

LOCAL CODE OF CORPORATE GOVERNANCE

1. INTRODUCTION

- 1.1 Rushmoor Borough Council recognises the importance of effective corporate governance so that local communities can place trust in the way that the Council undertakes and carries out its duties. This document sets out and describes the Council's commitment to corporate governance and identifies the arrangements to ensure its effective implementation and application in all aspects of the Council's work.
- 1.2 In April 2016, The Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives and Senior Managers (SOLACE) published a framework and guidance notes entitled, "Delivering Good Governance in Local Government" (the CIPFA / SOLACE Framework"). This provides guidance to local authorities on how to establish a locally adopted code of corporate governance.

What is Corporate Governance?

- 1.2 The CIPFA/SOLACE Framework defines corporate governance as follows:
- "Governance comprises the arrangements put in place to ensure that the intended outcomes for stakeholders are defined and achieved.
 - To deliver good governance in the public sector, both governing bodies and individuals working for public sector entities must try to achieve their entities objectives while acting in the public interest at all times.
 - Acting in the public interest implies primary consideration of the benefits for society, which should result in positive outcomes for service users and other stakeholders".

What is the purpose of this Code of Corporate Governance?

- 1.4 Good governance is crucial as it leads to good management, good performance, good stewardship of public money, good public engagement and ultimately good outcomes for citizens and service users. Further, good governance enables an authority to pursue its aims effectively whilst controlling and managing risk.
- 1.5 Rushmoor Borough Council is undertaking a review of its Constitution and associated governance documents to ensure that arrangements continue to be robust. This demonstrates that the Council is committed to ensuring that a robust governance framework is in place and one that reflects the core principles of the CIPFA / SOLACE Framework.
- 1.6 The purpose of this Code of Corporate Governance is therefore to provide a simple document with, where appropriate, hyperlinks to relevant documents relating to governance which are available free of charge on the Council's website.

“The Principles of Good Governance in Local Government (2016)”

Rushmoor Borough Council is committed to applying the seven core principles (and sub principles) of good governance set out in the CIPFA / SOLACE Framework, which are:

- A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.
- B. Ensuring openness and comprehensive stakeholder engagement.
- C. Defining outcomes in terms of sustainable economic, social and environmental benefits.
- D. Determining the interventions necessary to optimize the achievement of the intended outcomes.
- E. Developing the entity’s capacity, including the capability of its leadership and the individuals within it.
- F. Managing risks and performance through robust internal control and strong public financial management.
- G. Implementing good practices in transparency, reporting, and audit, to deliver effective accountability.

2. PRINCIPLES

- 2.1 The seven core principles each have a number of supporting principles, which in turn have a range of specific requirements that apply across the Council’s business.

Principle A - Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law

- (1) Local government organisations are accountable not only for how much they spend, but also for how they use the resources under their stewardship. This includes accountability for outputs, both positive and negative and for the outcomes they have achieved. In addition, they have an overarching responsibility to serve the public interest in adhering to the requirements of legislation and government policies. It is essential that, as a whole, they can demonstrate the appropriateness of all their actions across all activities and have mechanisms in place to encourage and enforce adherence to ethical values and to respect the rule of law.
- (2) The sub principles supporting this core principle are:

Sub principles	Actions Demonstrating Good Governance	How will this be evidenced
Behaving with integrity	<ul style="list-style-type: none"> • Ensuring members and officers behave with integrity and lead a culture where acting in the public interest is visibly and consistently demonstrated thereby protecting the reputation of the organisation • Ensuring members take the lead in establishing specific standard operating principles or values for the organisation and its staff and that they are communicated and understood. These should build on the Seven 	<ul style="list-style-type: none"> • Members Code of Conduct • Employee’s Code of Conduct • Anti-Fraud and Corruption Policy & Strategy • Dignity at Work Policy • Equal Opportunities Policy • Whistle-Blowing Policy

	<p>Principles of Public Life (the Nolan Principles)</p> <ul style="list-style-type: none"> • Leading by example and using the above standard operating principles or values as a framework for decision making and other actions • Demonstrating, communicating and embedding the standard operating principles or values through appropriate policies and processes which are reviewed on a regular basis to ensure that they are operating effectively 	<ul style="list-style-type: none"> • Council Plan
Demonstrating strong commitment to ethical values	<ul style="list-style-type: none"> • Seeking to establish, monitor and maintain the organisation's ethical standards and performance • Underpinning personal behaviour with ethical values and ensuring they permeate all aspects of the organisation's culture and operation • Developing and maintaining robust policies and procedures which place emphasis on agreed ethical values • Ensuring that external providers of services on behalf of the organisation are required to act with integrity and in compliance with ethical standards expected by the organisation 	<ul style="list-style-type: none"> • Council Plan • Human Resources Policies • Induction Procedures • Registers of Interests • Registers of Gifts and Hospitality
Respecting the rule of law	<ul style="list-style-type: none"> • Ensuring members and staff demonstrate a strong commitment to the rule of the law as well as adhering to relevant laws and regulations • Creating the conditions to ensure that the statutory officers, other key post holders, and members, are able to fulfil their responsibilities in accordance with legislative and regulatory requirements • Striving to optimise the use of the full powers available for the benefit of citizens, communities and other stakeholders • Dealing with breaches of legal and regulatory provisions effectively • Ensuring corruption and misuse of power are dealt with effectively 	<ul style="list-style-type: none"> • Legal (Monitoring) Officer Role • Internal Audit • Corporate Complaints Procedure • Council Constitution (Part 3 – Responsibility for Functions) • Employees' Development Review • Publicising the process of how to complain about Members' conduct • Overview and Scrutiny functions

Principle B - Ensuring openness and comprehensive stakeholder engagement

- (1) Local government is run for the public good, organisations therefore should ensure openness in their activities. Clear, trusted channels of communication and consultation should be used to engage effectively with all groups of stakeholders, such as individual citizens and service users, as well as institutional stakeholders'
- (2) The sub principles supporting this core principle are:

Sub principles	Actions Demonstrating Good Governance	How will this be evidenced
Openness	<ul style="list-style-type: none"> • Ensuring an open culture through demonstrating, documenting and communicating the organisation's commitment to openness • Making decisions that are open about actions, plans, resource use, forecasts, outputs and outcomes. The presumption is for openness. If that is not the case, a justification for the reasoning for keeping a decision confidential should be provided • Providing clear reasoning and evidence for decisions in both public records and explanations to stakeholders and being explicit about the criteria, rationale and considerations used. In due course, ensuring that the impact and consequences of those decisions are clear • Using formal and informal consultation and engagement to determine the most appropriate and effective interventions/ courses of action 	<ul style="list-style-type: none"> • Council Plan quarterly monitoring • Overview and Scrutiny procedure rules • Rushmoor Strategic Partnership Sustainable Community Strategy 2010-2026 • Council Website • Statement of community involvement • Digital Strategy • Freedom of Information publication scheme
Engaging comprehensively with institutional stakeholder	<p>NB institutional stakeholders are the other organisations that local government needs to work with to improve services and outcomes (such as commercial partners and suppliers as well as other public or third sector organisations) or organisations to which they are accountable.</p> <ul style="list-style-type: none"> • Effectively engaging with institutional stakeholders to ensure that the purpose, objectives and intended outcomes for each stakeholder relationship are clear so that outcomes are achieved successfully and sustainably • Developing formal and informal partnerships to allow for resources to be used more efficiently and outcomes achieved more effectively • Ensuring that partnerships are based on: <ul style="list-style-type: none"> ○ Trust ○ A shared commitment to change ○ A culture that promotes and accepts challenge among partners and that the added value of partnership working is explicit 	<ul style="list-style-type: none"> • Formal consultation arrangements • Rushmoor Strategic Partnership Sustainable Community Strategy 2010-2026 • Council Website • Crime and Disorder Reduction Strategy • Deprivation Strategy

Engaging with individual citizens and service users effectively	<ul style="list-style-type: none"> • Establishing a clear policy on the type of issues that the organisation will meaningfully consult with or involve communities, individual citizens, service users and other stakeholders to ensure that service (or other) provision is contributing towards the achievement of intended outcomes • Ensuring that communication methods are effective and that members and officers are clear about their roles with regard to community engagement • Encouraging, collecting and evaluating the views and experiences of communities, citizens, service users and organisations of different backgrounds including reference to future needs. • Implementing effective feedback mechanisms in order to demonstrate how their views have been taken into account • Balancing feedback from more active stakeholder groups with other stakeholder groups to ensure inclusivity • Taking account of the impact of decisions on future generation of tax payers and service users 	<ul style="list-style-type: none"> • Council Plan • Council Website • Formal consultation arrangements • Rushmoor Strategic Partnership Sustainable Community Strategy 2010-2026 • Satisfaction Surveys • Freedom of Information publication scheme • Staff organisational development programme • Member Training Policy
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Principle C - Defining outcomes in terms of sustainable economic, social, and environmental benefits

- (1) The long-term nature and impact of many of local government’s responsibilities mean that it should define and plan outcomes and that these should be sustainable. Decisions should further the organisation’s purpose, contribute to intended benefits and outcomes, and remain within the limits of authority and resources. Input from all groups of stakeholders, including citizens, service users, and institutional stakeholders, is vital to the success of this process and in balancing competing demands when determining priorities for the finite resources available.
- (2) The sub principles supporting this core principle are:

Sub principles	Actions Demonstrating Good Governance	How will this be evidenced
Defining Outcomes	<ul style="list-style-type: none"> • Having a clear vision, which is an agreed formal statement of the organisation’s purpose and intended outcomes containing appropriate performance indicators, which provide the basis for the organisation’s overall strategy, planning and other decisions • Specifying the intended impact on, or changes for, stakeholders including citizens and service users. It could be immediately or over the course of a year or longer • Delivering defined outcomes on a sustainable basis within the resources that will be available 	<ul style="list-style-type: none"> • Council Plan • Rushmoor Strategic Partnership Sustainable Community Strategy 2010-2026 • Crime and Disorder Reduction Strategy • Deprivation Strategy • Rushmoor Local Plan Part 1 (Core strategy Oct 2011) and emerging Part 2 Development plan document allocations and polices • Service Business Plans

	<ul style="list-style-type: none"> • Identifying and managing risks to the achievement of outcomes • Managing service users' expectations effectively with regard to determining priorities and making the best use of the resources available 	<ul style="list-style-type: none"> • Corporate Risk Register • Licensing and General Purposes Committee reviews risk and the Risk Management measures
Sustainable economic, social and environmental benefits	<ul style="list-style-type: none"> • Considering and balancing the combined economic, social and environmental impact of policies and plans when taking decisions about service provision • Taking a longer-term view with regard to decision making, taking account of risk and acting transparently where there are potential conflicts between the organisation's intended outcomes and short-term factors such as the political cycle or financial constraints • Determining the wider public interest associated with balancing conflicting interests between achieving the various economic, social and environmental benefits, through consultation where possible, in order to ensure appropriate trade-offs • Ensuring fair access to services 	<ul style="list-style-type: none"> • Council Plan • Overarching service management plans • Formal consultation arrangements • Local Plan Core Strategy and Local Plan • Procurement Strategy • Digital Strategy

Principle D - Determining the interventions necessary to optimise the achievement of the intended outcomes

(1) Local government achieves its intended outcomes by providing a mixture of legal, regulatory, and practical interventions (courses of action). Determining the right mix of these courses of action is a critically important strategic choice that local government has to make to ensure intended outcomes are achieved. They need robust decision-making mechanisms to ensure that their defined outcomes can be achieved in a way that provides the best trade-off between the various types of resource inputs while still enabling effective and efficient operations. Decisions made need to be reviewed frequently to ensure that achievement of outcomes is optimised.

(2) The sub principles supporting this core principle are:

Sub principles	Actions Demonstrating Good Governance	How will this be evidenced
Determining Interventions	<ul style="list-style-type: none"> • Ensuring decision makers receive objective and rigorous analysis of a variety of options indicating how intended outcomes would be achieved and associated risks. Therefore ensuring best value is achieved however services are provided • Considering feedback from citizens and service users when making decisions about service improvements or where services are no longer 	<ul style="list-style-type: none"> • Statement of accounts • Annual Governance Statement • Annual Audit letter <ul style="list-style-type: none"> ○ Internal Audit Function and report ○ Statement of Internal Control ○ Reports to Licensing & General

	required in order to prioritise competing demands within limited resources available including people, skills, land and assets and bearing in mind future impacts	<p>Purposes Committee on risk, work of Corporate Investigations Team and compliance with Public Sector Internal Auditing Standards</p> <ul style="list-style-type: none"> • Council Constitution (Part 4) • Standing Orders • Service Business Plans • Medium Term Financial Strategy • Annual Treasury Management Strategy • General fund revenue budget <ul style="list-style-type: none"> ○ Efficiency Statement ○ Strategy for the Flexible Use of Capital Receipts
Planning Interventions	<ul style="list-style-type: none"> • Establishing and implementing robust planning and control cycles that cover strategic and operational plans, priorities and targets • Engaging with internal and external stakeholders in determining how services and other courses of action should be planned and delivered • Considering and monitoring risks facing each partner when working collaboratively, including shared risks • Ensuring arrangements are flexible and agile so that the mechanisms for delivering goods and services can be adapted to changing circumstances • Establishing appropriate key performance indicators (KPIs) as part of the planning process in order to identify how the performance of services and projects is to be measured • Ensuring capacity exists to generate the information required to review service quality regularly • Preparing budgets in accordance with objectives, strategies and the medium term financial plan • Informing medium and long term resource planning by drawing up realistic estimates of revenue and capital expenditure aimed at developing a sustainable funding strategy 	<ul style="list-style-type: none"> • Council Plan • Contract Monitoring Reports • Capital Programme • Corporate Complaints policy
Optimising achievement of intended outcomes	<ul style="list-style-type: none"> • Ensuring the medium term financial strategy integrates and balances service priorities, affordability and other resource constraints • Ensuring the budgeting process is all-inclusive, taking into account the full cost of operations over the medium and longer term 	<ul style="list-style-type: none"> • Medium Term Financial Strategy • Revenue budget process • Capital Programme • Procurement Strategy

	<ul style="list-style-type: none"> • Ensuring the medium term financial strategy sets the context for ongoing decisions on significant delivery issues or responses to changes in the external environment that may arise during the budgetary period in order for outcomes to be achieved while optimising resource usage • Ensuring the achievement of 'social value' through service planning and commissioning 	<ul style="list-style-type: none"> • Contract Standing Orders
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Principle E - Developing the entity's capacity, including the capability of its leadership and the individuals within it

(1) Local government needs appropriate structures and leadership, as well as people with the right skills, appropriate qualifications and mind-set, to operate efficiently and effectively and achieve intended outcomes within the specified periods. A local government organisation must ensure that it has both the capacity to fulfil its own mandate and to make certain that there are policies in place to guarantee that its management has the operational capacity for the organisation as a whole. Because both individuals and the environment in which an organisation operates will change over time, there will be a continuous need to develop its capacity as well as the skills and experience of individual staff members. Leadership in local government is strengthened by the participation of people with many different types of backgrounds, reflecting the structure and diversity of communities.

(2) The sub principles supporting this core principle are:

Sub principles	Actions Demonstrating Good Governance	How will this be evidenced
Developing the entity's capacity	<ul style="list-style-type: none"> • Reviewing operations, performance and use of assets on a regular basis to ensure their continuing effectiveness • Improving resource use through appropriate application of techniques such as benchmarking and other options in order to determine how resources are allocated so that defined outcomes are achieved effectively and efficiently • Recognising the benefits of partnerships and collaborative working where added value can be achieved • Developing and maintaining an effective workforce plan to enhance the strategic allocation of resources 	<ul style="list-style-type: none"> • Council Plan • Use of revenue Outturn Suite of Reports and budget reports across councils and other source comparative data. • Treasury Management Advisors provide benchmarking data for Treasury Management across all Councils • Digital Strategy • Rushmoor Strategic Partnership Sustainable Community Strategy (2010-2026)
Developing the capability of the entity's leadership and other individuals	<ul style="list-style-type: none"> • Developing protocols to ensure that elected and appointed leaders negotiate with each other regarding their respective roles early on in the relationship and that a shared understanding of roles and objectives is maintained • Publishing a statement that specifies the types of decisions that are 	<ul style="list-style-type: none"> • The Council Constitution • Members' Code of Conduct • Member training and development plan • Members' and officers' induction

	<p>delegated and those reserved for the collective decision making of the governing body</p> <ul style="list-style-type: none"> • Ensuring the leader and the chief executive have clearly defined and distinctive leadership roles within a structure whereby the chief executive leads in implementing strategy and managing the delivery of services and other outputs set by members and each provides a check and a balance for each other's authority • Developing the capabilities of members and senior management to achieve effective leadership and to enable the organisation to respond successfully to changing legal and policy demands as well as economic, political and environmental changes and risks by: <ul style="list-style-type: none"> ○ Ensuring members and staff have access to appropriate induction tailored to their role and that ongoing training and development matching individual and organisational requirements is available and encouraged ○ Ensuring members and officers have the appropriate skills, knowledge, resources and support to fulfil their roles and responsibilities and ensuring that they are able to update their knowledge on a continuing basis 	<p>programmes</p> <ul style="list-style-type: none"> • Development Review Scheme • Recruitment and selection policy • Organisational Development programme for officers • HR Policies and Guidance on intranet
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Principle F - Managing risks and performance through robust internal control and strong public financial management

- (1) Local government needs to ensure that the organisations and governance structures that it oversees have implemented, and can sustain, an effective performance management system that facilitates effective and efficient delivery of planned services. Risk management and internal control are important and integral parts of a performance management system and are crucial to the achievement of outcomes. Risk should be considered and addressed as part of all decision-making activities. A strong system of financial management is essential for the implementation of policies and the achievement of intended outcomes, as it will enforce financial discipline, strategic allocation of resources, efficient service delivery and accountability. It is also essential that a culture and structure for scrutiny be in place as a key part of accountable, decision-making, policymaking and review. A positive working culture that accepts, promotes and encourages constructive challenge is critical to successful scrutiny and successful service delivery. Importantly, this culture does not happen automatically, it requires repeated public commitment from those in authority
- (2) The sub principles supporting this core principle are:

Sub principles	Actions Demonstrating Good Governance	How will this be evidenced
Managing risk	<ul style="list-style-type: none"> • Recognising that risk management is an integral part of all activities and must be considered in all aspects of decision making • Implementing robust and integrated risk management arrangements and ensuring that they are working effectively • Ensuring that responsibilities for managing individual risks are clearly allocated 	<ul style="list-style-type: none"> • Annual Audit Letter • Internal Audit function and report • Statement of internal control <ul style="list-style-type: none"> ○ Reports to Licensing and General Purposes Committee on risk, work of Corporate Investigations Team and compliance with Public Sector Internal Auditing Standards • Corporate risk register • Risk Management group • Allocated Officer responsible for risk management • Whistle blowing Policy
Managing performance	<ul style="list-style-type: none"> • Monitoring service delivery effectively including planning, specification, execution and independent post implementation review • Making decisions based on relevant, clear objective analysis and advice pointing out the implications and risks inherent in the organisation's financial, social and environmental position and outlook • Ensuring an effective scrutiny or oversight function is in place which provides constructive challenge and debate on policies and objectives before, during and after decisions are made thereby enhancing the organisation's performance and that of any organisation for which it is responsible (or for a committee system). • Encouraging effective and constructive challenge and debate on policies and objectives to support to support balances and effective decision making • Providing members and senior management with regular reports on service delivery plans and on progress towards outcome achievement • Ensuring there is consistency between specification stages (such as budgets) and post implementation reporting (eg financial statements) 	<ul style="list-style-type: none"> • Performance Reports aligned to Council Plan priorities • Quarterly Monitoring Reports • Contract Monitoring Reports • Corporate report template requires information • Explaining the legal and financial implications of decisions • Corporate report template contains 'risk implications section • Overview and Scrutiny functions • Quarterly spend/budget reports sent to all budget holders
Robust internal control	<ul style="list-style-type: none"> • Aligning the risk management strategy and policies on internal control with achieving objectives • Evaluating and monitoring risk management and internal control on a regular basis 	<ul style="list-style-type: none"> • Council Constitution • Standing orders for the regulation of business • Scheme for cabinet questions

	<ul style="list-style-type: none"> • Ensuring effective counter fraud and anti-corruption arrangements are in place • Ensuring additional assurance on the overall adequacy and effectiveness of the framework of governance, risk management and control is provided by the internal auditor • Ensuring an audit committee or equivalent group/ function, which is independent of the executive and accountable to the governing body: <ul style="list-style-type: none"> ○ provides a further source of effective assurance regarding arrangements for managing risk and maintaining an effective control environment ○ that its recommendations are listened to and acted upon 	<ul style="list-style-type: none"> • Overview Scrutiny Procedure rules • Scheme for Annual Reports of the Policy and Review Panels to the Council • Article 6 Policy and Review Panels • Regulation of Investigatory Powers Act 2000 • Corporate Surveillance Policy • Data Protection Policy • Publication Scheme • Complaints Policy • Reporting of minutes to decision to Council
Managing data	<ul style="list-style-type: none"> • Ensuring effective arrangements are in place for the safe collection, storage, use and sharing of data, including processes to safeguard personal data • Ensuring effective arrangements are in place and operating effectively when sharing data with other bodies • Reviewing and auditing regularly the quality and accuracy of data used in decision making and performance monitoring 	<ul style="list-style-type: none"> • Freedom of Information publication scheme • Digital Strategy • Ongoing monitoring of Data Protection Act • Freedom of Information compliance
Strong public financial management	<ul style="list-style-type: none"> • Ensuring financial management supports both long term achievement of outcomes and short-term financial and operational performance • Ensuring well-developed financial management is integrated at all levels of planning and control, including management of financial risks and controls 	<ul style="list-style-type: none"> • Council Plan • Medium Term Financial Strategy • Revenue budget process • Procurement Strategy • Contract Standing Orders • Annual Audit letter

Principle G - Implementing good practices in transparency, reporting, and audit to deliver effective accountability

- (1) Accountability is about ensuring that those making decisions and delivering services are answerable for them. Effective accountability is concerned not only with reporting on actions completed, but also ensuring that stakeholders are able to understand and respond as the organisation plans and carries out its activities in a transparent manner. Both external and internal audit contribute to effective accountability.
- (2) The sub principles supporting this core principle are:

Sub principles	Actions Demonstrating Good Governance	How will this be evidenced
Implementing good practice in transparency	<ul style="list-style-type: none"> • Writing and communicating reports for the public and other stakeholders in a fair, balanced and understandable style appropriate to the intended audience and ensuring that they are easy to access and interrogate • Striking a balance between providing the right amount of information to satisfy transparency demands and enhance public scrutiny while not being too onerous to provide and for users to understand 	<ul style="list-style-type: none"> • Council website • Digital Strategy
Implementing good practices in reporting	<ul style="list-style-type: none"> • Reporting at least annually on performance, value for money and stewardship of resources to stakeholders in a timely and understandable way • Ensuring members and senior management own the results reported • Ensuring robust arrangements for assessing the extent to which the principles contained in this framework have been applied and publishing the results on this assessment, including an action plan for improvement and evidence to demonstrate good governance (the annual governance statement) • Ensuring the performance information that accompanies the financial statements is prepared on a consistent and timely basis and the statements allow for comparison with other, similar organisations 	<ul style="list-style-type: none"> • Publication of Annual Report and Statement of Accounts on website • Annual Governance Statement produced and published on website • Local Code of Corporate Governance refreshed annually • Documents are scrutinised and approved by Directors Management Board, Cabinet and Licensing and General Purposes Committee prior to publication
Assurance and effective accountability	<ul style="list-style-type: none"> • Ensuring that recommendations for corrective action made by external audit are acted upon • Ensuring an effective internal audit service with direct access to members is in place, providing assurance with regard to governance arrangements and that recommendations are acted upon • Welcoming peer challenge, reviews and inspections from regulatory bodies and implementing recommendations • Gaining assurance on risks associated with delivering services through third parties and that this is evidenced in the annual governance statement 	<ul style="list-style-type: none"> • Statement of internal control • The Auditor Manager presents an annual report to Licensing and General Purposes Committee to inform members of Internal Audit activity that has taken place during the year • Annual Governance Statement produced and published on website • Rushmoor Strategic Partnership Sustainable

	<ul style="list-style-type: none"> Ensuring that when working in partnership, arrangements for accountability are clear and the need for wider public accountability has been recognised and met 	Community Strategy 2010-2026
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3. MONITORING AND REVIEW

- 3.1 The Council will monitor the arrangements set out in this Code of Corporate Governance for their effectiveness in practice and will review them on a continuing basis to ensure that they are up to date.
- 3.2 Each year the Council will publish an Annual Governance Statement, which will explain and assess how the Council has complied with this Code of Corporate Governance and provide details of how continual improvement in the system of internal control will be achieved.
- 3.3 The Licensing and General Purposes Committee has responsibility at Member level for reviewing this code on an annual basis. The Head of Paid Service has responsibility at officer level for reviewing the corporate governance arrangements and the Head of Paid Service and the Head of Democratic Services have responsibility for monitoring this Code of Corporate Governance. Further, the Licensing and General Purposes Committee generally considers all processes for risk, control and governance and provides independent, effective assurance about the adequacy of the Council's governance environment and is responsible for promoting and maintaining high standards of probity and conduct of Members and co-opted members.

4. INTERNAL AUDIT

Audit Requirements

- 4.1 Internal Audit provides an independent and objective appraisal function for reviewing the systems of internal control. It examines, evaluates and reports on the adequacy of internal control as a contribution to the proper, economic, efficient and effective use of resources.
- 4.2 In addition, local authorities are required to have an effective internal audit function under section 151 of the Local Government Act 1972. It states that authorities 'must make arrangements for the proper administration of their financial affairs'.
- 4.3 Internal Audit is also a requirement under the Accounts and Audit Regulations 2003. These Regulations require every local authority to maintain an adequate and effective internal audit function.
- 4.4 The work of Internal Audit complies with the Audit Practices Board's guidelines 'Guidance for Internal Auditor's', as interpreted by CIPFA's Code of Practice for Internal Audit in Local Government in the United Kingdom.
- 4.5 The Head of Finance, who is also the Council's Section 151 Officer, is responsible for maintaining an adequate and effective system of internal audit, and in consultation with the Audit Manager determines the programme of audit work. Operational management of Internal Audit work is delegated to

the Audit Manager.

- 4.6 The Audit Manager reports to the Head of Finance, with audit reports also sent to Directors Management Board. Periodically the Audit Manager reports to the Licensing and General Purposes Committee.
- 4.7 A key aspect to Internal Audit work is independence, and to ensure this is in place Internal Audit is a stand-alone unit. The Audit Manager also has the option, if necessary, of reporting directly to the Chief Executive or Licensing and General Purposes Committee.
- 4.8 The Audit Manager develops a risk based audit plan, which is agreed with the Head of Finance, Directors Management Board and considered by the Licensing and General Purposes Committee. This is regularly reviewed to ensure it supports the Council's strategic objectives, and covers any other issues such as internal investigations, Internet and e-mail monitoring, corporate work and day-to-day consultancy.
- 4.9 To ensure Internal Audit can effectively carry out their work all internal audit staff have the authority to:
- Access all Council premises, offices, land and outsourced sites at any time.
 - Access all Council and outsourced assets, records, documents, correspondence and control systems.
 - Receive oral or written explanations on matters under examination from any Council or outsourced employee
 - Require any Council or outsourced employee to produce and account for cash, stores or property, which belong to the Council and is under their control.
- 4.10 Internal Audit staff will audit, when required, unofficial funds. The definition of unofficial funds is: 'any fund associated with Council business, supervised or managed by Council staff, but which is not part of the Council funds or trust funds of the Council.' Prior to acting as a treasurer of unofficial funds, officers should consult with the appropriate Head of Service, Head of Financial Services or Director of Resources as appropriate.

To carry out audits of unofficial funds Internal Audit staff have the authority to:

- Access all records, assets, documents and property relating to unofficial funds.
 - Require any employee holding unofficial funds to provide written or oral explanations.
- 4.11 At the conclusion of each audit, the Audit Manager will agree a report and actions with the relevant Head of Service. It is the responsibility of Head of Services to implement the agreed actions. Internal Audit will carry out a follow up audit, usually after 6 months, to assess the implementation of agreed actions.
- 4.12 Periodically, the Licensing and General Purposes Committee will receive an update report from the Audit Manager. This report includes an overview of all audit reports, agreed audit actions implemented and outstanding agreed actions.

4.13 The Directors Management Board and the Licensing and General Purposes Committee will consider corporate policies produced by Internal Audit.

5. EXTERNAL AUDIT

5.1 The Audit Commission is responsible for appointing external auditors in England and Wales.

5.2 The basic duties of the external auditor are defined in the Audit Commission Act 1998, and the Local Government Act 1999. In particular, section 4 of the 1998 Act requires the Audit Commission to prepare a Code of Audit Practice, which external auditors follow when carrying out their duties.

5.3 The Code of Audit Practice 2005 – for local government bodies sets out the role of external audit in the public sector as: ‘External auditors in the public sector give an independent opinion on public bodies’ financial statements and may review, and report on, aspects of the arrangements put in place by public bodies to ensure the proper conduct of their financial affairs and to manage their performance and use of resources.’

5.4 The Audit Commission appoints the external auditors.

5.5 The internal and external Audit Managers meet on a half-yearly basis to co- ordinate their work.

5.6 External audit reports are reported to Directors Management Board in appropriate cases. Reports from the Audit Manager to the Licensing and General Purposes Committee will include a list of external audits completed.

6. PREVENTION OF FRAUD AND CORRUPTION

6.1 All new employees receive an induction from Personnel Services and their line managers. This includes outlining Council Policies as listed in section 6 below.

6.2 Heads of Service are responsible for implementing and maintaining controls within their systems, which deter and identify fraud or corruption. As part of the annual audit plan internal audit staff review and report on these controls.

6.3 Heads of Service are responsible for the timely implementation of agreed actions identified during audits.

6.4 It is the responsibility of all employees to report suspected fraud or corruption to the Head of Finance, who will review the issue with the Internal Audit Manager. The Whistle Blowing Policy may apply to these reports and should be adhered to.

6.5 The Head of Finance and Internal Audit Manager will identify and undertake the appropriate action following such a report. This action will be promptly reported as appropriate.

- 6.6 Internal Audit carries out all internal investigations.
- 6.7 The Audit Manager will work in close liaison with the Head of Finance (or in exceptional circumstances the Chief Executive) and the Monitoring Officer.
- 6.8 Where a fraud, theft or major irregularity is suspected the Audit Manager is entitled to exclude employees from their normal place of work for a limited period, but not in excess of 24 hours.
- 6.9 The Audit Manager can remove and provide safe custody of any material, which may be used as evidence in an investigation.
- 6.10 Internal Audit will keep records of investigation securely in accordance with the Council's Retention Guidelines.
- 6.11 The Audit Manager will report investigations to the Directors Management Board and the Licensing and General Purposes Committee.
- 6.12 Where appropriate the Directors Management Board will communicate to staff on cases of fraud and corruption to ensure that a high level of corporate governance is part of the organisation's culture.
- 6.13 Other Council policies and procedures related to the prevention of fraud and corruption are:-
- Anti-Fraud and Corruption Policy
 - Whistle Blowing Policy
 - Gifts and Hospitality Policy
 - Members Code of Conduct
 - Employee Code of Conduct
 - Electronic Data and Communications Policy.
 - Disciplinary Procedure