

After the government's reforms, local authorities now have less capacity to detect and investigate instances of misconduct in public life

By Democratic Audit

*With the abolition of the Audit Commission and Standards Board, the government has radically reformed the monitoring and investigation of ethical standards in local government. **Alan Doig** discusses these changes and sets them in a wider context of reform, for instance the changing relationships between councils, the police and the NHS. He argues that the lack of common standards and falling local capacity increases the risk of misconduct being carried out, and going unpunished, by those in public life.*



T Dan Smith enjoyed a 'piece of the action' as leader of Newcastle City Council. Credit: [Open Media Ltd](#), CC BY-SA 3.0

One of the explanations offered by [T. Dan Smith](#) – former leader of Newcastle City Council jailed for accepting bribes in 1974 – for mixing public office and private interests when responsible for significant expenditure and redevelopment at local level was that he saw no conflict of interest in combining public service and what he termed a 'piece of the action'.

In my [recent post](#) for Democratic Audit I discussed the current government's abolition of the [Standards Board for England](#) and the [Audit Commission](#). While the abolition of the two bodies was portrayed by government as freeing local government from prescriptive and centralised regulation, government appears to have forgotten some of the reasons why such bodies were set up in the first place. It has consigned to the dustbin of history nearly two hundred years of independent external public audit, and more recent efforts by both bodies to promote and monitor the development of an ethical environment at local level. This raises serious questions about whether local government alone has the resilience and capacity to address such sentiments in the future.

The risks of regime change

The abolition of the two bodies comes at a time of significant, wider changes which the government has

introduced through the Localism Act. These require local government to establish a number of new arrangements, including a more relaxed approach to planning, becoming commercial (the general power of competence), delivering new services (such as public health), allowing community and other groups to run services (right to challenge) and partnering with other bodies such as charities.

From the Prime Minister's Committee on Local Government Rules of Conduct in 1974, to the [Committee on Standards in Public Life](#) in 1995, there has been a recognition that change brings the opportunity for conflict of interest and misconduct. Misconduct can occur deliberately or, as the latter committee noted, arise from the 'grey areas' of uncertainty about 'the difference between what is right and what is wrong in public life'. In 1993, the Audit Commission was [more explicit](#) when it warned about the local environment being 'rendered more demanding and complex by recent changes to the nature and operation of local government services. Many of these changes, such as the delegation of financial and management responsibilities, while contributing to improved quality of service, have increased the risks of fraud and corruption occurring'.

Local authorities are being forced to 'go it alone'

Such concerns are equally relevant to today not only because of the extent of the changes but also because ownership and responsibility for promoting awareness of ethical issues and conflicts of interest, and for identifying and responding to the risks of misconduct, rests primarily with individual councils and on what resources and guidance they have to draw upon to do so.

Local authorities will need to determine themselves how they draft their codes of conduct and implement their registers of interests, whether they continue with a standards committee, how they deal with complaints over breaches of the code and what, if any, sanctions, will be imposed.

Where allegations of misconduct occur, then much of the investigative resource and expertise still rests with internal audit within local authorities. This is supplemented by internal investigative resources provided through the administration of housing benefits; but this resource is now in decline as a consequence of councils reducing staffing levels in anticipation of the Department of Work & Pensions taking over housing benefit as part of the Universal Credit changes.

At the same time, local authorities will be less able to offset their own diminished resources and expertise by drawing on external capacity. As a result of government policies both the NHS and the police – now responsible for an offence of failing to disclose financial interests – are downsizing the resources available for monitoring fraud, corruption and other misconduct at a local level.

Emerging arrangements

The Standards Board and Audit Commission played a vital role in the standards regime, in two respects in particular. First, they provided a focus on prevention, procedures and compliance – the essential pre-requisites to discourage conflict of interest and misconduct in the first place. Second, they provided central and uniform guidance, support and monitoring. Prior to their abolition similar work was being developed across local authorities on detection and investigation of misconduct. In the case of fraud, ensuring that local government could offer a coherent and consistent approach had led to a national local government anti-fraud strategy being developed jointly by local government and the public sector group inside a central body, the [National Fraud Authority](#). Unsurprisingly, this body too has been summarily abolished recently by government.

Removing these bodies, and the resources, support and monitoring they provided for uniform and shared approaches at a time of significant change and declining internal capacity may now be recognised by government – and local government – as going too far, too quickly. Government is finding money to reverse the decline in investigative capacity while the [Chartered Institute of Public Finance and Accountancy](#) (CIPFA) is taking over a number of coordinating, training and other roles vacated by the Audit Commission and the National Fraud Authority. On the other hand, not all the Audit Commission's functions have been relocated and no guidance has been issued to the private sector auditors who have taken over the roles and responsibilities of District Audit.

What next?

So, while it is too soon to condemn the emerging patchwork of arrangements, past experience has made it plain that the biggest challenge lies in preventing those within councils – and those who have dealings with them – who now see reduced internal arrangements, a weakened regulatory environment, diminished chances of being caught, and a lack of overall supervision as opening up opportunity and incentive for mixing public office and private interests.

The question now is about what could or should be done to turn the current arrangements into an effective, integrated environment. Action is needed to ensure consistency and uniformity across private sector external audit, and also to enhance currently passive role of the Committee on Standards in Public Life, to ensure that those involved in local government are not able to revive any ambitions to deliver public services while taking a piece of the action for themselves.

Note: This post represents the views of the author and does not give the position of the LSE or Democratic Audit. Please read our [comments policy](#) before responding. Shortlink for this post: buff.ly/1m005Nt

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