

STANDARDS COMMITTEE

11th DECEMBER 2007

ETHICAL GOVERNANCE AUDIT

RICHARD LONG, DIRECTOR OF LEGAL & DEMOCRATIC SERVICES

1. PURPOSE OF REPORT

1.1 To seek approval to commencing work on an ethical governance audit.

2. BACKGROUND

2.1 Ethical governance is about ensuring that the correct policies and procedures of public authorities are in place and adhered to, and that the conduct of public officials, whether officers or members is of the highest standard.

2.2 In 2000 the Local Government Act received Royal Assent, and Part III of the Act sought to promote high ethical governance standards by the introduction of new arrangements as follows:-

- i) requiring all members to sign up to a national Code of Conduct
- ii) requiring every principal authority (e.g. Middlesbrough Borough Council) to establish a Standards Committee (with independent members) to take a leading role in respect of ethics
- iii) the establishing of the Standards Board for England with overall responsibility for standards including the consideration of complaints against Councillors, (this role has, since been modified by the 2007 Act), and
- iv) the establishing of the Adjudication Panel for England to consider the more serious cases, i.e. those cases likely to result in a sanction greater than a 3month suspension.

2.3 As a result of the greater public awareness and importance of ethical governance, the Audit Commission in respect of the Comprehensive Area Assessment have identified a Key Line of Enquiry around the theme whether “the organisation promotes and demonstrates ethical behaviour and manages the risk of fraud both for itself and working in partnership with others.” To show that an authority is performing well, it must demonstrate that it is proactively raising standards of ethical conduct, including the provision of training, guidance and information. The Council

must have adopted appropriate codes and policies relating to conduct, gifts and hospitality, standing orders, financial regulations and procurement procedures. The Council must also have adequate complaints and whistleblowing procedures.

2.4 An ethical governance toolkit has been published by the Standards Board for England, the Audit Commission and the IDeA. The purpose of the toolkit is to help to assess how well an authority is complying with good ethical governance practices, and how to improve further. The toolkit consists of four distinct elements as follows:-

- **Self-assessment survey (Administered by the Audit Commission)**

Assesses awareness of ethical issues

- **Full audit (Administered by the Audit Commission)**

In-depth assessment of the Council's:-

- compliance with the Code of Conduct
- arrangements for local determinations and investigations
- the roles and responsibilities of Standards Committees
- Monitoring Officer roles and responsibilities
- Chief Executive roles and responsibilities
- protocols and constitution
- arrangements for promoting confidence in local democracy
- understanding of ethical issues and behaviours

- **Light touch health check (Administered by the IDeA)**

A quick assessment of the following behaviours of the Council:-

- leadership
- relationships
- communication
- accountability
- management of standards
- team working and co-operation

- **Development Workshops (Administered by the Audit Commission or IDeA)**

To improve awareness and understanding of ethical issues facing the Council

2.5 As can be seen from paragraph 2.4, the authority does not carry out the "health check" itself, but uses the services of either the Audit Commission or IDeA for which a fee is charged.

2.6 At this stage, I would not recommend that such a health check be undertaken. I would, however recommend that a desktop exercise is undertaken in-house to establish the current position. Attached at Appendix 1 is a list of policies and procedures, which an authority should have in place to ensure high ethical standards. It is proposed to carry out an exercise to establish the Council's position in respect of each of those policies and procedures.

2.7 Another useful exercise is to carry out a survey of members and officers to assess how well the policies etc. have been communicated. It is proposed that the

questionnaire be distributed to 10 members and 75 officers. The questions tend to be fairly standard, e.g.:-

*“Are you familiar with the provisions of the employees Code of Conduct” or
“Are you aware of the procedures relating to contract standing orders”, etc.*

The employee/member will be asked to give one of the following responses “Yes”, “to a large extent” “not really” or “not at all”. The employee will also be given the opportunity to make comments.

It is suggested that the final content of the questions be determined by the Council’s Management Team.

3. **FINANCIAL IMPLICATIONS**

3.1 There are no financial implications at this stage.

4. **LEGAL IMPLICATIONS**

4.1 There are no legal implications arising directly from the report.

5. **RISK ASSESSMENT**

5.1 Failure to achieve high ethical standards has consequences for members, officers and the authority and may result in the loss of credibility and confidence; and could lead to possible legal challenge.

6. **RECOMMENDATIONS**

6.1 That a desktop exercise be undertaken to establish the current position in respect of the policies etc. identified in Appendix 1.

6.2 That a survey be undertaken in respect of 75 officers and 10 members.

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