



# Auditing of Local Councils

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Auditor General

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*'I am shocked by the persistent high level of qualified audit reports of local public bodies. Let us hear no accusations of 'where were the auditors' when things go wrong. The answer will be 'they did the job, but you were not listening'. This is not good enough; local councils need to address their weaknesses.....'*

**Amyas Morse, UK Auditor General,  
10 January 2019**

# Need of a Code of Governance for Local Councils

Each Council should adopt a Code of Governance that essentially would define the principles which underpin its governance. In actual fact, these principles effectively guide the Council's

Planning,  
priorities  
and  
objectives

Decision  
making

Policies  
and  
Procedures

Culture,  
values, way  
of thinking

## Extract from Manchester City Council's Corporate Governance Code

The Council fosters a culture of behaviour based on *shared values, ethical principles* and *good conduct* that is put into practice by members and officers alike. The Council's values are **People, Pride, Place**. These values underpin everything the Council does, including how it works with partners, how it makes decisions and how it serves its local community.

# People

Every day Council employees will go further to make a difference to the lives of Manchester people. Council employees will treat colleagues, partners and customers with the respect they deserve and believe only their best is enough.



# Pride

Council employees are proud of the work to make Manchester a success. Council employees accept the responsibility invested in them and rise to meet the challenges they need to overcome.



# Place

Council employees celebrate all things Manchester and strive to make Manchester's streets, neighbourhoods and city an even greater place to live, work and visit.



# **Extract from Manchester City Council's Corporate Governance Code**

- The leadership of the Council embodies these values and creates a climate of openness, support and respect that covers the whole organisation. It establishes, monitors and maintains the organisation's ethical standards and performance.
- The Council is committed to maintaining its values and integrity and operates a whistle-blowing policy to ensure that individuals who draw attention to factors that compromise the Council's integrity are adequately protected and supported in doing so.

# Extract from Essex County Council Corporate Governance Code

- Essex County Council is committed to the seven principles of Good Governance:

Selflessness

Integrity

Objectivity

Accountability

Openness

Honesty

Leadership

# Seven Principles of Good Governance

## Selflessness

- Holders of public office should take decisions solely in terms of the public interest. They should not do so in order to gain financial or other material benefits for themselves, their family, or their friends.

## Integrity

- Holders of public office should not place themselves under any financial or other obligation to outside individuals or organisations that might influence them in the performance of their official duties.

# Seven Principles of Good Governance

## Objectivity

- In carrying out public business, including making public appointments, awarding contracts, or recommending individuals for rewards and benefits, holders of public office should make choices on merit.

## Accountability

- Holders of public office are accountable for their decisions and actions to the public and must submit themselves to whatever scrutiny is appropriate to their office.

# Seven Principles of Good Governance

## Openness

- Holders of public office should be as open as possible about all the decisions and actions that they take. They should give reasons for their decisions and actions and restrict information only when the wider public interest clearly demands.

## Honesty

- Holders of public office have a duty to declare any private interests relating to their public duties and to take steps to resolve any conflicts arising in a way that protects the public interest.

# Seven Principles of Good Governance

## Leadership

- Holders of public office should promote and support these principles by leadership and example.

**Essex County Council's Code of Governance** is underpinned by these important principles and is comprised of a framework of policies, procedures, behaviours and values by which the Council is managed. This provides the structures and guidance that our Council members and employees need in order to ensure effective governance across our organisation, such as:



Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rules of law.

Ensuring openness and comprehensive stakeholder engagement.

Managing risks and performance through effective internal control and strong public financial management.

Ensuring good practices in transparency, reporting, and audit to deliver effective accountability.

National Audit Office performs two main types of audits:

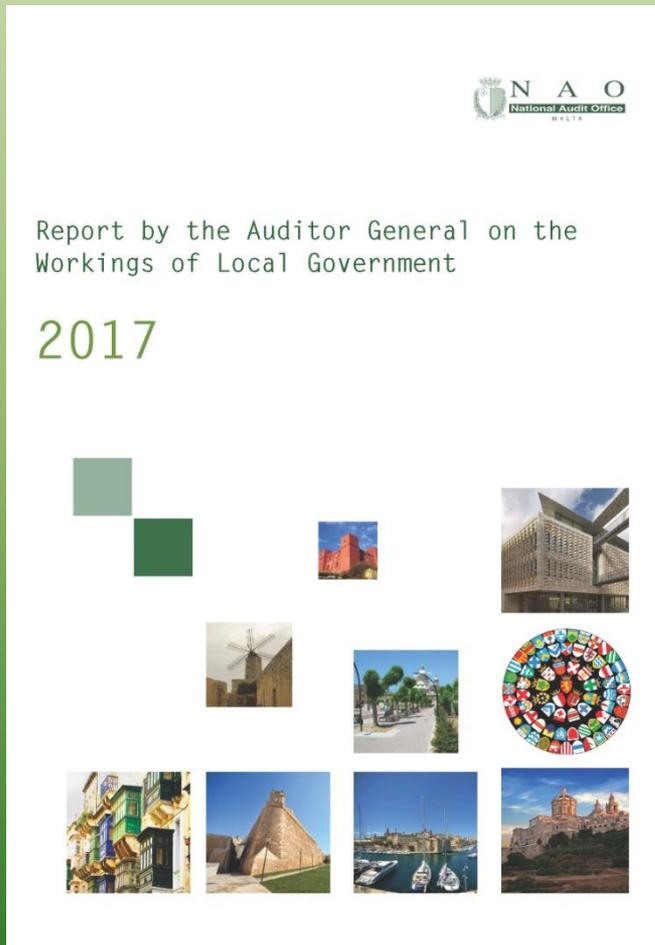
## Financial and Compliance Audit

- Essentially focuses on the need to assess whether financial statements present a true and fair picture of affairs and whether that entity is compliant to existing standards and regulations

## Performance Audit

- Essentially focuses on the need to assess whether the entity is achieving economy, efficiency and effectiveness in the employment of available resources

# Annual Audit Report on the Workings of Local Government



Annual report issued by the National Audit Office, generally in December, has to do with financial and compliance audits. No performance audits are undertaken since we have no adequate performance indicators.

In order to reduce bureaucracy and do away with unnecessary duplication of work, we are in discussions with the Directorate General and the Department for Local Government, as well as the Association for Local Councils, with a view of discontinuing our compliance audits. But to do this, we need to be assured that the Department has a sound and effective monitoring capability.

*'Good governance, accountability and transparency are essential to local councils and a cornerstone of the government's approach to improving public services. **External audit remains an essential element in accounting for public money.** It makes an important contribution to the management of public resources and to the corporate governance of public services. It also supports local democracy by helping to ensure that members and officers are accountable to the communities they serve and by providing assurance that the public money they manage has been properly spent'.*

**Governance and Accountability for Local Councils, A Practitioners' Guide (UK)**