

Ethical governance

Project Brief

LB Harrow

Audit 2009/10

Date **July 2009**

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Status of our reports

The Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission explains the respective responsibilities of auditors and of the audited body. Reports prepared by appointed auditors are addressed to non-executive directors/members or officers. They are prepared for the sole use of the audited body. Auditors accept no responsibility to:

- any director/member or officer in their individual capacity; or
 - any third party.
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Introduction

- 1 Confidence in local democracy is essential to our way of life. It can only be achieved when council leaders are seen to live up to the high standards the public has the right to expect of them.
- 2 In recent years there has been an increased emphasis on standards and conduct in public life. The findings of the Committee on Standards in Public Life, the Local Government Act 2000, the creation of the Standards Board for England (SBE) and the current issues facing the government and Parliament are all reasons why the need for strong ethical governance is being highlighted. The Standards Board for England has also stressed the roles of Chief Executives and leading members in influencing organisational culture and supporting the ethical environment.
- 3 Ethical governance is an area of great interest to the national and local press when things go wrong. Individual members face several risks, including investigation for alleged breaches of the Code of Conduct, loss of confidence and trust in individual members and poor decision-making. Poor member and officer behaviour can damage confidence in local authorities and confidence in local democracy.
- 4 Setting high ethical standards is an important building block for local authorities in developing their community leadership role and improving services to the community. Local authorities are also becoming involved in increasingly complex partnerships and poor ethical standards may adversely affect these arrangements.
- 5 Sanctions for members who fail to live up to the requirements of the Code of Conduct can include removal from office, formal censure and suspension from using council facilities. Reasons for removal from office or sanctions include bullying behaviour, misuse of council resources, bringing the council into disrepute and using the position as a member of the council for personal gain. The high number of disqualifications has reduced significantly as members and officers have increased their understanding of formal requirements but they remain an issue.
- 6 Common governance failures are not usually because of the absence of frameworks, controls and arrangements but the absence of appropriate behaviours and values among members and officers. Our work therefore looks at compliance with statutory requirements and also at behaviour, culture and values.

What do we mean by ethical governance?

- 7 We use the term 'ethics' as defined by the House of Commons: Public Administration Select Committee: Ethics and standards - the regulation of conduct in public life, 2007.
- 8 The committee defined 'ethics' to mean:

“the qualities of good governance, such as integrity, legitimacy, accountability, and adherence to a commonly understood standard of behaviour”.

- 9 This definition is based on the work of the Committee on Standards in Public and its seven Principles of Public Life: selflessness, integrity, objectivity, accountability, openness, honesty and leadership to deliver these principles.

Background

- 10 We have based this work on the requirements of the Local Government Act, 2000 Part III and the Local Government and Public Involvement in Health Act 2007. Every local authority is required to adopt a members' Code of Conduct that sets out the rules governing the behaviour of its members. The Code covers all elected, co-opted and independent members of local authorities, including parish councils, fire, police and national park authorities.
- 11 The Code covers areas of individual behaviour such as members not abusing their position or not misusing their council's resources. In addition, rules govern disclosure of interest and withdrawal from meetings where members have relevant interests. Members must also record their financial and other interests.
- 12 Standards Committees were established for each local authority to promote and uphold high standards of conduct for members. One of the roles of a Standards Committee is to create a sense of 'ethical well-being' in the authority. A new locally based system for dealing with complaints about members' conduct came into force in 2008.

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Draft scope and objectives

13 The audit will look at four areas:

- **Balancing rules and trust.** How far the Council is supporting the genuine motivation of people while ensuring that those who do breach the rules are challenged.
- **Independent overview.** How far the Council is monitoring, developing and promoting the Council's approach to the ethical agenda and how far this is delivering improvement.
- **Leadership.** How far the Council is encouraging good conduct in the Council, including towards the equalities and diversity agenda.
- **Transparency.** How far the Council is ensuring transparency in the way it carries out its business.

14 The purpose of the work will be to assess how far:

- the Council is complying with the Audit Commission's organisational assessment Use of Resources KLOE 2.3
- the Council is complying with Part III of the Local Government Act 2000 and the relevant sections of the Local Government and Public Involvement in Health Act 2007;
- the Council is ensuring the Standards Committee has access to the right information and support to enable it to do its job properly;
- members and officers understand and are aware of ethical issues;
- members are abiding by the Code of Conduct;
- members and officers have training needs in this area;
- And to make recommendations on areas for further development.

Audit approach

15 We will tailor the audit to meet your needs. For maximum benefit we suggest that we

- undertake a review of relevant documentation, including the return from the Monitoring Officer;
- carryout an on-line survey of members and senior officers. The survey is based on the four areas in paragraph 16 above. It is an electronic survey accessed by members and officers over the web and gives a better understanding views on the Council's approach to ethical governance;
- meet with the Leader of the Council, Chief Executive, members, senior management and Standards Committee members;
- meet with the monitoring officer and ask the MO to complete a set of questions; and
- feedback our findings to the Council, including to the Standards Committee.

Outputs from the diagnostic

16 The end product will be a presentation with full notes.

Desired impact of the work

17 As a result of this work the Council, members and officers should:

- be more aware of the progress the Council has made in delivering the ethical agenda;
- have a better understanding of the ethical health of the Council; and
- have a better understanding of what, if any, further action is needed to meet the desired standards.

Timelines

| Task | Target date for completion |
|--|----------------------------|
| Set up meeting with the Leader and Chief Executive | October 2009 |
| Document review | October 2009 |
| Self-assessment survey | November 2009 |
| Interviews and focus groups | January 2010 |

Audit approach

| Task | Target date for completion |
|--------------------|----------------------------|
| Initial feedback | End January 2010 |
| Final presentation | February/March 2010 |

Audit personnel and key contacts

Audit Commission staff involved in the work will be:

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|--|--|
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The contacts in the Council will be.

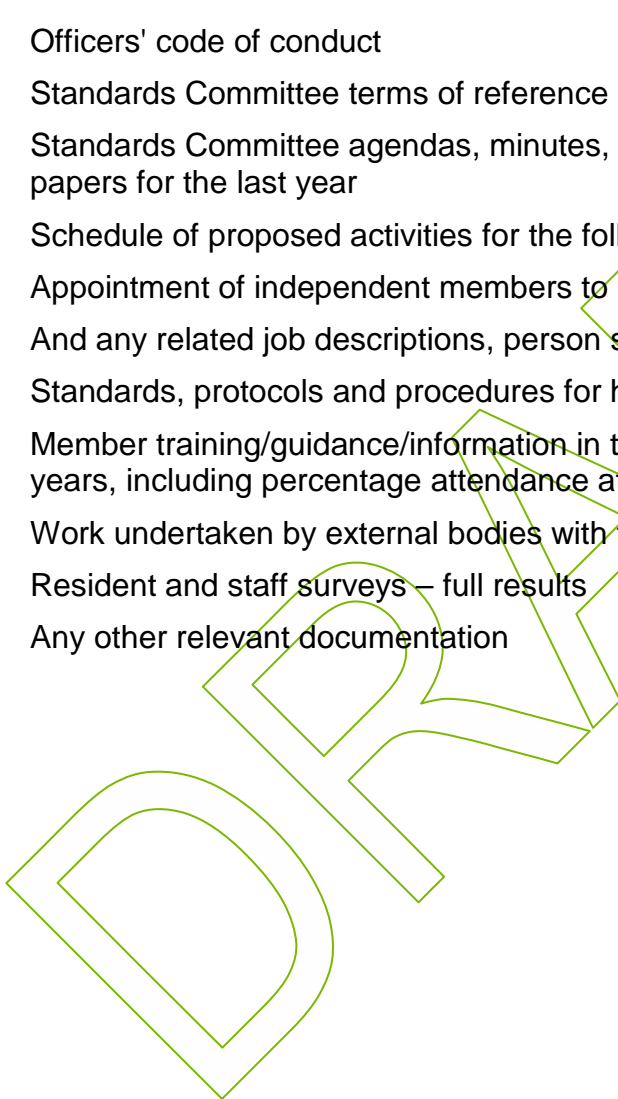
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Appendix 1: Document request

We will need the following documents before we commence the audit. There may be other documents that you consider we will need to read.

Please indicate whether we can access any documents via the Council's website. Please provide us with elinks where possible.

- Constitution
- Members' code of conduct
- Officers' code of conduct
- Standards Committee terms of reference
- Standards Committee agendas, minutes, annual report and supporting papers for the last year
- Schedule of proposed activities for the following year/annual plan
- Appointment of independent members to Standards Committees - details
- And any related job descriptions, person specifications etc
- Standards, protocols and procedures for handling investigations
- Member training/guidance/information in this area - details for the last three years, including percentage attendance at each training and evaluations
- Work undertaken by external bodies with the Standards Committee - details
- Resident and staff surveys – full results
- Any other relevant documentation



Appendix 2: Interviews/focus groups

We need to focus the interviews and focus groups on the key stakeholders. We would welcome your comments on the list below.

| Possible interviews | Possible focus groups |
|---|--------------------------------------|
| The Leader of the Council | Democratic services staff |
| Chief Whip of the majority party | Senior managers |
| Majority party members on the Standards Committee | Non-executive members majority party |
| Leaders of the minority parties | Non-executive members minority party |
| Whips of the minority parties | |
| Minority party members on the Standards Committee | Partners |
| Chair of Scrutiny | Users |
| Chair of the Standards Committee | |
| Chief Executive | |
| Monitoring Officer | |
| S151 Officer | |
| Directors of departments | |