

Effectiveness of the Employee Code of Conduct

Report of Chief Internal Auditor and Corporate Fraud Manager

Purpose of the Report

1. To provide members with a view from Internal Audit on the effectiveness of the Council's Employee Code of Conduct.

Background

2. A professional, independent and objective Internal Audit Service is one of the key elements of good governance in local government.
3. The Internal Audit Service in Durham:
 - Understands the whole organisation, its needs and objectives;
 - Understands its position with respect to the organisation's other sources of assurance and plans its work accordingly;
 - Is seen as a catalyst for improvement at the heart of the organisation;
 - Adds value and assists the organisation in achieving its objectives;
 - Is forward looking – it knows where the organisation wishes to be and is aware of the national agenda and its impact.
4. The foundation of an effective Internal Audit Service is compliance with standards and proper practices. Internal Audit is governed by the Public Sector Internal Audit Standards (PSIAS) that came into effect in April 2013.
5. The PSIAS, define internal audit as,

“an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes”.
6. The PSIAS also request that in Standard 2110 that the Internal Audit Service should evaluate the design, implementation and effectiveness of the organisation's ethics-related objectives, programmes and activities. The employee code of conduct would form part of this requirement.
7. The employee code of conduct provides guidance and support to individuals for making decisions and carrying out their work in ways that are compatible with the Council's values. It is important that the code is owned by all employees.

Effectiveness of the Employee Code of Conduct

8. The primary purpose of the employee code of conduct is to provide the Council with a clear benchmark for ethical behaviour. It sets out expected values and behaviours. Having a code is a key element of ensuring effective corporate governance. It is one of our employees' most important documents.
9. In order for the employee code of conduct to be effective it must be:
 - Regularly reviewed and developed;
 - Promoted and championed throughout the organisation;
 - Managers and employees must be provided with necessary training and support;
 - It must be supported by appropriate disciplinary and whistle-blowing procedures.
10. DCC's Employee Code of Conduct was last formally reviewed in October 2014 and is next due for review in March 2016.
11. Within every employees statement of particulars which are signed prior to commencing employment with the Council it states:

'You are required to maintain conduct of the highest standard such that public confidence in your integrity is sustained. Your attention is drawn to the Council's Code of Conduct which sets out the standards and attitude expected from you. This is available for reference via the Durham County Council Intranet at your work place or from your line manager. The operation, terms and continuity of this Code is subject to review by the Council from time to time.'
12. The employee code of conduct is covered verbally in every employee's corporate induction and is included in the New Starter Induction Checklist.
13. The Council values and rewards good ethical behaviour through its Great Staff, Great Staff programme which showcases annually the achievements and contribution of employees. Also Heads of Service and Corporate Directors give instant recognition certificates to those who make an exceptional contribution to the Council. These are promoted in the employee magazine.
14. The Internal Audit Service reports bi-annually to both Corporate Management Team and to the Audit Committee on investigations into misconduct where it is felt the Internal Audit Team are required to complete independent investigations to both confirm any misconduct and to further enhance the Council's control environment in order to prevent incidences happening in the future.
15. The Durham Managers Programme includes a course delivered by Internal Audit which covers the importance of good controls, the risk of fraud and how the Confidential Reporting Code should be used as a means to blow the whistle where appropriate.
16. Over the last three years, 270 disciplinary investigations have been completed (including schools), most of these can be in some way attributed to a breach of the Employee Code of Conduct the outcomes of these are analysed in the table below:

Year	Total No of Disciplinary Investigations	No Action	Warning / Letter of Management Advice	Left the Council	Dismissal
2013	60	19	23	11	7
2014	151	40	79	15	17
2015 (to date)	59	9	37	8	5

17. Over the course of the last 18 months Internal Audit have carried out a number of reviews and made enhancements to the control environment, which supports the Chief Internal Auditor and Corporate Fraud Managers opinion on the control, risk and governance of the Council. These reviews include:

- Disciplinary Procedures
- Review of the Councils Gifts and Hospitality Registers
- Declarations of Interest – DCC Employees
- Declarations of Interest – School Employees
- Declarations of Interest – Members

18. As with Human Resources, the Internal Audit Service also completes reactive investigations an analysis of those is included in the table below and is reported bi-annually to Corporate Management Team and the Audit Committee:

Financial Year	Number of Cases
2012/13	98
2013/14	73
2014/15	32
2015/16 (to date)	12

Opinion of the Effectiveness of the Employee Code of Conduct

19. In the view of the Chief Internal Auditor and Corporate Fraud Manager it is felt that the Employee Code of Conduct is effective however to further enhance its effectiveness, the following actions should be taken:

- At the time of the next review (due in March 2016), the code should be reinforced via publicity in the staff magazine, tool box talks etc. so that all employees are aware of the code and any changes made to it;
- Explore the possibility of e-enabling the Employee Code of Conduct so that employees with access to a computer can indicate that they have read and understood the document. Whilst it is appreciated the Code is included on the new starter induction checklist there is nothing to say the employee understands it and what is expected of them.

Recommendations

20. It is recommended that members :

- Note and comment on the views of Internal Audit on the effectiveness of the Council's Employee Code of Conduct.
- Note the actions that are to be taken.

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Appendix 1: Implications

Finance

No direct implications as a result of this report.

Staffing

None

Risk

None

Equality and Diversity/Public Sector Equality Duty

None

Accommodation

None

Crime and disorder

None.

Human rights

None

Consultation

All Corporate Directors and Heads of Service have been consulted.

Procurement

None

Disability Issues

None

Legal Implications

Compliance with the Accounts and Audit Regulations 2011