

ETHICAL FRAMEWORK REVIEW

Accountable Officer and Author: Penny Coveney (Strategic Director Resources) -
MK252626

1. Purpose

1.1 To seek agreement to the ethical framework proposed in this paper.

2. Summary

2.1 A recent District Audit report says that Milton Keynes should develop an 'overarching policy on fraud and corruption and reappraise the Council's approach to training in and communication of how to deal with fraud and corruption'.

2.2 This paper summarises the processes and procedures that are currently in place and recommends ways of improving training and communication. A clear statement on the Council's approach to fraud and corruption is also proposed for adoption.

3. Recommendations

3.1 The Committee is recommended to:

- (a) adopt the proposed Council statement on fraud and corruption;
- (b) agree to an annual period of around two months during which various approaches to the communicating of, training in, and reminding employees of the purpose of, the ethical framework are carried out and the declaration of interest form is completed by all employees;
- (c) agree to the proposed way forward which identifies accountable officers to manage the process;
- (d) agree to the development of protocols for members and officers within the proposed new political structures that emphasise the principles and practices set out in this paper; and
- (e) agree to the development of proposals for Member training in this area.

4. **Background**

- 4.1 Milton Keynes Council has a number of Codes and Guidelines which relate to the important need for ethical behaviour from officers and members at all times.
- 4.2 These have never been brought together to show how, or whether, the various codes and guidance relate to each other. District Audit conducted an 'anti-fraud and corruption' survey across Council Directorates in 1999 as part of their national list of studies conducted in many authorities. Their findings, based on relatively low sampling of staff across the Council, were that understanding of the ethical framework of the authority was limited, and that many staff did not know how or whether, monitoring took place, were not aware of the whistle-blowing hotline, and were not sure what action the Council took, if any, when fraudulent behaviour was found.
- 4.3 The District Auditor's Management Letter to the Council says the following:

'The Council's overall arrangements to prevent and detect fraud and corruption are generally sound, although they could be strengthened by summarising the various strands into an overarching policy. Improvements in communication and training of procedures should follow.'
- 4.4 **Annex A** lists the various elements that make up the current ethical environment in which the Council works. **Annex B** is an extract from the Management Letter of part of Section 5 on fraud and corruption
- 4.5 A recent Audit Commission publication 'Protecting the Public Purse' also emphasises the need for Councils to be continually vigilant in identifying and dealing with fraud and corruption. **Annex C** lists 11 questions asked by this publication and shows how the Council meets the requirements listed.

5. **Issues and Choices**

- 5.1 As can be shown, and as the District Auditor accepts, the Council has many procedures that safeguard the public, members and staff from fraud and corruption. Some are still being developed, for example, the work on the Standards Committee, and the management development training that has now begun across the Council.

However, there appear to be at least two problems with the perception of what is happening and what the processes and procedures are. One is a negative perception of why this is necessary – it is seen by some as an expression of lack of trust in staff in particular; the other is that staff, and possibly members, cannot see how all these things work together or even whether they are effectively implemented and monitored.

5.2 Why does the Council need an ethical framework?

Expectations of integrity and honesty among individuals are higher for those working in the public sector. The Council is responsible for spending tax payers money and is publicly accountable for how it does that. Members and staff are ambassadors for the Council – in both their working and private lives. The public must be able to have confidence in the Council. The integrity and honesty required of members and employees must be real and must be seen to be real – the Council has to be able to show this is true across all services. Having an ethical framework, and the various procedures and processes that support it is, first and foremost, a protection for employees, for members and for the public. This message must be given very consistently and publicly. This, in its simplest form, is the ethical framework.

5.3 A proposed statement on the Council's policy towards fraud and corruption

The following is proposed for adoption by the Council:

“The Council is a publicly funded and accountable body. It is committed to delivering services to the public in an open, transparent and responsive way. Both members and employees are bound by codes of conduct to maintain high standards of integrity and probity; codes which are there to protect the public as well as those who deliver services. Procedures to uncover and minimise fraud and corruption are a critical part of the process by which the Council meets this duty of accountability and integrity. These procedures, and their implementation, will be continuously reviewed and improved to meet the standards required of the Council both legally and by its constituents, service users, service providers and members of the public.”

5.4 How does the Council protect employees, members and the public?

There are a variety of methods for achieving this, but they can be summarised into training of employees and members, proper procedures and practices, monitoring and communication, and, where necessary, penalties.

(a) Training:

Induction training, on the job training, professional training and learning by example, are all training methods for both employees and members. Refresher training is also important given the complexity and frequent changes within many services. The best way of keeping the ethical framework alive in people's minds is to use all of these methods but especially the refresher training. Previous experience has shown that discussing individual, example, case studies with smaller groups of staff and using studies that are relevant to each service area, is the most effective way of helping employees understand what is required of them and why this is a protection for them.

It is recommended that, at least once a year, and preferably at the same period each year across the Council, all managers are required to set aside time to talk through some case studies around the ethical framework. This should be in addition to more formal training methods

which may be relevant for particular employees or members. Both Human Resources and Internal Audit have a role to play in developing such case studies and training managers to be able to carry out their part. This emphasis on refresher training on the ethical framework should be linked to other proposals set out below.

The training proposed is targeted at employees. It is important that members accept that refresher and induction training for them is also necessary and one of the recommendations seeks member agreement to consider training proposals for them in this area.

(b) Proper procedures and practices:

Development of these across the Council takes place in a number of ways. The responsibility of managers to develop these is listed in many job profiles. The programme of internal audits is agreed following a risk assessment of the Council's service areas, and procedures and practices are one of the main aspects that they review in any audit. This emphasis will be strengthened by the development of Best Value reviews and the performance plan targets.

The procedures and practices to support the ethical framework include the requirement on every new employee and newly appointed member to sign the relevant code of conduct to say they have read and understood it, and will abide by it. Every year, both members and employees should be asked to complete a declaration of interests form - and it should be made clear that the primary purpose of this is to protect the individual and make the process transparent to the public. This should be done at the same time of year as the case study discussions. Managers should be asked to stress that completion of the form is in the employee's best interest. However, it cannot be made compulsory without the agreement of the Trades Unions or a unilateral change in terms and conditions. Employees should understand that non-completion of such forms can work against the individual in the event of a false accusation of malpractice and the inability of the individual to prove their innocence. Concerns arising from the annual review should be fed back through officer and, where necessary, member forums, but at a general and consolidated level.

A more structured approach to management training across the Council is being implemented currently and using this process to ensure managers are properly trained in, and understand, the reason for the ethical framework and the relevant procedures and practices is among the aims of the new programme. Members are developing the role of the Standards Committee and this will probably become a statutory body under legislation for new democratic structures, although it may be implemented at Regional level. Even if this role is removed from the Council in the future, it is important that the Council is clear about both Executive and Scrutiny responsibilities in overseeing probity and ethical issues, procedures and practices across the

organisation. This should be addressed in detail as part of the development of the new political structures.

In the area of business or organisation ethics, the Council has developed equalities programmes and practices, has approved environmental sustainability policies, is developing new procedures to meet the Best Value requirements, has a range of good employer procedures, and is developing areas such as employee welfare.

(c) Monitoring:

Formal as well informal monitoring is important to keep practices and procedures under review and look for continuous improvements. In order for the Council to be seen to be taking its ethical framework seriously, an annual report should be made to the relevant body within the new political structures - possibly either the Executive or the full Assembly. If the annual report followed the period in the year when the code of conduct signing and the case study discussions was carried out, then any issues arising from those procedures could be brought to members' attention as well.

(d) Communication:

This is connected to informal training but also relates to improving the public's perception of the ethical framework of the Council. Employees are also members of the public and ambassadors for the Council. An annual article in Roundabout, the Council's in-house newsletter and linked to the other annual procedures would help to reinforce the messages and could usefully present the message in simple, 'plain English' which is easily accessible to all employees. It should be made clear that the message is strongly supported by Members and senior management of the authority but should also emphasise the support and protection element of the procedure again. Reminding employees that the Council has a formal whistle blowing procedure is also important.

There is some evidence that sending a separate message to each employee does not always ensure the message is received but use of email and leaflets to support a council wide initiative would help to further reinforce the messages and develop the understanding.

The Council's newspaper, Messenger, can be used to give information to the public about how the Council tackles the need for probity and fights fraud and corruption. This can also be used to publicise the whistle blowing hotline, and other procedures, to the public.

5.5 Procedures for investigating possible malpractice and penalties:

These are already in place but the District Audit survey suggests that a high proportion of staff may not be aware of them or believe that they are implemented. Clearly, they are only necessary when something has gone

wrong. The disciplinary policy and procedures, the use of the Standards Committee, and normal management practices require full investigation of any accusations of malpractice and penalties are imposed once malpractice is proved. There is a whistle blowing hotline and the availability of this should be more widely advertised. The annual report to the Council should summarise the number of cases over the previous year and identify lessons to be learned and action that has been taken.

5.6 Future action:

Should all the above proposals be agreed by the Committee in principle, then the following action will need to be taken as part of the process of implementation:

- (a) Under the leadership of the Chief Officer, Finance and Corporate Services, the Head of Human Resources and the Chief Internal Auditor, working with the Corporate Policy Unit, need to agree the process for the annual procedures – publicity, case studies, monitoring report, etc. Staff communication cascade briefings, email, leaflets, Roundabout and other methods of communication should be considered for employees. It is vital to the success of such an approach that information to employees is presented very positively and that the process is seen as a support to protect them. The vast majority of employees are trustworthy and hardworking, and this should not be perceived as a process to ‘catch people out’.
- (b) The Internal Audit Service are planning to develop further the anti-fraud strategy of the Council during 2000/01 by bringing together all the various policies and procedures into one document.
- (c) The Head of Legal and Property, working with the Head of Human Resources, needs to give clear guidance to managers on the application of the Human Rights Act and the Freedom of Information Act within the ethical framework where relevant.
- (d) The Head of Human Resources should review management training programmes to ensure that the issues around the ethical framework are fully integrated into the programme, and that the aspects covered in induction courses and other training sessions for employees also fully reflect these proposals.
- (e) Members should consider their own training needs and monitoring mechanisms in this area. The Head of Democratic Services, working with the Head of Legal and Property Services and the Head of Human Resources, can assist in developing training for members as necessary. Refresher and induction training for members on the ethical framework is seen as a vital part of the overall approach.

- (f) Protocols for officers and members will be drawn up for the new political structures. These protocols must include the principles discussed in this paper.

6. **Implications**

6.1 Environmental

Environmental sustainability policies are a part of the business ethical framework supported by the Council.

6.2 Equalities

This is a critical part of any ethical framework.

6.3 Financial

There are no immediate financial implications of these proposals although in the longer term, implementation could improve the effectiveness of the Council's services, and failure to implement could open the Council to either false accusations of lack of probity or higher levels of fraud and corruption.

6.4 Legal

The rights of employees and members, as well as the public, need to be safeguarded in all of these proposals. Recent legislation such as the Human Rights Act and the Freedom of Information Act may require reviews of current procedures.

6.5 Staff and Accommodation

A clear message to employees that they are valued by the Council will be a critical part of gaining acceptance by them to the approach laid out in this paper. Training for employees and communication with them as to the purpose of the ethical framework are important. This must be presented as, and be seen to be, a protection for employees.

7. **Conclusions**

- 7.1 Milton Keynes Council already has in place a number of policies and procedures to support an ethical framework. It does not yet have an overarching policy on fraud and corruption as recommended by District Audit and this paper proposes a statement to deliver this.

This paper also sets out the various elements that make up the current ethical framework and suggests a way forward to ensure that the critical messages from this are reinforced and developed in a positive way.

Background Papers: Audit Commission publication - Protecting the Public Purse - December 1999