

GOVERNANCE & AUDIT & STANDARDS COMMITTEE

MINUTES OF A MEETING of Governance & Audit & Standards Committee held on Thursday 15 November 2012 at 2.00 pm in Conference Room A, Civic Offices, Portsmouth.

(NB These minutes should be read in conjunction with the agenda for the meeting which can be found at www.portsmouth.gov.uk.)

Present

Councillor Terry Hall (Chair)
Councillor Michael Andrewes
Councillor Peter Eddis (deputising for Councillor Smith)
Councillor Sandra Stockdale (deputising for Councillor Fuller)
Councillor Donna Jones
Councillor Neill Young

Officers

Mr Michael Lawther, City Solicitor and Monitoring Officer
Jon Bell, Head of HR, Legal & Performance Improvement
Lyn Graham, Chief Internal Auditor
Elizabeth Goodwin, Deputy Chief Auditor
Michael Lloyd, Directorate Finance Manager
(Technical Planning)
Rio Gower, Strategy Adviser
Greg Povey, Procurement Manager

External Auditors

Ms K Handy
Mr M Justesen

16 Apologies for Absence (AI 1)

Apologies for absence were received from Councillor David Fuller and from Councillor Phil Smith.

17 Declarations of Members' Interests (AI 2)

There were no declarations of members' interests.

18 Minutes of the meeting of the Standards Committee held on 16 July 2012 (AI 3)

RESOLVED that the minutes of the last Standards Committee meeting held on 16 July 2012 be confirmed and signed by the Chair as a correct record.

19 Minutes of the meeting of Governance & Audit & Standards Committee held on 27 September 2012 (AI 4)

RESOLVED that the minutes of the meeting of Governance & Audit & Standards Committee held on 27 September 2012 be confirmed and signed by the Chair as a correct record.

20 Updates on actions identified in the minutes (AI 5)

Matters from the Standards Committee Minutes of 16 July 2012

The City Solicitor confirmed that co-opted members of all Portsmouth City Council's committees that come under the code of conduct adopted by Portsmouth City Council had been provided with clarification about the implications of the new code.

Governance & Audit & Standards Committee Minutes of 27 September 2012

- It was confirmed that the item mentioned on page 3 of the minutes is likely to be going to the Employment Committee meeting in January 2013.
- On page 4 bullet point 1 Michael Lloyd, Directorate Finance Manager has talked to the valuers and has advised them what is required.
- Page 7 – it was confirmed that if it was intended to go for lower rates, the matter would first come to Governance & Audit & Standards Committee.

21 Reports from the District Auditor (AI 6)

(TAKE IN REPORTS)

Ms Kate Handy and Mr Mark Justesen were in attendance at the meeting and advised that they were no longer employed by the Audit Commission but by Ernst and Young.

External audit progress report September 2012

The progress report confirmed that an unqualified opinion and value for money (VFM) conclusion had been given on 28 September 2012 and the assurance statement on the Whole of Government Accounts on 3 October confirming the submission was consistent with the audited accounts had been issued. The report also confirmed that the draft annual audit letter had been finalised and the certificate to close the 2011/12 audit had been issued. It was also confirmed that the grant certification work on the claims listed in point 6 of the report had been completed.

Certification of claims and returns – annual report

In response to questions the following matters were clarified:

- Portsmouth City Council did not have a grants co-ordinator and this was highlighted by the auditors. However, although there were other councils in the locality that employed a grants co-ordinator, these posts were reducing because the grants were also reducing. It was suggested that grants co-ordinator responsibilities could be added to an existing post within the Finance section and the City Solicitor undertook to discuss this suggestion with Mr Chris Ward, Section 151 Officer and Head of Finance.
- Ms Kate Handy confirmed that her new title was Audit Director – Engagement Lead and that Mr Mark Justesen’s new title was Audit Manager and that both posts were part of the Government & Public Sector of Ernst & Young.

22 Local Government Ombudsman Complaints 2011/2012 (information only) for noting (AI 7)

(TAKE IN REPORT)

The City Solicitor introduced the report and explained that it brought to the attention of the committee the annual review by the Local Government Ombudsman dated June 2011 regarding the complaints it has considered against Portsmouth City Council for the year 2010/2011. In response to questions the following matters were clarified:

- The City Solicitor undertook to amend the report so that it did not refer to “recommendations” in paragraphs 4 and 5 and that a revised version would be posted on the PCC website.
- The City Solicitor confirmed that PCC had a policy in place to deal with complaints which included guidelines on how to deal with persistent complainants.

RESOLVED that the report be noted.

23 Audit Performance Status Report to 5 October 2012 for Audit Plan 2012/13 (AI 8)

(TAKE IN REPORT)

Ms Lyn Graham, Chief Internal Auditor, outlined the contents of the report which is to update the committee on the internal audit performance for 2012/13 to 5 October 2012 against the annual audit plan, highlight areas of concern and areas where assurance can be given on the internal control framework and to advise on changes in the audit charter and terms of reference and new national auditing standards to be published. The Chief Internal Auditor explained that a higher rate of achievement had been reached than over the same period for the last two years. She explained that Appendix A of the report shows the completed audits for 2012/13 and this included a breakdown of the assurance levels on completed audits. The Chief Internal Auditor explained that of the programmed reviews completed so far this year the number of exceptions in each category has been:

- 1 – Critical
- 48 – High Risk
- 0 – Medium Risk
- 3 – Low Risk (improvement)

She explained that overall the two areas of the control framework that are showing as being weakest areas of assurance are

- safeguarding of assets and
- compliance with laws, regulations, rules, procedures and contract conditions.

The Chief Internal Auditor also explained that the audit charter and terms of reference which sets out the roles, scope and responsibilities of Internal Audit to the organisation as well as the responsibilities of the organisation to Internal Audit, have been updated to reflect changes in the organisation.

During discussion the following matters were clarified:

- It was confirmed that any new standards that are published (see 8.2 of the report) will be reported back to this committee.
- Appendix A showed that 56% of the schools sampled did not have an adequate resilience plan in place and the committee felt that this was surprising. In response to a query raised on how the city council could bring pressure to bear on those schools to ensure that they produced resilience plans, the committee was advised that this would be raised with the Head of Education.
- A question was raised about the financial support being given by the council to the Pyramids and whether there would be any intervention from audit. The Chief Internal Auditor said that there would be a re-audit and the returns would be provided to Mr Julian Pike. The City Solicitor said that regular meetings with the board were taking place and that a detailed action plan was being worked on.
- It was confirmed that the new audit standards being brought in would not have any impact on costs.
- It was confirmed that Internal Audit would follow up all the matters listed under critical or high risk.
- With regard to corporate safeguarding, a query was raised about the lack of evidencing of safeguarding checks on some of the volunteers. The Chief Internal Auditor undertook to arrange for this information to be circulated to members outside the meeting.

RESOLVED (1) that Members note the Audit Performance for 2012/13 to 5 October 2012;

(2) that Members note the highlighted areas of control weakness for the 2012/13 Audit Plan;

(3) that Members note the changes to the Audit Charter and Terms of Reference and the impending new National Auditing Standards.

24 Regulation of Investigatory Powers Act 2000 (RIPA) (AI 9)

(TAKE IN REPORT)

The Chief Internal Auditor introduced the report explaining that it was to update members on the authority's use of regulatory powers in accordance with policy for the five month period from June 2012 to October 2012 and the changes introduced by the Protection of Freedoms Bill.

Three Regulation of Investigatory Powers Act (RIPA) applications have been made since the last report to the committee in June 2012, one was authorised, one was not pursued for authorisation and one did not need RIPA authorisation.

The Chief Internal Auditor went on to explain that with effect from 1 November 2012, judicial approval for authorised RIPA applications must be sought. The Chief Internal Auditor drew the Committee's attention to paragraph 5 of the report which gave details of the RIPA applications that had been made and to paragraph 6 which outlined the judicial approval process.

It was confirmed that the numbering of the report in paragraph 6 would be amended.

RESOLVED that the committee

- (1) Notes the RIPA application authorised in the five month period from June 2012 to October 2012;**
- (2) Notes the new legal position as a result of the Protection of Freedoms Act 2012 and its impact on RIPA authorisations.**

25 Annual Governance Statement 2011/12 – Progress (AI 10)

(TAKE IN REPORT)

Mrs Rio Gower, Strategy Adviser introduced the report which provides an update on progress being made against the key governance issues as highlighted in the Annual Governance Statement 2011/12. Mrs Gower explained that Appendix 1, the highlight report, showed in detail progress against key governance issues.

During discussion the following matters were raised:

- With regard to CRB checks, the committee asked that the CRB guidelines be issued to them and this was agreed.
- It was confirmed that there was a reduction in the number of people required to have CRB checks.

- A request was made that the appendix should include an explanation of the abbreviations used.
- It was confirmed that the current MLE (Managed Learning Environment) was a system that could not be easily used to obtain reports on the data held within it. However new IT systems being brought in would solve this problem and reports for example in financial rules training would be available on a 6-monthly basis.
- It was confirmed that confirmation that PDRs were being carried out would be available, but that would be on another system.

RESOLVED that the Governance & Audit & Standards Committee

- (1) **Make note of the progress being made against the key governance issues for 2011/12, as highlighted in appendix one of the report;**
- (2) **Make note of any additional issues as also highlighted in appendix one.**

26 Southsea Town Council – Transfer of closing balance to the Rocky Appeal (AI 11)

(TAKE IN REPORT)

RESOLVED that the Committee note that the final resolution of the former Southsea Town Council has been fully complied with and no further actions are required of the City Council.

27 Treasury Management Mid Year Review for 2012/13 (AI 12)

(TAKE IN REPORT)

Mr Michael Lloyd explained that this item was before the committee for information only as it was going to the Cabinet meeting on 3 December 2012 and the city council on 11 December 2012. Mr Lloyd explained that the purpose of the report was to inform members and the wider community of the council's treasury management position at 30 September 2012 and of the risks attached to that position and to revise the list of approved investments. Mr Lloyd explained that the main points to note were

- That the annual investment strategy for 2012/13 raised the individual counterparty limits from 364 days to 366 days. This was because it was felt that financial institutions may prefer 366 day investments as they are beneficial to them in meeting financial regulations and that this may provide a means of increasing investment returns without significantly increasing credit and liquidity risks. This has proved to be attractive to financial institutions and the council will have £106m invested for periods longer than 364 days at 31 March 2013 compared to a limit of £110m. Mr Lloyd explained that it was therefore recommended that the limit on principle sums invested for periods longer than 364 days at 31 March 2013 be increased by £40m to £150m.
- Mr Lloyd explained that the council has had difficulty finding sufficient suitable banks and building societies with which to invest its surplus funds. It is therefore recommended that the number of approved institutions where investments can be placed be increased, principally through the inclusion of unrated building societies.

In answer to a question, the Directorate Finance Manager said he knows of other councils that are looking at unrated building societies with which to invest money. The Committee asked the external Audit Manager to investigate whether this was commonplace among other local councils.

RESOLVED that the recommendations set out in section 3 of the report be noted.

28 Exclusion of Press and Public (AI 13)

It was proposed by Councillor Terry Hall and seconded by Councillor Peter Eddis that under the provisions of Section 100A of the Local Government Act, 1972 as amended by the Local Government (Access to Information Act, 1985), the press and public be excluded for the consideration of the following items on the grounds that they contain information defined as exempt in Part 1 of Schedule 12A to the Local Government Act 1972.

RESOLVED that the above motion be agreed.

29 Anti-Fraud, Bribery and Corruption & Investigations Update (AI 14)

A discussion took place concerning whether the entire report under item 14 of the agenda had to remain exempt and it was agreed that an extra recommendation would be drafted to enable a redacted version of the exempt appendix to be published on the web.

The Deputy Chief Internal Auditor, Ms Elizabeth Goodwin, outlined the contents of the report and explained that the report was to update the Governance & Audit & Standards Committee as part of the reporting protocol for internal audit on investigations directed by the investigation steering panel (ISP) between September 2011 and November 2012 including outcomes and action taken.

The report also updated the committee on the anti-fraud, bribery and corruption action plan and reported the proposed amendments to the whistle blowing policy following discussions with public concern at work. Ms Goodwin explained that there had been six investigations since the last report to this committee.

Exempt Appendix A gives members summaries of the six completed investigations undertaken by Internal Audit between September 2011 and November 2012, including the background, issues, findings, outcomes and actions taken.

The committee was advised that Appendix A has been deemed exempt because it includes information relating to individuals and contains information which is likely to reveal the identity of one or more individuals.

Ms Goodwin drew members' attention to the anti-fraud, bribery and corruption action plan contained in Appendix B of the report which details the agreed actions and proposed timescales along with progress made to date.

With regard to the whistle blowing policy, as a consequence of further communications with the "public concern at work" organisation it has been identified that an amendment to the whistle blowing policy is required in order to reflect a fundamental change in the access to previously restricted investigation finding. Under the Freedom of Information Act and Data Protection Act a whistle blower is permitted substantial access by means of a copy to the final report which conflicts with the current policy. As part of the anti-fraud, bribery and corruption the provision for the revision of the policy is already included and will include this proposed change.

Following discussion the committee decided to add two further recommendations to those made in the report.

RESOLVED

- (1) that members note the contents of the investigations report detailed in exempt Appendix A;**
- (2) that members note the Anti-Fraud, Bribery and Corruption Action Plan attached as Appendix B;**
- (3) to instruct the City Solicitor to obtain clarification from the Leader of the City Council, Councillor Gerald Vernon-Jackson concerning future intentions for the land at Camber Quay and how members would be involved in the process; and**

- (4) to instruct the City Solicitor to arrange for Appendix A that is currently exempt to be suitability reworded so that it no longer needs to be exempt and can be published on the city council's website.

30 Procurement Management Information (AI 15)

(TAKE IN REPORT)

Mr Greg Povey, Procurement Manager, introduced the report which updates members on steps being taken to demonstrate that PCC is achieving value for money from its contracts for goods and services. Mr Povey went on to advise that conformance has improved year on year from 93% in August 2011 to 97% in August 2012 and that year to date conformance is 96%. The results of the contracts being monitored are set out in 4.2 of the report. Mr Povey said that there are no new red contracts to report for this period and said that there are three contracts in their defect period where the supplier performed to a unsatisfactory level and appropriate remedial action was taken. These will continue to report until the end of their defect period.

During discussions it was confirmed that whereas in the past failings tended to be concentrated in the same services, this is no longer the case. The chair of the committee congratulated Mr Povey on the work done by him and his team in achieving a conformance rate of over 96%.

RESOLVED (1) that members note PCC has surpassed the target of 95% conformance and achieved 97% for August 2012;

(2) the city council's year to date conformance of 96% is now running above the set target, therefore, it is recommended that the frequency of reporting to Governance & Audit & Standards Committee moves to half yearly from the present quarterly arrangement;

(3) that members note the performance of the city council's suppliers and contractors and action in progress to address poor performance.

31 Date of Next Meeting

The date of the next meeting was confirmed as being held at 2.00 pm on 24 January 2013 in the Executive Meeting Room, the Guildhall, Portsmouth and this would be preceded by a training session at 1.30pm to be attended by all members of the committee including standing deputies to receive training on participation in complaints procedures against councillors.

The meeting concluded at 3.50pm

VJP/DMF
27 November 2012
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