> <li>◆ Decentralisation scheme</li> <li>◆ Fifteen minute public open forum at Local Committees</li> <li>◆ Local Planning Committees – hearing procedure allows all parties to be heard</li> <li>◆ Standing orders and scheme of Delegation</li> <li>◆ Code of Conduct</li> <li>◆ Minutes and Committee Reports are posted on the internet</li> </ul>

Requirements of Corporate Governance	Council documents or processes to which reference may be made to demonstrate compliance	Demonstration of Local Compliance
(f) establish clear channels of communication with all sections of their community and other stakeholders, and put in place proper monitoring arrangements to ensure that they operate effectively	Partnership framework IIP accreditation Communication planning process	<ul style="list-style-type: none"> <li>◆ CVO Partnership</li> <li>◆ Elderly Forum</li> <li>◆ Headlines</li> <li>◆ Decentralisation Scheme</li> <li>◆ Budget Consultation</li> <li>◆ A-Z of Council Services</li> <li>◆ Council's internet and intranet site</li> <li>◆ Ethnic Minorities Forum</li> <li>◆ Youth Forums</li> <li>◆ <b>Better Neighbourhood Services Fund – Citizen's Panels</b></li> </ul>
(g) ensure that a vision for their local communities and their strategic plans, priorities and targets are developed through robust mechanisms, and in consultation with the local community and other key stakeholders, and that they are clearly articulated and disseminated	Communication planning process Service plans	<ul style="list-style-type: none"> <li>◆ The Council's vision is in place</li> <li>◆ The Social Inclusion Partnership and Better Neighbourhood Services Fund have <b>development plans and Outcome Agreements</b></li> <li>◆ Community consultation is carried out through the Departmental Service Plan and Statutory Plans</li> <li>◆ Community and Council Planning Process – Core Partners Group; Joint Officers Support Group</li> <li>◆ Service Plans and individual consultation methods</li> </ul>

## Dimension 2: Service Delivery Arrangements

### How the principles of corporate governance should be reflected.

A local authority should ensure that continuous improvement is sought, agreed policies are implemented and decisions carried out by maintaining arrangements which:

- discharge their **accountability** for service delivery at a local level
- ensure **effectiveness** through setting targets and measuring performance
- demonstrate **integrity** in dealings with service users and developing partnership to ensure the 'right' provision of services locally
- demonstrate **openness and inclusivity** through consulting with key stakeholders, including service users
- are flexible so that they can be kept **up to date** and be adapted to accommodate change and meet user wishes.

Requirements of Corporate Governance	Council documents or processes to which reference may be made to demonstrate compliance	Demonstration of Local Compliance
(a) set standards and targets for performance in the delivery of services on a sustainable basis and with reference to equality policies	Best value service reviews	<ul style="list-style-type: none"> <li>◆ <b>Best Value Audit Framework</b></li> <li>◆ EFQM Framework</li> <li>◆ Best Value Service Review Policy and Guidance</li> <li>◆ Statutory and Local Performance Indicators</li> </ul>
(b) put in place sound systems for providing management information for performance measurement purposes	Performance management, planning and information system	<ul style="list-style-type: none"> <li>◆ <b>Best Value Audit process</b></li> <li>◆ Best Value Service Review</li> <li>◆ EFQM</li> <li>◆ Benchmarking Clubs</li> <li>◆ Management Information Systems</li> <li>◆ Budget Scrutiny Group <b>and Budget Control Reports to Service Committees</b></li> <li>◆ Property Monitoring Group</li> <li>◆ Decentralised Financial Monitoring</li> <li>◆ Customer Complaints Feedback Mechanisms</li> <li>◆ Financial Ledger</li> </ul>
(c) monitor and report performance against agreed standards and targets and develop comprehensive and understandable performance plans		<ul style="list-style-type: none"> <li>◆ Public Performance Reporting</li> <li>◆ Departmental Performance Information</li> <li>◆ Statutory Performance Indicators</li> <li>◆ Local Performance Indicators</li> <li>◆ Best Value Scrutiny Groups</li> <li>◆ <b>New Best Value Audit Requirements</b></li> <li>◆ Business Plans</li> <li>◆ Budget Scrutiny Group – Variance Reports</li> <li>◆ Financial Ledger</li> <li>◆ Property Monitoring</li> </ul>
(d) put in place arrangements to allocate resources according to priorities	Community plan Service plans Budget PPR process	<ul style="list-style-type: none"> <li>◆ <b>The Community Plan</b></li> <li>◆ Service Plans</li> <li>◆ Budget Setting Process</li> </ul>

Requirements of Corporate Governance	Council documents or processes to which reference may be made to demonstrate compliance	Demonstration of Local Compliance
<p>(e) foster effective relationships and partnerships with other public sector agencies and the private and voluntary sectors, and consider outsourcing where it is efficient and effective to do so, in delivering services to meet the needs of the local community, and put in place processes to ensure that they operate effectively in practice</p>	<p>Adherence to good employment practice</p> <p>Partnership framework Protocol for:</p> <ul style="list-style-type: none"> <li>• Joint commissioning</li> <li>• Joint funding</li> <li>• Joint accountability</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Community Plan and Implementation Plans for each of the 6 key themes within the Community Plan</b></li> <li>◆ Various internal and external partnerships</li> <li>◆ Partnership Agreement with the Primary Care Trust</li> <li>◆ Joint Working Arrangements with the Primary Care Trust</li> <li>◆ Council for Voluntary Organisations Partnership</li> <li>◆ Citizens Advice Bureau Partnership Agreement</li> <li>◆ Ayrshire Electronic Community</li> <li>◆ Commitment to working in partnership with Community Planning Partners</li> <li>◆ <b>APB 27 – External Funding Guidance for External Bodies</b></li> </ul>
<p>(f) Respond positively to the findings and recommendations of external auditors and statutory inspectors and put in place arrangements for the effective implementation of agreed actions.</p>	<p>Annual audit letter and other audit reports</p>	<ul style="list-style-type: none"> <li>◆ <b>New Audit of Best Value arrangements</b></li> <li>◆ Value for Money Reports</li> <li>◆ HMI</li> <li>◆ Committee Reporting</li> <li>◆ Action Plan preparation, implementation and monitoring</li> <li>◆ Annual Audit Letter</li> <li>◆ Audit Report</li> <li>◆ Relationships between internal and external audit</li> <li>◆ Statutory Reports</li> <li>◆ Statutory Performance Indicators</li> <li>◆ Health and Safety Executive</li> <li>◆ RIPSAs</li> <li>◆ HMI</li> <li>◆ Local Government Ombudsman</li> <li>◆ Commission for Care</li> </ul>

### Dimension 3: Structures and Processes

#### How the principles of corporate governance should be reflected.

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

- define roles and responsibility of members and officers to ensure **accountability**, clarity and ordering of the authority's business
- ensure that there is proper scrutiny and review of all aspects of performance and **effectiveness**
- demonstrate **integrity** through ensuring a proper balance of power and authority
- document clearly such structures and processes and to ensure that they are communicated and understood to demonstrate **openness and inclusivity**
- ensure such structures and processes are flexible so that they can be adapted to accommodate change and be kept **up to date**.

Requirements of Corporate Governance:	Council documents or processes to which reference may be made to demonstrate compliance	Demonstration of Local Compliance
<b>Balance of Power and Authority</b>		
(a) put in place clearly documented protocols governing relationships between members and officers	Protocols	The Council has given public endorsement to the 7 principles identified by the Nolan Committee which form the general principles upon which the Councillors' Code of Conduct under the Ethical Standards in Public Life etc (Scotland) Act 2000 is based. East Ayrshire Council has already agreed to adopt the 7 principles as the standard for the conduct of business in East Ayrshire. The Code of Conduct for Councillors includes a protocol for relations between Councillors and employees.
(b) ensure that the relative roles and responsibilities of executive and other members, members generally and senior officers are clearly defined	Standing orders Record of decisions and supporting materials	The Council's procedural documentation clearly details the decision making structure. This includes Scheme of Delegation; Standing Orders; Standing Orders relating to contracts; Contract Procurement Protocol, Financial Regulations; Local Government Access to Information Registers; Departmental Service Descriptions; Senior Officer job descriptions and Guide to the Local Committee Network.
<b>Roles and Responsibilities – Members</b>		
(c) ensure that members meet on a formal basis regularly to set the strategic direction of the authority and monitor service delivery	Schedule of council meetings Performance and management systems Financial standards and regulations	The Council has a calendar of meetings which is reviewed regularly. Regular performance reports submitted to Service Committees. Council Plan reviewed by Policy and Resources/Council. Other documentation as referred to in (b) of the above.
(d) develop and maintain a scheme of delegated or reserved powers, which should include a formal schedule of those matters specifically reserved for the collective decision of the authority	Scheme of administration/delegation	The Council has a Scheme of Delegation which is reviewed regularly

Requirements of Corporate Governance:	Council documents or processes to which reference may be made to demonstrate compliance	Demonstration of Local Compliance
<p>(e) put in place clearly documented and understood management processes for policy development, implementation and review and for decision-making, monitoring and control, and reporting and formal procedural and financial regulations to govern the conduct of the authority's business</p>	<p>Standing orders Scheme of administration/delegation Financial regulations</p>	<p>The Council has in place a system of scrutiny and Best Value Review Groups which report to the Policy and Resources Committee. The Budget Scrutiny Group is a standing monitoring and scrutiny body. The details of the process are contained within the Council's Scheme of Delegation. The Council also has other procedural documentation as referred to under (b) above.</p> <p>The Council also has in place the Corporate Strategy Group as a forum for discussion on policy development.</p> <p>The Budget and Service Planning process serves as a management tool for policy development.</p> <p><b><i>Financial Regulations are explained and expanded via Accounting Policy Bulletins</i></b></p>
<p>(f) put in place arrangements to ensure that members are properly trained for their roles and have access to all relevant information, advice and resources as necessary to enable them to carry out their role effectively</p>	<p>Members' induction scheme Training for committee chairs Regular update sessions Training plan</p>	<p>Members' training falls into 3 categories – early overview training for all new Members; more detailed training for all Members on the functions and responsibility of the Council's various Departments and Committees and more detailed training for all Members on the Council's Corporate Policy and Procedures. A review of services for Members is ongoing (initial emphasis on Members' IT requirements/training). Members' training is ongoing and it has been recognised that Members themselves should determine their training needs and how they might be met.</p>
<p><b>Roles and Responsibilities – Members</b></p>		

<p>(g) ensure that the role of the executive member(s) is/are formally defined in writing, to include responsibility for providing effective strategic leadership to the authority and for ensuring that the authority successfully discharges its overall responsibilities for the activities of the organisation as a whole</p>		<p>The Council does not have executive members. The roles of Members are detailed within various Council procedural and information documents.</p>
<p><b>Requirements of Corporate Governance:</b></p>	<p><b>Council documents or processes to which reference may be made to demonstrate compliance</b></p>	<p><b>Demonstration of Local Compliance</b></p>
<p>(h) ensure that the roles and responsibilities of all members of the local authority, together with the terms of their remuneration and its review, are defined clearly in writing</p>	<p>Members' allowance and expenses scheme</p>	<p>The Council has a Scheme for Members' allowances and expenses in place.</p>
<p><b>Roles and Responsibilities – Officers</b></p>		
<p>(i) ensure that a chief executive of equivalent is made responsible to the authority for all aspects of operational management</p>	<p>Conditions of employment Scheme of delegation Statutory provisions Job descriptions/person specifications Performance management system</p>	<p>The Chief Executive has responsibility as Head of Paid Service for all aspects of operational management.</p>
<p>(j) ensure that a senior officer is made responsible to the authority for ensuring that appropriate advice is given to it on all financial matters, for keeping proper financial records and accounts, and for maintaining an effective system of internal financial control</p>	<p>Section 95 responsibilities Statutory provision Statutory reports Budget documentation Job description/person specification</p>	<p>The Director of Finance is responsible for Section 95 proper officer responsibilities and other financial/budget responsibilities. The Director of Finance reports regularly to the Budget Scrutiny Group and in turn to the Policy and Resources Committee on all budgetary matters. Specific reference is given to the Director of Finance's responsibilities in the Financial Regulations.</p>
<p>(k) ensure that a senior officer is made responsible to the authority for ensuring that agreed procedures are followed and that all applicable statutes and regulations and other relevant statements of good practice are complied with</p>	<p>Monitoring officer provisions Statutory provision Job description/person specification</p>	<p>The Head of Administrative and Legal Services and Solicitor to the Council acts as Monitoring Officer. Reference made in the Scheme of Delegation to the appointment of Monitoring Officer.</p>

(l) ensure that the roles and responsibilities of all senior officers, together with the terms of their remuneration and its review, should be defined clearly in writing	Job description/person specification Pay and conditions of service Performance review/appraisal	The roles and responsibilities of all senior officers are clearly set out in their job descriptions. The Chief Executive conducts annual objective setting reviews for all Directors.  Scheme of Delegation refers to specific areas of delegated responsibility.
(m) adopt clear protocols and codes of conduct to ensure that the implications for supporting community political leadership for the whole council are acknowledged and resolved	Protocols governing member/manager relations	The Council complies and refer to documentation under (a) above.

#### Dimension 4: Risk Management and Internal Control

##### How the principles of corporate governance should be reflected.

An authority needs to establish and maintain a systematic strategy, framework and processes for managing risk. Together these arrangements should:

- include making public statements to stakeholders on the authority's risk management strategy, process and framework to demonstrate **accountability**
- include mechanisms for monitoring and reviewing **effectiveness** against agreed standard and targets and the operation of controls in practice
- demonstrate **integrity** by being based on robust systems for identifying, profiling, controlling and monitoring all significant strategic and operational risks
- display **openness and inclusivity** by involving all those associated with planning and delivering services, including partners
- include mechanisms to ensure that the risk management and control process is monitored for continuing compliance to ensure

that changes in circumstances are accommodated and that it remains **up to date**.

Requirements of Corporate Governance	Council documents or processes to which reference may be made to demonstrate compliance	Demonstration of Local Compliance
<p>(a) Develop and maintain robust systems for identifying and evaluating all significant risk which involve the proactive participation of all those associated with planning and delivering services</p>	<p>Risk management protocol Control framework Scrutiny Performance management and planning system</p>	<ul style="list-style-type: none"> <li>◆ Strategic audit planning process, incorporating risk assessment</li> <li>◆ Annual audit planning process</li> <li>◆ Audit assignment process</li> <li>◆ Risk Management Policy Statement and Risk Matrix, forms the basis of monitoring the control, of operational and strategic risk.</li> <li>◆ <b>Health and Safety Corporate Action Plan and departmental support plans</b></li> </ul>
<p>(b) Put in place effective risk management systems, including systems of internal control and an internal audit function. These arrangements need to ensure compliance with all applicable statutes, regulations and relevant statements of best practice and need to ensure that public funds are properly safeguarded and are used economically, efficiently and effectively, and in accordance with the statutory and other authorities that govern their use</p>	<p>Scheme of delegation Internal audit protocol Performance appraisal Performance management system Financial standards and regulations</p>	<ul style="list-style-type: none"> <li>◆ Scheme of Delegation / Financial Regulations</li> <li>◆ Standing Orders Relating to Contracts</li> <li>◆ Internal Audit function, including specialist audit skills</li> <li>◆ Internal Audit Manual / APBs</li> <li>◆ Service Level Agreements for Internal Audit</li> <li>◆ Audit reporting line direct to Chief Executive</li> <li>◆ External Audit</li> <li>◆ Codes of Conduct</li> <li>◆ Value for Money reviews by Internal and External Audit</li> <li>◆ Statutory Inspections</li> <li>◆ Risk Manager / Health &amp; Safety</li> <li>◆ <b>RoSPA Health and Safety auditing arrangement</b></li> </ul>

<p>(c) Ensure that services are delivered by trained and experienced people</p>	<p>Job description/person specification Training plan</p>	<ul style="list-style-type: none"> <li>◆ Job Description / person specification</li> <li>◆ EAGER process / Continuing Professional Development</li> <li>◆ Training and Development Needs plans</li> <li>◆ Best Value Regime / European Foundation for Quality Management</li> <li>◆ Internal Audit Manual</li> <li>◆ Recruited specialist professionally qualified staff</li> <li>◆ Audit tools – hardware and software to support staff</li> <li>◆ Effective recruitment &amp; selection</li> <li>◆ Service reviews to ensure best use of staff</li> <li>◆ Targeted recruitment in occupations where it is difficult to recruit</li> <li>◆ Qualified Risk Manager</li> </ul>
<p><b>Requirements of Corporate Governance</b></p>	<p><b>Council documents or processes to which reference may be made to demonstrate compliance</b></p>	<p><b>Demonstration of Local Compliance</b></p>
<p>(d) Put in place effective arrangements for an objective review of risk management and internal control, including internal audit</p>	<p>Performance management system</p>	<ul style="list-style-type: none"> <li>◆ Internal Audit- Authority <ul style="list-style-type: none"> <li>-Independence</li> <li>-Reporting Line</li> </ul> </li> <li>◆ Audit reporting to Committee</li> <li>◆ Audit Brief and planning process</li> <li>◆ Post Audit appraisal</li> <li>◆ External Audit</li> <li>◆ Risk assessment process and appointment of Risk Assessment Manager</li> <li>◆ Chief Executive’s Health &amp; Safety Strategic Review Group</li> <li>◆ Action taken on Audit Scotland reviews</li> <li>◆ Risk Management Policy</li> </ul>

<p>(e) Maintain an objective and professional relationship with their external auditors and statutory inspectors</p>	<p>Inspection report Annual audit letter and other audit reports Audit protocol</p>	<ul style="list-style-type: none"> <li>◆ Regular meetings with External Audit</li> <li>◆ Internal Audit reports passed to EA for information</li> <li>◆ External Audit programme of work</li> <li>◆ External Audit Management Letter including Action Plan</li> <li>◆ <b>Food Standards Agency</b></li> <li>◆ <b>Education and Social Work Inspectorates</b></li> </ul>
<p>(f) Publish on a timely basis, within the annual report, an objective, balanced and understandable statement and assessment of the authority's risk management and internal control mechanisms and their effectiveness</p>		<ul style="list-style-type: none"> <li>◆ External Audit statement on the financial accounts and processes</li> <li>◆ Statement by Director of Finance</li> <li>◆ <b>Chief Auditor's mid year plan performance report to clients and Members</b></li> <li>◆ Chief Auditor's Annual Report to Committee</li> <li>◆ Risk Management Reports</li> </ul>

## Dimension 5: Standards of Conduct

### How the principles of corporate governance should be reflected.

The openness, integrity and accountability of individuals within a local authority form the cornerstone of effective corporate governance. The reputation of the authority depends on the standards of behaviour of everyone in it, whether members, employees or agent contracted to it.

Therefore, members and senior officers of local authority will need to:

- exercise leadership by conducting themselves as role models for others within the authority to follow
- define the standards of personal behaviour that are expected from members and staff and all those involved in service delivery, and put in place arrangements to ensure:
  - **accountability**, through establishing systems for investigation breaches and disciplinary problems and taking actions where appropriate, including arrangements for redress
  - **effectiveness** in practice through monitoring their compliance
  - that objectivity and impartiality are maintained in all relationships to demonstrate integrity
  - that such standards are documented and clearly understood to display **openness and inclusivity** and are reviewed on a regular basis to ensure that they are kept **up to date**.

Requirements of Corporate Governance	Council documents or processes to which reference may be made to demonstrate compliance	Demonstration of Local Compliance
<p>(a) Develop and adopt formal codes of conduct defining the standards of personal behaviour, to which individual Members, Officers, and agents of the Authority should be required to subscribe and put in place appropriate systems and processes to ensure that they are complied with in practice.</p>	<p>Members’/Officers’ Code of Conduct. Anti fraud and corruption policy. Complaints procedures. Performance management system. Performance appraisal.</p>	<p>The Council operates a protocol for Member/Officer relations; a Code of Conduct for Officers; a Complaints Procedure and an Anti Fraud Strategy. <b>IT Use and Security Policy.</b></p>
<p>(b) put in place arrangements to ensure that Members and employees of the Authority are not influenced by prejudice, bias or conflicts of interest in dealing with different stakeholders and put in place appropriate processes to ensure that they continue to operate in practice.</p>	<p>Standing Orders. Codes of Conduct. Financial regulations.</p>	<p>The Council complies through its procedural documentation including Standing Orders, Standing Orders relating to contracts; Financial Regulations; Scheme of Delegation; National Code of Local Government Conduct and Code of Conduct for Officers.</p>
<p>(c) Put in place arrangements to ensure that their procedures and operations are designed in conformity with appropriate ethical standards, and to monitor their continuing compliance in practice.</p>	<p>Codes of Conduct.</p>	<p>The Council is guided by the National Code of Local Government Conduct which forms part of the Council’s Standing Orders.  The Council has given public endorsement to the 7 principles identified by the Nolan Committee which form the general principles upon which the Councillors’ Code of Conduct under the Ethical Standards in Public Life etc (Scotland) Act 2000 is based. East Ayrshire Council has already agreed to adopt the 7 principles as the standard for the conduct of business in East Ayrshire. The Code of Conduct for Councillors includes a protocol for relations between Councillors and employees.  The Council has adopted a Code of Conduct for Officers.</p>
<p>(d) Put in place arrangements for whistle blowing to which staff and all those contracting with the Council have access.</p>	<p>Whistle blowing policy.</p>	<p>The Council has introduced a whistle-blowing policy.</p>

**Appendix 3 – Corporate Governance Improvement Action Plan 2003/04**

Action Required	Officer Responsible	Timetable
<b>Dimension 1 – Community Focus</b>		
Review Public Performance Reporting arrangements to ensure that forthcoming statutory guidance and regulations in respect of the Local Government in Scotland Act 2003 are met.	Head of Corporate Development and Communication	March 2004
Implement revised arrangements for publishing and reporting Statutory Performance Indicators in light of forthcoming statutory guidance and regulations under the Local Government in Scotland Act 2003.	Head of Corporate Development and Communication	October 2003
<b>Dimension 2 – Service Delivery Arrangements</b>		
Review the Council's Corporate Planning Process to ensure appropriate linkage between agreed Community Planning priorities within the Council's Corporate Planning Process.	Head of Corporate Development and Communication	March 2004
Respond to revised Best Value Audit arrangements which will be implemented as a result of the Local Government in Scotland Act 2003.	Head of Corporate Development and Communication	March 2004
<b>Dimension 3 – Structures and Processes</b>		
Report on proposals for review of decision making.	Depute Chief Executive/Director of Corporate Resources.	Report to Meeting of Council in June 2003
<b>Dimension 4 – Risk Management and Internal Control</b>		
Review outcomes from Zurich Municipal Consultancy including risk management awareness training.	Risk Manager/Head of Personnel Services	March 2004