

USE OF RESOURCES- KEY LINES OF ENQUIRY

LEAD OFFICER: M.Jepson
REPORT AUTHOR: M.Jepson

Summary and Recommendation:

Reports on requirements for current and future Audit Commission Key Lines of Enquiry.

Recommendation: That Committee notes future requirements in so far as they relate to Ethical Governance issues and agrees to accept regular reports on progress.

1. INTRODUCTION

1.1 At the 7th July 2008 meeting of this Committee I reported on the current Key Lines of Enquiry used by the Audit Commission to assess progress on “Internal Controls”, which includes Ethical Governance issues covered by this Committee. The assessment grades this Council at one of four Levels. In recent years the Council has been graded at Level 2 for Internal Controls- an “adequate” rating. The Ethical Governance area covered by this Committee comprises approximately one third of the “ Internal Controls” category. The KLOE for the Ethical Governance area are shown at Appendix A.

1.2 The Committee should also be aware that from April 2009 the Council has been advised that there will be slightly different criteria to work towards. These are described in section 3 below.

2. PROGRESS ON CURRENT KLOE

2.1 As can be seen from Appendix A the first five bullet points within Level 2 are areas covered by this Committee. Within Level 3 the first three bullet points cover

areas dealt with by the Standards Committee. I have stated previously that I believe the Council achieves Level 2 and that there is an argument for Level 3.

3. FUTURE KLOE REQUIREMENTS

3.1 With effect from April 1st 2009 the Use of Resources assessment is being re-launched as part of the new Comprehensive Area Assessment. Because the new assessment regime focuses more on the quality of life for residents in the area (Copeland and Cumbria) the Use of Resources judgment will be based on a broader section of the authority's functions and cover more of the business of managing the Council.

3.2 The main elements of interest to this Committee is the section headed " Does the organisation promote and demonstrate the principles and values of good governance?". The KLOE Focus will be on whether the Council:

- has adopted, promotes and demonstrates, the principles of good governance;
 - maintains focus on its purpose and vision;
 - demonstrates a strong ethical framework and culture; and
 - applies the principles and values of good governance to its partnership working.
- This covers much of the area assessed by the light touch assessment by the IDeA which has resulted in our work plan for the year being produced.

3.3 As with previous years there would be four gradings- 1, not adequate; 2, adequate; 3, performing well and 4, performing strongly.

3.4 In order to help promote the highest possible rating it is recommended that the Standards Committee receives regular (possibly quarterly) updates on progress against these categories.

3.5 Officer work involved can be contained within existing resources.

List of Appendices -Appendix A- current KLOE 4.3 for Internal Control

List of Background Documents: None

List of Consultees: Fergus McMorrow; Julie Crellin; Hilary Mitchell

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<p>4. INTERNAL CONTROL How well does the council's internal control environment enable it to manage its significant business risks?</p>		
<p>Key line of enquiry 4.3 The council has arrangements in place that are designed to promote and ensure probity and propriety in the conduct of its business</p>		
<p>Audit Focus Evidence that:</p> <ul style="list-style-type: none"> the council has adopted codes of conduct and monitors compliance the council's arrangements to prevent and detect fraud and corruption are effective 		
<p>Criteria for Judgement</p>		
<p>Level 2</p> <ul style="list-style-type: none"> * The council has formally adopted a code of conduct for members that includes the mandatory provisions of the statutory Model Code of Conduct. * All elected and co-opted members have signed up to the code of conduct. * The council has adopted a code of conduct for staff. * The council has put in place arrangements for monitoring compliance with standards of conduct across the council including: <ul style="list-style-type: none"> register of interests register of gifts and hospitality complaints procedure. * The standards committee's membership and functions are in accordance with the requirements of the Local Government Act 2000. * There is a counter fraud and corruption policy applying to all aspects of the council's business which has been communicated 	<p>Level 3</p> <ul style="list-style-type: none"> * The council is proactive in raising the standards of ethical conduct among members and staff, including the provision of ethics training. (now bold) * The council has undertaken an assessment of standards of conduct, including how effectively members are complying with the code of conduct, the number and types of complaints received, and takes action as appropriate. * Members and staff are aware of the need to make appropriate disclosures of gifts, hospitality and pecuniary interests. There is evidence that members and staff are making appropriate disclosures in the registers and that they are regularly reviewed. * A strong counter fraud culture is supported and promoted by members and senior officers. * The council undertakes proactive counter fraud and corruption work which is determined by a formal risk assessment. 	<p>Level 4</p> <p>The council can demonstrate that its members and staff exhibit high standards of personal conduct.</p> <p>The council can demonstrate a strong counter fraud culture across all departments. Staff have clearly acknowledged and accepted their responsibility to prevent and detect fraud and corruption.</p> <p>The risk of fraud and corruption is specifically considered in the council's overall risk management process.</p> <p>The use of publicity in successful cases of proven fraud/corruption is routinely considered to raise awareness.</p> <p>The council has a track record for effective action in response to whistleblowing disclosures. There are periodic reviews of the effectiveness of the whistleblowing arrangements, and there are effective arrangements for receiving and acting upon disclosures from members of the public.</p> <p>The council can demonstrate that effective action has been taken to maximise the potential savings</p>

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<p>throughout the council.</p> <ul style="list-style-type: none"> * The council has arrangements in place to receive and investigate allegations of breaches of proper standards of financial conduct, and of fraud and corruption. * There is a whistleblowing policy which has been communicated to staff and those parties contracting with the council. * The council has provided the required data for the National Fraud Initiative (NFI), has notified data subjects of this use of data, and has established a process to follow-up NFI data matches. 	<ul style="list-style-type: none"> * The council can demonstrate that counter fraud and corruption work is adequately resourced. (now bold) * Investigations into allegations of fraud and corruption are conducted in accordance with statutory requirements, eg, Police and Criminal Evidence Act, Regulation of Investigatory Powers Act, Data Protection Act, by appropriately trained staff. * The whistleblowing policy is publicised within the council and demonstrates the council's commitment to providing support to whistleblowers. <p>The council has effectively identified the key NFI data matches for review from all levels of reports (high, medium and low).</p> <p>The council works with other bodies such as DWP when following-up data matches from NFI. Risks are followed-up promptly to prevent prolonged exposure.</p> <p>Weaknesses revealed by instances of proven fraud and corruption, including NFI data matches, are reviewed to ensure that appropriate action is taken to strengthen internal control arrangements.</p>	<p>available through NFI.</p>
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