

The Committee on Standards in Public Life

A Submission 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 High standards of conduct and ethical behaviour are essential if the public sector is to remain highly regarded. The fundamental principles of integrity, objectivity, professional competence, confidentiality, and professional behaviour create an environment in which all staff and officers can operate effectively efficiently and with confidence.
- 1.2 In 2018, CIPFA noted evidence from its members that acting in the public interest was becoming increasingly difficult and launched a campaign to strengthen ethical standards and raise awareness within the accountancy profession. CIPFA continues to strongly support this work and sees this response as part of that commitment.

This document sets out CIPFA's response to this committee under the following headings:

- Standards of Conduct in the UK
 - The Seven Principles of Public Life
 - The UK's arrangements for regulating standards
 - Best Practice
- 1.3 We continue to have concerns that increasing financial pressure within the public sector correlates with an increase in the ethical challenges faced by our members. CIPFA has invested significant resources in ensuring our members are informed and supported and will continue to do so.
 - 1.4 We continue to support the recommendations made by Committee on Standards in Public Life Best Practice in 2019. We responded to this review and continue to provide support through our Governance Network to local authorities wanting to develop capacity in this area.
 - 1.5 We consider that there is still opportunity for standards of conduct to be strengthened. Our recent response to the LGA Code of Conduct consultation identified several areas where we noted such opportunities and would want this committee to supporting the strengthening of approach in these areas.
 - 1.6 CIPFA has developed knowledge and skills around ethical behaviour and standards. As part of this submission we have provided evidence of the work of the Institute. We would be happy to share our approach as part of our ongoing commitment to this agenda.

2. Standards of conduct

- 2.1 CIPFA would consider that within the UK there is a high level of ethical standards. The Seven Principles of Public Life are well known and supported. This confidence is undermined however when high profile cases are brought to the public's attention where individuals fall short of these standards or effective sanctions are not applied.
- 2.2 CIPFA considers that it is important that the leadership of any organisation embeds these principles into its culture and leads by example. This must be taken seriously across the public sector and it is disappointing that this has not happened.

- 2.3 CIPFA identifies the resignation of the Prime Minister's Independent Adviser on Ministers' Interests, Sir Alex Allan, as a high-profile case where public standards and behaviour have been subject to scrutiny¹.
- 2.4 CIPFA has produced the Financial Management Code which was released in 2019. This document reinforces the importance of the Seven Principles of Public Life and states:
- The Committee on Standards in Public Life has set out Seven Principles of Public Life which it believes should apply in all the public services (often referred to as the Nolan Principles). The last of the Nolan principles – that holders of public office should promote and support these principles by leadership and example – is especially relevant to the leadership team.*
- 2.5 CIPFA's research, based on Institute members, suggested that one of the increasing risks to ethical standards is the increasing financial pressure being experienced within the sector.
- 2.6 While funding pressures alone should not result in ethical dilemmas, associated behaviours can mean pressure from colleagues or council members to reflect a specific financial position.
- 2.7 The modern incorporation of targets into public life has also brought with it a narrower assessment of public service performance. This can mean that providing a positive message of progress or success to the public can become more attractive than reporting the adverse truth.

3. The Seven Principles of Public Life

- 3.1 CIPFA would support the Nolan principles and do so in the CIPFA Solace publication *The Principles of Good Governance*. The Guidance includes seven key principles, of which Principle A is Behaving with Integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.
- 3.2 This embeds the Nolan principles which states "Ensuring members take the lead in establishing specific standard operating principles or values for the organisation and its staff and that they are communicated and understood. These should build on the Seven Principles of Public Life (the Nolan Principles)."
- 3.3 The Nolan principles are also referenced in The Financial Management Code.
- 3.4 CIPFA considers that adherence to the Nolan Principles should continue to underpin standards of conduct. This approach allows authorities to be flexible and proportionate in their approach to embedding these within the culture of their organisation.

¹ www.gov.uk/government/news/lord-evans-statement-on-the-resignation-of-sir-alex-allan-kcb

4. The UK's arrangements for regulating standards

- 4.1 While there are many areas where we are confident that the UK has effective arrangements to regulate ethical standards, we would not like to see complacency. CIPFA considers that arrangements for regulating standards should be reviewed regularly and their effectiveness assessed. CIPFA is supportive of the committee's recommendations on regulations in the 2019 report on Local Government Standards. CIPFA shares the Committee's disappointment that the formal response to this recommendation has not yet been issued.
- 4.2 CIPFA has also recently provided a response to the consultation on the LGA Code of conduct expressing our view that additional sanctions should be introduced in order to strengthen the existing framework.

5: Best practice

- 5.1 CIPFA as an institute provides and regulates its own ethical standards. In recent years with increasing financial pressure we have noticed more of our members have been faced with challenging ethical dilemmas. In response CIPFA has strengthened and improved our support to members in this area and would consider that as an institute we offer some examples of good practice in this area.
- 5.2 Our approach has included member survey evidence and the adoption of International standards. CIPFA would be willing to support other regulators should they wish to learn from the Institute.

About the CIPFA Approach

- 5.3 Our *Standard of Professional Practice on Ethics* (SOPP on Ethics) applies to all CIPFA members and registered students.
- 5.4 The SOPP on Ethics brings into effect the International Ethics Standards Board of Accountants (IESBA) Code of Ethics which is periodically updated. CIPFA's SOPP currently reflects the 2018 IESBA International Code of Ethics for Professional Accountants™ (including International Independence Standards™), which CIPFA has adopted in full.
- 5.5 The Code is based on five principles. They are:
 - integrity
 - objectivity
 - professional competence and due care
 - confidentiality
 - professional behaviours.
- 5.6 CIPFA has produced *Stories that Matter* (PDF 1.9KB), a series of case studies to support members facing an ethical dilemma.
- 5.7 Members can also contact a sounding board comprised of CIPFA members who can listen and, on a personal basis, advise people who are experiencing ethical dilemmas. Information on contacting the sounding board can be found on the CIPFA website and ethical queries may be emailed.