

Review of Local Government Ethical Standards: Stakeholder Consultation

A response by:

**The Chartered Institute of Public
Finance and Accountancy**

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CIPFA, the Chartered Institute of Public Finance and Accountancy, is the professional body for people in public finance. CIPFA shows the way in public finance globally, standing up for sound public financial management and good governance around the world as the leading commentator on managing and accounting for public money.

Further information about CIPFA can be obtained at www.cipfa.org

Any questions arising from this submission should be directed to:

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1. Executive Summary

- 1.1 CIPFA welcomes the [Committee on Standards in Public Life review of local government ethical standards commitment](#). As a professional institute, we consider that it is essential that those working within the public sector conduct themselves to the very highest standards.
- 1.2 CIPFA advocates that ethical standards should be supported by a clear framework, linked to an enforceable code of conduct and sustained through a structured training programme.
- 1.3 CIPFA has developed the "[Delivering Good Governance in Local Government Framework](#)" (CIPFA and Solace 2016) and this includes a significant emphasis on the importance of the ethical framework for good governance. CIPFA believes that this framework has much to recommend it to this review.
- 1.4 As an institute CIPFA has successfully developed a code of conduct for its member that has been enforced through effective self-regulation. CIPFA would consider that this type of robust approach is essential to ensure the public are able to trust and have confidence in local government.
- 1.5 CIPFA reflects that there is scope for the review to learn from our model on self-regulation and expected ethical behaviour. CIPFA would be supportive if the Committee wanted to explore this further.
- 1.6 To achieve the aim of this review CIPFA would support member training on ethics. This training should be designed to engage members on a regular basis and as part of this we would recommend that members clearly understand the role of the Section 151 officer.

2. **Delivering Good Governance in Local Government Framework**

- 2.1 CIPFA together with Solace publish [Delivering Good Governance in Local Government Framework 2016](#). The Framework is used as the basis for the Annual Governance Statement (AGS) which is a requirement of the Accounts and Audit Regulations 2015. The Framework gives strong support to ensuring that there is an effective ethical framework underpinning the governance of a local authority.
- 2.2 The Framework emphasises that governing bodies and individuals must try to achieve their entity's objectives while acting in the public interest at all times. Principle A of the Framework reflects the central importance of ethical standards: 'Behaving with integrity, demonstrating strong commitment to ethical standards and respecting the rule of law.' Whilst Principle A has the strongest connection to the ethical framework, other principles are also relevant.
- 2.3 In accordance with the guidance it would be expected that each authority would evaluate their ethical arrangements, such as the operation of standards committees, codes of conduct, guidance and training plus consider how effectively these are put into practice. There is a strong emphasis in the Framework that good governance is not just about policies and procedures but also behaviours and actions in practice. The review should consider these as well.
- 2.4 CIPFA also issues guidance to members who take up the position of being a member of the audit committee. This states that the committee should provide an independent and high-level resource to support good governance as well as public financial management.
- 2.5 CIPFA believes that this framework has much to recommend it to this review.

3. Expected Ethical behaviour

- 3.1 CIPFA's Ethics working group has recently been working on an updated and revised [Statements of Professional Practice \(SOPP\) on Ethics](#) in line with the International Ethics Standards Board for Accountants (IESBA) Code of Ethics, which it adopts in full. The CIPFA Standard of Professional Practice on Ethics (SOPP on Ethics) applies to all CIPFA members and registered students.
- 3.3 We believe that it is essential that the SOPP remains relevant and up to date. The code must reflect the current working environment for our members.
- 3.4 The Code is based on five principles. They are:
1. Integrity
 2. Objectivity
 3. Professional competence and due care
 4. Confidentiality
 5. Professional behaviours.
- 3.5 CIPFA recommends that these or similar principles would provide a useful foundation for the review discussion.
- 3.6 CIPFA would also suggest that the review considered the option of offering additional support. Where CIPFA members have an ethical dilemma they are given the option of a confidential conversation. This is aimed at assisting members explore the full range of options open to them in respect of professional conflict.

4. Effective Regulatory Framework

4.1 CIPFA regulations include a duty to inform and self-reporting. This approach has been successful in allowing the Institute to self-regulate. For this to work it is essential that this message is clearly communicated to all those within the profession and that it is also enforced. All members and registered students have a duty to co-operate with the Institute including a duty in certain circumstances to self-report. Bye-Law 32A sets out members' and registered students' duties to CIPFA in respect of providing information and cooperating with our regulatory objectives.

4.2 This Bye-Law is a cornerstone of effective regulation. It includes:

- a duty to provide all information relative to membership, practice or employment which the Institute may reasonably require
- a duty to provide full and prompt co-operation with disciplinary and competency related investigations and in relation to the practice assurance scheme
- A duty to bring to the attention of the Institute facts which suggest that a member or registered student may be liable to disciplinary action.

4.3 Self-reporting stands alongside the duty to inform and includes a duty on members and registered students to self-report where a member or registered student has acted in a manner which makes him or her liable to action under the Institute's Disciplinary Scheme.

4.4 CIPFA would recommend that this review consider how any code may be enforced and the process through which this may be implemented.

5 **Training and Awareness**

- 5.1 CIPFA would advocate a training programme for all elected members. This training programme would cover all aspects of the ethical framework. Additionally, we would advocate that this includes training to allow members a full understanding of the role of the Section 151 Officer and other key leadership roles.
- 5.2 With public sector funding reducing, pressure increases around how that money is managed. This can be seen from the recent publicity surrounding Northamptonshire County Council.
- 5.3 As the Chief Financial Officer (CFO) or Section 151 Officer is a key strategic position within an organisation and “has a fiduciary responsibility to the local tax payer.¹” discussions around financial decisions making may be more transparent if roles and responsibilities were more clearly understood.

¹ Attorney general v De Winton 1906