

09/0774 - Ethical Governance Framework

Assignment Details:

Report Date: 27 August 2010

Lead Auditor: Robert Bailey - Principal Auditor

Supervisor: Derek Whiteway - Internal Audit Manager

Scope: The council's ethical governance framework - i.e. the processes and procedures through which it seeks to ensure it adopts and maintains high standards of conduct.

Objectives: To assess, through a survey, the levels of awareness and understanding amongst Members and employees of the council's ethical governance arrangements with a view to identifying areas for improvement.

Assurance Opinion:

Level of Assurance Provided:  **Reasonable**

Additional Comments: Whilst the council has put in place the essential elements of an ethical governance framework, more needs to be done to communicate the council's values and standards, particularly amongst employees, through good management which provides support and engenders trust.

Headline Messages:

- The majority responding to the survey realise the importance of sound ethical governance, though more could be done to effectively communicate this.
- Responses indicate feelings that the public do not perceive standards of ethical conduct within the council as good.
- The majority recognise they have a role to play through good conduct and maintaining high standards when acting on behalf of the council, though more work is needed to ensure employees in particular fully understand their role.
- Council leaders, and particularly managers, need to understand their role in promoting ethical standards and providing advice and support.
- Work is needed to ensure the Codes of Conduct, particularly the Officers' Code of Conduct, is understood.
- Work is needed to ensure all officers are aware of the Constitution and how it applies to them.
- Financial Regulations and Procedures and Contract Procedure Rules need to be promoted alongside the provision of training, advice or support as necessary.
- The majority responding to the survey are aware that they have responsibilities in helping the council fight fraud and corruption but more needs to be done to promote the council's commitment.
- Arrangements for reporting concerns or suspicions of fraud or corruption need to be publicised and more needs to be done to engender confidence in the process, particularly with regards the protection given to those making reports.

Internal Audit Commentary:

Ethical governance refers to the processes, procedures, culture and values which ensure high standards of behaviour. Authorities with good governance arrangements are more likely to be well run and effective in helping to improve services, resulting in better outcomes for local people. The conduct of everyone in local government needs to be of the highest standard to support its community leadership role. Failure to achieve high ethical standards can result in poor decisions and a loss of credibility and confidence in individuals, the council and local democracy.

This review sought to assess the adequacy of the council's ethical governance framework through a survey sent to all Members and employees which also aimed to raise awareness of the council's ethical governance arrangements. It is acknowledged that the questions asked in the survey may mean different things to different people, perhaps depending on their role in the organisation and their experience. Responses are also open to interpretation. The agreed actions resulting from this review seek to address the areas requiring development or improvement as suggested by the results of the survey. The results also provide a baseline against which progress can be measured should a similar survey be carried out in the future.

Responses were received from 15 (25%) Members and 147 (15.4%) employees representing all levels of the council's structure and services. The full results can be found at Appendix A, but the audit opinion based on the findings is as follows:

Ethical Standards of Conduct

Results suggest responders realise the importance of sound ethical governance and the majority recognise that as individuals they have a role to play through good conduct and maintaining high standards when acting on behalf of the council. However, few, particularly employees, believe standards of ethical governance within the council are high and over half of the Members responding do not think the public perceive standards of ethical conduct within the council as good.

Approximately a third of responders feel the council does not effectively communicate the importance of high ethical standards and conduct and a significant number of employees say they've never received 'training on general standards of ethical governance'.

Members' responses indicate the majority know where to go for advice or support on conduct and ethical issues many saying they've received training on the Members Code of Conduct. In contrast over half the employees responding said they'd not received training on the Code of Conduct and many stated they did not know who to go to for advice and support. Numbers understanding the relevant Code of Conduct roughly equate to those trained.

Results suggest there is scope to promote corporate ethical standards both internally and externally and those responsible for providing advice and support (i.e. council leaders and managers) need to actively nurture their role in developing a strong ethical culture which upholds the values of good governance in a way which creates a climate of openness, support and respect.

Constitutional Framework

Survey responses indicate around three quarters of employees have either a poor or no understanding or awareness of the terms of reference for Cabinet and other statutory and regulatory committees, such as the council's Standards Committee. As might be expected, Members responses indicated a better understanding.

The survey suggests poor knowledge and understanding of the Council's Financial Regulations and Procedures with nearly a third of employees responding being unaware of their existence. Similarly many employees responding were unaware of Contract Procedure Rules and a significant number of those aware said they have a poor understanding of them. In contrast the majority of Members responding said they had a 'good' or 'reasonable' understanding of Financial Regulations and Procedures and Contract Procedure Rules.

Results suggest only a small number of employees and half of Members feel the council's Constitution is relevant, up-to-date and clear, though over half the employees responding did not know. This suggests they are not aware of the Constitution and responses relating to its accessibility seem to support this. Nearly half the employees responding did not know how the Constitution impacts on their role and a larger proportion were unsure of where to go to get related advice and support. Responses to whether the council 'consistently follows proper procedures and practices' were generally negative and particularly so in the case of employees.

It is clear that the Constitution, and in particular Financial Regulations and Procedures and Contract Procedure Rules, need to be promoted with a view to everyone knowing the extent of relevance to them, and ensuring consistency in council procedures and practices.

Roles and Responsibilities

The survey sought to establish the level of understanding of individual ethical responsibilities as well as the roles of senior officers, Members, council committees, statutory officers and external audit. Whilst many responding said they have a clear understanding of their roles and responsibilities it is hard to draw conclusions as it is not clear if answers relate to their overall roles, or roles and responsibilities in respect of ethical governance.

Responses suggest Members have a greater awareness and understanding of the roles and responsibilities of others but employees responding may be basing understanding on expected or perceived roles rather than knowledge of defined roles. Due to issues over the interpretation of questions, survey results in this area are inconclusive though they seem to support other findings in so far as Members appear to have a greater awareness of the governance framework than employees.

Anti-Fraud and Corruption Arrangements

There were significant differences between Member and employee perceptions of the council's commitment to combating fraud and corruption, Member responses being more positive. However, the majority of responders said they were aware, or aware 'to some extent', of their responsibilities and duties in helping the council to fight fraud and corruption.

With regards raising concerns or suspicions of fraud and corruption, approximately a third of responders said they were unaware of the council's arrangements, and results relating to the accessibility of related information suggest scope for improvement.

Although many of those responding said they had a 'good' or 'reasonable' understanding of the council's Whistle-blowing Policy, relatively few said that they had no confidence they would be protected should they raise any concerns or suspicions. This suggests potential trust issues which it is hoped could be addressed through effectively engaging leaders and managers in reviewing and publicising the Anti-Fraud and Corruption Strategy and increasing understanding of the investigation process.

High percentages of those responding felt the council does not 'effectively publicise its anti-

fraud and corruption activities' and many felt that the council does not 'effectively publicise the results of fraud and corruption investigations and prosecutions'. The council needs to be clear on why and when it would publish such information, as publicity could have a detrimental impact on the promotion of an anti-fraud and corruption culture, for example if the sanction is felt by some not befitting the act.

Comments, Compliments and Complaints

Relatively high numbers of those responding are aware of the council's Comments, Compliments and Complaints Policy and broadly understand it. However responses indicate a need to clarify processes for making complaints against Members or employees, and to publicise sources of advice and support.

Relatively small numbers of those responding do not feel the council 'effectively deals with, and responds positively to comments, compliments and complaints'. There were no comments which might help establish whether the issues are procedural, cultural or perhaps down to publicity but the establishment of central review arrangements ensuring quality and consistency might enhance confidence.

Information and Communication

A section of the survey sought to establish whether Members and employees had received training or advice on a number of matters relating to the council's overall ethical governance arrangements, including Human Rights, Data Protection, anti-discrimination policies etc. Responses from Members were generally more positive and, with the exception of the Fraud Act and the Regulation of Investigatory Powers Act, all Members felt the issues raised by the survey were relevant to their role. Whilst the results do not establish whether there is a training need they do suggest there might be scope to offer further training or advice to Members particularly in relation to information governance arrangements, including Data Protection.

Employee responses suggest there is a training need, given a number of employees feel some of the issues raised by the survey are not relevant to their role. Overall employee responses were lower than one might expect if the council had a sound ethical governance framework. A relatively large number of comments were received from employees on this section, many stating the training that they had received had been from outside the council (e.g. through attaining professional qualifications or working in other authorities). It is recognised that the issues raised by the survey will have more relevance to some employees than others but all need to understand their role in for example, respecting individuals' rights to privacy.

Overall the survey indicates the council needs to do more to promote its ethical governance framework. Council leaders and managers have a significant role to play and engaging them in the improvements proposed by the agreed actions will seek to reinforce this.

Report and Action Plan Agreed By: Head of Governance and Head of Financial Services

Follow Up Review Due By: 23 February 2011

I would like to thank the members of the Service(s) involved in the audit for their contributions and cooperation in the audit.



Derek Whiteway CPFA, Internal Audit Manager

Distribution: The Chief Executive
Head of Financial Services
Head of Governance
HR Manager
Members of Audit Committee
The Standards Committee
Audit Manager (External Audit)

Job: 09/0774 - Ethical Governance Framework

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Risk Group: Ethical Governance Framework

Risk The council's reputation could suffer if the council fails to adopt and maintain high ethical standards. (R004343)

	Inherent	Residual	Target
Current Risk Assessment			

Internal Audit Opinion  There is scope to improve management of the risk

Agreed Action	Responsibility	Implementation Target Date	Ref
1. The Ethical Governance Framework is to be defined with a view to improving arrangements for communicating it, especially through the Intranet.	Internal Audit Manager	30/09/10	015769
2. Ownership of the Ethical Governance Framework is to be clarified, the corporate Monitoring Officer to be responsible for the framework and to work with Management Team to develop a strong ethical culture which upholds the values of good governance.	Head of Governance	31/10/10	015770
3. The role of the new Governance Service in terms of owning and promoting the Ethical Governance Framework is to be publicised through the corporate cascade briefing arrangements.	Head of Governance	31/10/10	015771
4. Corporate induction arrangements are to be reviewed ensuring: - all new staff are aware of the expectations placed upon them by the Council's rules and standards; - appropriate training is provided; and - sources of advice and support are clear.	HR Manager	31/12/10	015772
5. The Officers Code of Conduct is to be reviewed and its status clarified before being relaunched with all staff being required to sign up to it.	Head of Governance	31/03/11	015773
6. Managers are to be made aware of their responsibilities in setting and upholding high ethical standards in line with the corporate Ethical Governance Framework through the ongoing management development programme. Interviews with managers will seek to identify any training needs.	HR Manager	31/12/10	015774
7. Managers are to be engaged in the development of the new Anti-Fraud and Corruption Policy and Strategy which will be promoted and publicised with a view to making the council's commitment to combating fraud and corruption clear.	Internal Audit Manager	30/09/10	015775