

## **GOVERNANCE & AUDIT & STANDARDS COMMITTEE**

MINUTES OF THE MEETING of the Governance & Audit & Standards Committee held on Thursday, 26 September 2013 at 3.00 pm at the 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](http://www.portsmouth.gov.uk).)

### **Present**

Councillor Terry Hall (in the chair)

Councillor Michael Andrewes

Councillor Donna Jones

Councillor Phil Smith

Councillor Les Stevens (In place of Councillor David Fuller)

### **Officers**

Michael Lawther, City Solicitor

Chris Ward, Head of Finance and S151 Officer

Michael Lloyd, Directorate Finance Manager (Technical & Financial Planning)

Elizabeth Goodwin, Deputy Chief Internal Auditor

Lucy Harper, Auditor

Jon Bell, Head of HR, Legal & Performance

Iwona Defer, Equalities & Customer Research Officer

Kelly Nash, Corporate Performance Manager

#### **49. Apologies for Absence (AI 1)**

Apologies for absence were received from Councillor David Fuller. Councillor Les Stevens attended the meeting as his standing deputy. Apologies for absence were also received from Councillor John Ferrett.

#### **50. Declarations of Members' Interests (AI 2)**

Councillor Terry Hall declared a non-pecuniary interest in agenda item 9 in that she is a trustee (not council appointed) of PRENO (Portsmouth Race Equality Network Organisation).

#### **51. Minutes - 27 June 2013 (and Exempt Appendix to Minutes) (AI 3)**

RESOLVED that the minutes of the meeting held on 27 June 2013 (including the exempt appendix to the minutes) be confirmed and signed by the chair as a correct record.

**52. Updates on actions identified in the minutes (AI 4)**

The following matters were confirmed:-

- It remained the intention of the Director of Public Health to provide training as mentioned on page 42 of the minutes.
- With regard to whistleblowing, the City Solicitor confirmed that he had made enquiries and concluded that a refresher course of training was needed across the city council and this had been scheduled.
- The issue regarding home to school transport mentioned on page 45 was being considered.
- Mr Jon Bell confirmed that information on disclosure and barring had now been received.
- The City Solicitor confirmed that the paper referred to in exempt minute 46 could now be published, as the exemption had been lifted.

**53. Update Report from the External Auditor (including LG Sector update) (AI 5)**

(TAKE IN REPORT)

Mr Mark Justesen, External Auditor, Ernst & Young, introduced the report and said that everything was on track in accordance with the timetable included in the report. He advised that the LG Sector update was a general information report which was not specific to Portsmouth City Council but provided information on what was happening across the wider region. In response to a query Mr Justesen confirmed that Ernst & Young, PCC's external auditors, were able to make comparisons with other authorities through the value for money profile and CIPFA as could officers and local authorities themselves.

**RESOLVED that the update from the external auditor be received.**

**54. Annual Audit Results Report 2012/13 (AI 6)**

(TAKE IN REPORT)

Mr Mark Justesen introduced the report and said that the authority had produced a good set of accounts. There were very few amendments and those there were had been dealt with appropriately. He said there were a number of errors that had been corrected as a result of audit findings but these were not significant for reporting to members as they were generally small and mainly related to technical disclosure points to comply with the Code.

The Director planned to issue an unqualified audit opinion once in receipt of the signed Letter of Representation, which had been prepared using the

standard Ernst & Young template but with additional representations sought on:

- the restated comparatives resulting from a change in accounting policy for Solent LEP and
- the use of an internal expert for valuation of the Council's non-current assets.

He said that there was nothing he needed to draw to members' attention except that the Council needs to prepare Harbour Accounts in companies act format for 2012/13, and then submit them to the Secretary of State once audited.

He said that page 8 showed the value for money results which concluded that PCC had sufficient arrangements to demonstrate compliance with the Audit Commission's 2 VFM criteria.

Under "Resilience" Mr Justesen reported that the Council had performed well in 2012/13, delivering a £5.4m improvement on the budget although there were still challenges in delivering the savings target for 13/14. He said the auditor's view was that given the savings that need to be delivered over the medium-term, it would be more prudent to adopt a strategic approach over a longer term rather than have an annual budget.

Under "securing economy, efficiency and effectiveness", Mr Justesen reported that the Council was part way through a journey that needed to be completed in time to inform the setting of the 14/15 budget. Work on the corporate "plan on a page" was progressing but needed to be able to drive service and financial planning, and subsequent performance management against them.

The fees would be slightly higher than set out in the initial fee letter for three reasons

- the audit of the harbour accounts
- the addition of two new grant claims in 12/13 and
- time associated with dealing and responding to electors.

The Letter of Representation was signed by Mr Chris Ward and by Councillor Terry Hall, Chair of the committee.

**RESOLVED that the Annual Audit Results Report 2012/13 be noted.**

## **55. Annual Governance Statement 2012/13 (AI 16)**

(TAKE IN REPORT)

The Chair of the Committee agreed to amend the order of the published agenda as it was necessary to approve the Annual Governance Statement prior to signing off the statement of accounts.

Ms Kelly Nash, Corporate Performance Manager, outlined the report.

The Chair of the committee requested that in paragraphs 2.2.2 and 2.2.3 reference to the City Mayor be deleted and replaced by reference to the Leader and this was agreed.

During discussion the following matters were raised.

- It was confirmed that currently the annual governance statement does not go to the Cabinet Member for Resources portfolio and Mr Jon Bell agreed to talk to Councillor Hugh Mason to check whether he would find this useful.
- Mr Mark Justesen, external auditor, commented that this was a very thorough document especially in comparison to those that other authorities produce.

**RESOLVED that the Committee**

- (a) note the progress made against the 2011/12 annual governance issues as set out in Appendix A;**
- (b) approve the 2013 local code of governance in Appendix B for publication;**
- (c) approve the 2012/13 Annual Governance Statement in Appendix C for publication (subject to any amendments requested by the Committee).**

**56. Statement of Accounts 2012/13 (AI 7)**

(TAKE IN STATEMENT OF ACCOUNTS)

Mr Chris Ward, Head of Financial Services, advised the Committee that the accounts were virtually unchanged since the presentation they had received on 19 September. He said that the accounts had to be approved by 30 September 2013 and to be signed by the Chair of the committee and himself. He advised that the auditors had not had any issues with the accounts. Mr Ward advised that there was a statutorily prescribed way of presenting these accounts and the only point where a comparison could be made with the council's accounts occurred at the entry which said contribution to/withdrawal from council's reserves. He advised that the drawdown figure amounted to £0.5m (where expenditure was more than income), but the budget had planned on a £5.8m drawdown and so this gave a £5.3m underspend. In addition, it had been anticipated that the deficit on collection rates would amount to £200k whereas the actual deficit was £27k. There was therefore an improvement and the council's share of that amounted to £147k. Overall the council's position was £5.4m better than anticipated. Mr Ward advised that a report about where it is recommended that this money should go would be presented to Cabinet and Council and it was anticipated that £5m would be set aside to supplement capital reserves in the knowledge that there were known future calls on the council's reserves for example in relation to the City Deal, the Hard, Dunsbury Hill Farm and the City Centre Development.

Following a short discussion the committee approved the statement of accounts which were duly signed by the Head of Financial Services, Mr Chris Ward and the Chair of the Committee, Councillor Terry Hall.

**57. Update on the Council's compliance with its Equality Duty and Equality Impact Assessment Process (AI 8)**

(TAKE IN REPORT)

Ms Iwona Defer provided an overview of the report which updated the committee on the compliance of council services with the equality duty and the equality impact assessment process since the last report dated 27 June 2013. She said that some services were consistently compliant but others were less so. She said that Traffic & Environment Service had improved its compliance rate since the last report and that Children's Services would soon be 100% compliant.

The Chair commented that she was pleased that this committee received regular updates as she felt this was an incentive to all services to be 100% compliant.

**RESOLVED (1) that the Committee notes the contents of the report;**

**(2) that the Committee continues to monitor the compliance of the Council services with the Equality Duty and the Equality Impact Assessment process adopted by the Council, on a quarterly basis;**

**(3) that the City Solicitor continues to report on such compliance to the Committee on a quarterly basis.**

**58. Revision to Equality & Diversity Strategy 2014 - 17 - "Information only" report (AI 9)**

Ms Iwona Defer presented the report which informed the Committee about a planned revision of the current equality and diversity strategy and outlined the approach that would be applied to consultation and engagement with staff, residents and key partners which would assist with developing and refreshing the strategy. In response to queries the following points were clarified:

- It was not compulsory to have an engagement plan but it provided useful guidance on consultations.
- Training on equality impact assessment was provided on an ad hoc basis.
- It was confirmed that the EIA team checks reports before decisions are made and uses the future work programme to perform checks on whether an EIA had been undertaken and if not they would be asked why not.

The Committee noted the report.

**59. Compliance with the Gifts and Hospitality Protocol (AI 10)**

(TAKE IN REPORT)

The City Solicitor introduced the report and said that it updated members on gifts and hospitality. By way of background he said that the limits had not been increased since 2002 and invited members to consider whether they wished to make any amendment to those figures. He said that it was unusual for anyone to be given a gift of more than £25 in value so did not anticipate any need to revise that figure, subject to members' views. However the figure of £25 in relation to hospitality was perhaps a little low now as when officers go to social functions the dinner typically costs more than £25. The City Solicitor advised that members could leave things as they were as the Monitoring Officer had power to agree hospitality amounts over the limit by exception or members could increase the limit. If however members felt that a change to the current amounts was in order, then they could recommend that to Council.

With regard to the two staff mentioned on page 5 of Appendix A, these amounts were more than should have been accepted and therefore they will need to make a donation to the Lord Mayor's Charity.

During discussion the City Solicitor advised that where there was a potential contract to be offered, no gifts or hospitality at all were acceptable.

Following discussion it was proposed by Councillor Terry Hall and seconded by Councillor Donna Jones that the amount that may be accepted by an employee for hospitality be increased to £40. Upon being put to the vote this was carried.

**RESOLVED (1) that the report be noted;**

**(2) that the committee recommends to council that the current level up to which hospitality may be accepted be increased to £40.**

**60. Audit Performance Status Report to 30 August 2013 for Audit Plan 2013/14 (AI 11)**

(TAKE IN REPORT)

The Deputy Chief Internal Auditor outlined the report and said there were two new critical exceptions highlighted in this report and two from the 2012/13 audit plan. She said that there was a small increase in the level of exceptions as compared with previous years. One of the reasons for this was that a number of schools had requested Audit to audit them and this had not

happened in the previous two years. This contributed to the number of exceptions.

During discussion the following matters were clarified:

- With regard to 6.2 of the report concerning purchase cards, a member of the committee asked whether more training was necessary. The Head of HR, Legal and Performance said that the cards had not been used improperly but that the accounting rules had not been followed correctly. The City Solicitor said that there were very few areas of real concern. He said that one of the functions of Internal Audit was to discover areas where procedures needed to be tightened up and that the areas of concern had been communicated through PCC to ensure proper compliance in future.
- With regard to 6.4 of the report on the Northern Quarter development, this project had originated in the 1990s and proper contracts had not been signed. The Deputy Chief Internal Auditor confirmed that matters were in hand to arrange for proper contracts to be signed with the consultants.

**RESOLVED that**

- (1) **Members note the Audit Performance for 2013/14 to 30 August 2013;**
- (2) **Members note the highlighted areas of control weakness for the 2013/14 Audit Plan.**

**61. Audit Charter & Code of Ethics (AI 12)**

(TAKE IN REPORT AND CODE)

The Deputy Chief Internal Auditor introduced the report. She said that the purpose of the report was to gain members' approval for the revised Portsmouth City Council's internal audit charter to ensure that it complies with the new standards and code of ethics following the introduction of the "public sector internal audit standards" by the Institute of Internal Auditors. Members were satisfied with the contents of the charter and code of ethics.

**RESOLVED that Members approve the revised Internal Audit Charter and Code of Ethics.**

**62. Treasury Management Outturn 2012/13 (AI 13)**

(TAKE IN REPORT)

Michael Lloyd introduced the report advising that the Chartered Institute of Public Finance and Accountancy's (CIPFA) prudential code requires local authorities to calculate prudential indicators before the start of and after each financial year. He advised that those indicators that the Council is required to calculate at the end of the financial year are contained in Appendix A of the report. He further advised that the CIPFA code of practice on treasury management also requires the Section 151 Officer to prepare an annual report on the outturn of the previous year and that this information is shown in Appendix B of the report. He advised members that the purpose of the paper is to report on the outturn prudential indicators for 2012/13 and the treasury management decisions taken over the course of 2012/13. The committee was advised that the report was before them for noting as it would be going to Cabinet and Council for decision.

The Chair commented that the information given in Appendix B was both interesting and clear.

**RESOLVED that the recommendations set out in paragraph 4 of the report relating to Appendices A and B be noted.**

**63. Treasury Management Monitoring Report for the First Quarter of 2013/14 (AI 14)**

(TAKE IN REPORT)

Michael Lloyd introduced the report which informed members and the wider community of the council's treasury management position at 30 June 2013 and of the risks attached to that position. Mr Lloyd drew members' attention to the economic background outlined in Appendix A.

The Head of Financial Services and Section 151 Officer said that the report would be taken to Cabinet for decision and was before this committee for noting.

**RESOLVED that the actual treasury management indicators for the first quarter of 2013/14 set out in paragraph 4 of the report be noted.**

**64. Performance Management Update - Q1, 2013-14 (AI 15)**

(TAKE IN REPORT)

Ms Kelly Nash, Corporate Performance Manager, introduced the report which provides a summary of information received as part of Quarter 1 reporting for 2013-14 and an indication of how work around cost benchmarking will be taken forward. Ms Nash explained that for the first quarter of the reporting period, heads of service were asked to provide performance reports against their business "plans on a page" and issues raised are outlined in 4.2 of the report.



During discussion the following matters were clarified:

- With regard to value for money (VFM) and cost benchmarking, there are difficulties with some of the benchmarking data available namely that we are not necessarily comparing like for like. It was confirmed that in the absence of alternative credible information and judgement from services, the data available in the CIPFA value for money toolkit should be presented. It was confirmed to the committee that the intention was to present outcomes of VFM work to this committee in the coming month.
- The committee was advised that a new post had been created within the HR, Legal and Performance improvement service team specifically to look into how money could be generated by services and also how to prevent loss.
- The Head of Financial Services advised that the trend for schools to move to academy status was challenging. If the academy was a trust academy, there would be an infrastructure in place already for them to use rather than the local authority. He said that it was important to produce a good offer to non-trust academies.

**RESOLVED that the committee notes the report and**

- a) notes the performance issues as set out in section 4; and**
- b) approves the approach to cost benchmarking set out in section 7.**

#### **65. Data Breach Reporting (AI 17)**

(TAKE IN REPORT)

The City Solicitor introduced the report and said that Appendix 1 is exempt but that it only set out the specific instances of the data breaches concerned and therefore the report itself could be dealt with in open session. He advised that should the committee wish to discuss any of the matters in detail that appeared in the exempt appendix then the committee would have to do so in exempt session.

The City Solicitor advised that in 2011 PCC signed an undertaking following a reportable data breach to the Information Commissioner's Office (ICO) and the ICO followed this with an on-site audit. One of their recommendations was to establish a central body for information governance. The Corporate Information Governance Panel (CIGP) had since been formed and was chaired by the City Solicitor in the role of Senior Information Risk Owner (SIRO). The CIGP had been formed broadly to establish policy and procedures for information governance and to maintain a log of data breaches and determine onward action.

The City Solicitor advised that eight potential breaches have been reported to CIGP for the rolling year June 2012-2013. The CIGP determines the severity, remedial actions and need for onward reporting to the ICO.

The City Solicitor advised the committee that substantial fines could be issued by the ICO for serious breaches of the Data Protection Act and Privacy and Electronic Communications Regulations. Although every effort is made to impress upon employees the importance of complying with the regulations, on occasion human error was the cause of a potential breach and little more could be done in those circumstances. The City Solicitor advised that the new photocopiers that had been introduced throughout the council would lead to much better security as they now required an ID card at the point of collection.

**RESOLVED that members of the Governance and Audit and Standards Committee note the breaches that have arisen and the action determined by CIGP.**

The meeting concluded at 4.55 pm.

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Councillor Terry Hall  
Chair