



CODE OF GOVERNANCE FOR TOWN COUNCILS

As of 19 June 2019

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INTRODUCTION

1. Town Councils are set up to manage, maintain and improve the common property of the residential and commercial properties in Housing & Development Board (HDB) estates for the benefit of the residents.
2. The Code of Governance (hereby referred to as “Code”) sets out the principles of good governance and highlights best practices that guide the Town Councils in executing their fiduciary responsibilities, improving accountability and disclosure. The Code aims to promote greater transparency and raise governance standards in Town Councils.

OBJECTIVES OF THIS CODE

1. The objectives of this Code are to:
 - a. Enhance the effectiveness of Town Councils by sharing recommended governance practices;
 - b. Provide guidance to the Town Councillors to help them carry out their fiduciary duties;
 - c. Improve the transparency of Town Councils’ operations to build public trust and confidence.

PREAMBLE

1. The Code was developed in consultation with Town Councils and the public. An Advisory Panel that comprised experienced academics, governance experts and practitioners was also formed to advise MND on the development and implementation of the Code.
2. This Code should be read in conjunction with the Town Councils Act and its subsidiary legislation [e.g. Town Councils Financial Rules (TCFR)]. For provisions in the Code which are also covered in the legislation, the Town Council must ensure compliance with the legislation. For provisions where examples are listed, these are for guidance and are not intended to be exhaustive.

Please refer to the Annex for references to the Town Councils Act and its subsidiary legislation, as well as the Personal Data Protection Act (PDPA).
3. Town Councils are expected to comply with the Code from 1 April 2020.



GUIDING PRINCIPLES AND STRUCTURE OF THE CODE

1. This Code is based on five guiding principles, namely:

- a. Integrity**

- The Town Council acts with integrity in its decision making and execution of its duties, in the best interest of the residents.

- b. Objectivity**

- The Town Council exercises objective judgment that represents the interests of the residents.

- c. Accountability**

- The Town Council is accountable to the residents for the way it executes its mandated duties. The Town Council fulfils its responsibilities to enable the effective running of the Town Council in the best interest of the residents.

- d. Fairness**

- The Town Council is fair and impartial in its interactions with the residents.

- e. Transparency**

- The Town Council maintains open communication with the residents, in its conduct and execution of Town Council activities.

These guiding principles underpin the four domains within the Code, namely: (i) Council Effectiveness, (ii) Internal Controls & Processes, (iii) Financial Management and (iv) Vendor Management.

Every domain starts with a general principle and is organised into sub-domains. Every sub-domain includes a general description and the specific provisions to implement the general principle.

When interpreting the Code, Town Councils should consider both the general principle and the specific provisions.

2. This Code covers best practices that Town Councils are encouraged to adopt, through a comply-or-explain regime. Where Town Councils opt not to comply or are in the process of working towards compliance with certain Code provisions, Town Councils should provide meaningful explanations on how the governance standards are achieved.
3. Town Councils should make their declaration using the Governance Disclosure Checklist, issued together with this Code, starting from FY2020 (1 April 2020 to 31 March 2021). The declaration should be submitted to MND, together with the audited Financial Statements for the FY, by 30 September every year. The declaration will be made available for public viewing on the MND website in November/December of that year.



GLOSSARY

The following terms are used in the Code:

Term	Definition
Committee Member	A member appointed under the Town Councils Act to a committee which has been delegated a power, function or duty of the Town Council.
Council	The governing body responsible for overseeing the Town Council. This comprises all elected and appointed Town Council members, who are also known as Town Councillors.
Designated Positions	Chairpersons of Committees and individuals defined by the Council who perform similar responsibilities.
Residents	HDB residential and commercial flat owners and tenants who pay Service and Conservancy Charges to the Town Council.
Town Council	The body corporate established for every Town under the Town Councils Act.
Town Council Management	The group of individuals, e.g., General Manager, Finance Manager, or their deputies, who have the general control and management of the administration of the Town Council and execute their operational activities. This can include individuals who are either directly employed by the Town Council or those directly employed by the Managing Agents.
Town Council Staff	Employees who have contracts of employment with the Town Council, and volunteers who are involved in/or oversee day-to-day operations without remuneration or for nominal payment.
Vendors	Managing Agents and third party suppliers.



1. COUNCIL EFFECTIVENESS

GENERAL PRINCIPLE

The Council provides effective leadership and oversight in executing its duties in the best interest of the residents.

1.1 TOWN COUNCIL PLAN

The Council should ensure there is a comprehensive Town Council plan which is aligned to the Town Council's objectives and allows the Town Council to achieve its goals.

1.1.1 The Council should ensure there are adequate resources allocated to support the plan (e.g. 5 or 10-year plan).

1.1.2 The plan should:

- a. Outline the long-term goals of the Town Council;
- b. Be aligned with the future plans of the Town Council;
- c. Be understood by the Town Council management, Town Council staff and residents;
- d. Align all expenditure and investments with its defined goals and objectives, e.g., long-term estate planning, investment planning; and
- e. Be reviewed and updated periodically.

1.1.3 The Council should communicate the plan to its residents including providing updates on:

- a. Key achievements against the plan annually; and
- b. Upcoming projects and activities.

1.1.4 The Council should conduct regular self-evaluation to assess its performance and effectiveness in achieving the Town Council's objectives and plan.



1.2 CHAIRMAN

The Chairman provides guidance and leadership for the Town Council to execute its duties effectively and efficiently.

1.2.1 The Council Chairman should:

- a. Lead the Council in fulfilling its duties and responsibilities to residents;
- b. Facilitate the planning process and ensure that the Town Council plan is aligned with the objectives of the Town Council and needs of the residents;
- c. Promote high standards of governance within the Town Council;
- d. Promote a culture of integrity, honesty and openness in the Council;
- e. Have oversight on the matters of the Town Council;
- f. Facilitate active participation and effective contribution of Town Councillors;
- g. Ensure that relevant information is provided to allow for objective decision-making; and
- h. Ensure there is effective communication with residents.

The responsibilities are a guide and should not be taken as a comprehensive list of all the duties and responsibilities of the Chairman.

1.3 TOWN COUNCILLORS

The Town Councillors act in good faith, integrity and honesty, and carry out their duties in the best interest of residents.


1.3.1 The Council is collectively responsible and works with the Town Council Management to ensure the effective governance and operations of the Town Council, and to comply with all relevant laws and regulations.

1.3.2 The Town Councillors should:

- a. Uphold this Code in the execution of their duties;
- b. Understand the views of residents so that judgment exercised is objective and in the best interest of the residents;
- c. Execute their duties ethically and responsibly; and
- d. Fulfil their responsibilities and duties to the residents through active participation and effective contribution.

The responsibilities set out above are a guide and should not be taken as a comprehensive list of all the duties and responsibilities of a Town Councillor.

1.3.3 Attendance of Town Councillors at Council meetings is key to their active participation and effective contribution. The Secretary of the Town Council should record the attendance of Town Councillors at all Council meetings.

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- 1.3.4 The attendance of each Town Councillor, on a named basis, should be circulated to the Council for information, and reported to the Council Chairman at least on an annual basis.

1.4 COMPOSITION AND STRUCTURE

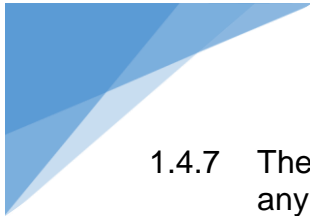
The Council has the right mix of skills and expertise to fulfil its responsibilities effectively as well as exercise objective judgment in decision-making.

- 1.4.1 There should be written terms of reference for the Council and each of its Council committees, which clearly set out their authority and duties.
- 1.4.2 The Council should have the necessary committees to oversee key areas including:
- a. Audit and risk management;
 - b. Finance;
 - c. Procurement of goods and services; and
 - d. Estate management.

The Chairperson of the Committee overseeing audit matters should not chair or be a member in other Council Committees. The majority of the members of the Committee overseeing audit matters should not concurrently be members in the other Council Committees.

The Chairperson of the Committee overseeing finance matters should not chair or be a member in other Council Committees that oversee procurement matters. The majority of the members of the Committee overseeing finance should not concurrently be members in the other Council Committees that oversee procurement matters.

- 1.4.3 There are processes in place for the selection and appointment of Town Councillors that ensure members have the relevant experience, skills and/or competencies to adequately execute their duties.
- 1.4.4 The Town Council should disclose a description of the process for the selection, appointment and re-appointment of appointed Town Councillors in the Town Council's Annual Report
- 1.4.5 The Council and its committees should comprise members who possess personal attributes for the Council to function effectively and core skills or competencies which are relevant to their role.
- 1.4.6 Roles and responsibilities should be clearly defined and documented with respect to Designated Positions in the Council.

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- 1.4.7 There should be a maximum limit of 10 consecutive years for a chairperson of any Council committee that oversees these areas:
- a. Audit and risk management;
 - b. Finance; and
 - c. Procurement of goods and services.

Re-appointment to these positions can be considered after a lapse of at least two years.

- 1.4.8 Town Councillors should ensure that they give sufficient time and attention to the affairs of the Town Council to adequately discharge their duties.
- 1.4.9 There should be appropriate induction for all incoming Town Councillors. This should cover the duties of a Town Councillor and how to discharge those duties, as well as an orientation programme to ensure that they are familiar with the Town Council's duty and governance practices.
- 1.4.10 All Town Councillors should receive relevant and timely training to develop the necessary skills, competencies, and up-to-date knowledge on relevant laws and regulations.



2. INTERNAL CONTROLS AND PROCESSES

GENERAL PRINCIPLE

The Town Council has an adequate system of risk management and internal controls to safeguard residents' interests and the Town Council's assets and facilities. The Town Council has established a sound framework of prudent and effective controls to ensure the effectiveness and efficiency of Town Council operations.

2.1 RISK MANAGEMENT AND INTERNAL CONTROLS

The Town Council has an effective risk management and internal controls system that monitors and mitigates potential risks in the operation of the Town Council.

- 2.1.1 The Council should ensure that there is a process to identify, assess, regularly monitor and review the Town Council's key risks, including financial, operational, compliance and information technology risks. This process should also cover mitigating measures and controls for all key risks.
- 2.1.2 The Town Council should ensure that internal controls are in place with documented policies and procedures which are endorsed by the Council.
- 2.1.3 The Council should disclose in the Annual Report whether it has carried out an assessment of key risks facing the Town Council and whether internal controls in place are adequate and effective.
- 2.1.4 The Council should establish a business continuity plan which includes policies and processes necessary for the operational continuity of the Town Council.
- 2.1.5 The Council should regularly conduct appropriate and complete tests of the functionality and effectiveness of the business continuity plan.
- 2.1.6 The Council should ensure that policies and procedures are in place and properly documented to identify and appropriately manage conflict of interest.
- 2.1.7 The Town Council has documented communication policies in place regarding the release of information about the Town Council and its activities.



2.2 INTERNAL AUDIT

The Town Council has a competent Internal Audit function to provide an independent and objective assessment of the effectiveness of internal controls and procedures.

- 2.2.1 The Council should establish an effective internal audit function that reports directly to the Committee overseeing internal audit.
- 2.2.2 The internal audit function may be in-house or outsourced, but should be adequately resourced and have the relevant experience and/or expertise as a whole.
- 2.2.3 The internal audit function should be independent of the activities it audits.
- 2.2.4 The Committee that oversees internal audit should review the adequacy and effectiveness of the internal audit function at least annually.

2.3 RECORD-KEEPING


The Town Council is responsible for maintaining and safeguarding all records relating to its day-to-day operations.

- 2.3.1 The Town Council should retain ownership of all Town Council related documents and is responsible for ensuring all records are properly maintained and kept up-to-date.

2.4 DATA PRIVACY AND PROTECTION

The Town Council has robust data privacy and information security policies and procedures in place to secure its information assets. The Town Council has the appropriate safeguards to ensure the confidentiality, integrity and availability of information. The Town Council has an incident management plan to respond promptly to security incidents.


- 2.4.1 There should be a data governance and information security framework with adequate and effective internal controls embedded in the policies and procedures. This should cover areas including the collection, protection, usage and sharing of data, disclosure of data to third parties, retention and disposal of personal data and other confidential and sensitive information.

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- 2.4.2 The Town Council should ensure that Town Councillors, Committee Members, Town Council staff, employees of Managing Agents and other parties:
- a. Are aware of the requirements for adequate data privacy and protection of confidential and sensitive data if they have sight of confidential and sensitive data; and
 - b. Undergo training on data privacy and protection requirements if they are involved in the handling of confidential and sensitive data to fulfil their duties.
- 2.4.3 The Town Council should have a proper response plan in place to promptly detect, report, resolve and recover from any unauthorised access, modification, use, disclosure, disposal, or activities of similar risk, relating to data in the possession or control of the Town Council.

2.5 HUMAN RESOURCES

The Town Council has policies and procedures in place for Town Council staff who are involved in carrying out duties for the Town Councils.

- 2.5.1 The Council should approve documented human resource policies for Town Council staff, including areas such as:
- a. Recruitment;
 - b. Remuneration;
 - c. Benefits;
 - d. Training & Development;
 - e. Performance appraisal;
 - f. Disciplinary actions; and
 - g. Cessation of employment.
- 2.5.2 The Town Council should have a documented Code of Conduct for Town Councillors, Committee Members, Town Council staff, and other parties acting on behalf of the Town Council.
- 2.5.3 The Council should ensure that there is a performance evaluation system in place that regularly monitors and appraises the performance of Town Council staff. The performance evaluation process should be equitable and transparent.
- 2.5.4 The Council should ensure that there is a process to identify the training needs of all Town Council staff so as to equip them with the necessary skills to adequately perform their role.

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- 2.5.5 Staff who are related to any Town Councillors or other Town Council staff should undergo the established human resource procedures applicable to all staff, in relation to their recruitment, performance evaluation and remuneration. The affected Town Councillors or Town Council staff should declare such relationships and ensure that they are not involved in any decision relating to the recruitment, performance evaluation and remuneration of that staff.

2.6 WHISTLEBLOWING

The Town Council has policies and procedures in place to allow individuals to express any issues or concerns in confidence.

- 2.6.1 The Council should establish a whistleblowing policy and procedures for employees, residents or any other persons to raise concerns, in confidence, on possible irregularities in financial or other matters relating to the Town Council. The policy should include procedures for the Council to independently investigate the concerns and take appropriate follow-up action.
- 2.6.2 The Town Council should disclose the existence of a whistle-blowing policy and procedures.



3. FINANCIAL MANAGEMENT

GENERAL PRINCIPLE

The Town Council has sound financial management practices to ensure that the Town Council's funds and assets are properly safeguarded and accounted for, and are managed in compliance with the law. The Council ensures that there is prudent usage of Town Council funds.

3.1 BUDGETING AND PLANNING

The Town Council has a comprehensive financial plan to allocate resources effectively in the best interests of residents.

- 3.1.1 The allocation of funds through the annual budget for public expenditure should be in line with the objectives of the Town Council.
- 3.1.2 The Town Council should have in place a documented process to regularly plan and review its current and long-term finances, with the purpose of ensuring proper and efficient management of funds. This includes reviewing the effectiveness of facilities and assets expenditure.
- 3.1.3 The Council should be regularly briefed at Council meetings on the current and projected financial position of the Town Council. Financial statements with comparable budget figures together with analysis and explanations of any variances, should also be presented at the Council meetings.

3.2 REPORTING ON FINANCIAL INFORMATION

Relevant and accurate financial information which complies with applicable laws and standards should be provided regularly to the Council for decision-making.

- 3.2.1 The Town Council Management should provide the Council with relevant financial information on a regular basis, so as to allow the Council to make balanced and informed decisions in a timely manner. The Council should receive assurance from the Town Council Management that financial statements give a true and fair view of the Town Council's operations and finances.
- 3.2.2 The Council should review and address significant financial reporting issues brought up by the auditors to ensure the integrity and accuracy of the financial statements of the Town Council.



3.3 INVESTMENT OF FUNDS

The Town Council provides for a sound and justifiable investment approach based on the objectives and risks of the Town Council.

- 3.3.1 If the Town Council invests its funds, it should do so in accordance with an investment policy approved by the Council.
- 3.3.2 The Council should ensure that returns of all invested funds are regularly reviewed and presented at the Council meetings.



4. VENDOR MANAGEMENT

GENERAL PRINCIPLE

The Town Council has processes in place to systematically manage the Town Council's procurement process and measurement of its vendors' service standards, including the Managing Agent that runs the Town Council's key operations (if applicable).

4.1 PROCUREMENT


The Town Council has policies and procedures in place to ensure the effective selection, consideration and award of contracts to the vendors.

- 4.1.1 The Council should ensure that all procurement activities are conducted in a way that:
- a. Demonstrates value for money;
 - b. Demonstrates appropriate use of Town Council funds;
 - c. Complies with relevant regulatory requirements;
 - d. Provides equitable consideration to all tenders; and
 - e. Is aligned with the goals and objectives of the Town Council.
- 4.1.2 The Council should ensure the confidentiality of all procurement activities so that no interested bidder, including incumbent vendors and the Managing Agent, is conferred an unfair advantage for the tender.
- 4.1.3 The invitations to tender, names of participating tenderers and their offers, and the name and tender price of the successful tenderer should be posted on publicly available channels.

4.2 PERFORMANCE MANAGEMENT

The Town Council has a performance evaluation system for the Managing Agent and all vendors, so as to align the interests of the vendors to the Town Council's objectives.

- 4.2.1 The Council should communicate the following to the Managing Agent and vendors before the award of contract:
- a. Roles and responsibilities of the vendor; and
 - b. Council's expectations of the vendor.
- 4.2.2 The Council should have oversight of the services rendered by the Managing Agent and vendors.



4.2.3 The Council should have a formal performance evaluation process for the Managing Agent and vendors. Their performance should be based on pre-defined criteria by the Council.

ANNEX

SECTION	SUB-DOMAIN	CODE PROVISION	REFERENCES
1.3	Town Councillors	1.3.3	Town Councils Act - Section 14
1.4	Composition and Structure	1.4.2	Town Councils Act - Section 31
2.1	Risk Management and Internal Controls	2.1.6	Town Councils Act - Sections 15 and 15A
2.2	Internal Audit	2.2.1	Town Councils Act - Section 31
2.3	Record-Keeping	2.3.1	Town Councils Act - Section 35 Town Councils Financial Rules – Parts III, IV and V
2.4	Data Privacy & Protection	2.4.1	Personal Data Protection Act - Section 12
3.1	Budgeting & Planning	3.1.1	Town Councils Act - Section 37 Town Councils Financial Rules - Rules 5, 6, 8 and 9
3.2	Reporting on Financial Information	3.2.2	Town Councils Act - Section 38
3.3	Investment of Funds	3.3.1	Town Councils Act - Section 41 Town Councils Financial Rules - Rule 89
4.1	Procurement	4.1.2 4.1.3	Town Councils Financial Rules – Rule 73 – 81 and 84