

# NOTICE OF MEETING

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## GOVERNANCE & AUDIT & STANDARDS COMMITTEE

THURSDAY, 30 JANUARY 2014 AT 3.00 PM

## CONFERENCE ROOM A - CIVIC OFFICES

Telephone enquiries to Vicki.plytas@portsmouthcc.gov.uk

Email:

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### Membership

Terry Hall (Chair)  
Councillor David Fuller (Vice-Chair)  
Michael Andrewes  
Councillor John Ferrett  
Councillor Donna Jones  
Phil Smith

### Standing Deputies

Peter Eddis  
Aiden Gray  
Les Stevens  
Sandra Stockdale  
Alistair Thompson

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(NB This Agenda should be retained for future reference with the minutes of this meeting.)

Please note that the agenda, minutes and non-exempt reports are available to view online on the Portsmouth City Council website: [www.portsmouth.gov.uk](http://www.portsmouth.gov.uk)

**Deputations by members of the public may be made on any item where a decision is going to be taken. The request should be made in writing to the contact officer (above) by 12 noon of the working day before the meeting, and must include the purpose of the deputation (for example, for or against the recommendations). Email requests are accepted.**

## AGENDA

- 1 Apologies for Absence
- 2 Declarations of Members' Interests

**3 Minutes of the Meeting held on 7 November 2013 (Pages 1 - 8)**

To confirm the minutes of the meeting held on 7 November 2013 as a correct record.

**RECOMMENDED that the minutes of the meeting held on 7 November 2013 be confirmed and signed by the Chair as a correct record**

**4 Updates on actions identified in the minutes**

**5 External Audit Progress Report - Ernst & Young (Pages 9 - 24)**

**1) Certification of claims and returns - annual report 2012-13** (summary of results of work done on Portsmouth City Council's claims and returns) - for noting

**2) Audit Progress Report to December 2013**

The purpose of this report is to provide the Audit Committee with an overview of progress against the milestones set out in your 2012/13 Audit Plan and is the first step in ensuring that our audit is aligned with the Committee's service expectations.

**RECOMMENDED that:**

- 1) the certification of claims and returns 2012-13 annual report be noted and**
- 2) the Audit Progress report from the External Auditor to December 2013 be received and that the Chief Executive be requested to take any action required.**

**6 Update on the council's compliance with its Equality Duty and Equality Impact Assessment Process (Pages 25 - 30)**

The purpose of the report is to update the Committee on the compliance of council services with the Equality Duty and the Equality Impact Assessment process since the last report dated 26<sup>th</sup> September 2013

**RECOMMENDED**

- 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**

**7 Treasury Management Monitoring Report for the Third Quarter of 2013/14**  
(Pages 31 - 48)

The purpose of the report in Appendix A is to inform members and the wider community of the Council's Treasury Management position at 31 December 2013 and of the risks attached to that position.

**RECOMMENDED that the actual treasury management indicators for the third quarter of 2013/14 as set out in item 4 of the report be noted.**

**8 Performance Management Update - Quarter 2 - 2013/14** (Pages 49 - 62)

The purpose of the report is to inform members of performance issues arising in the second quarter of the 2013-14 reporting period, and update on work relating to cost benchmarking.

**RECOMMENDED that the Governance and Audit and Standards Committee are asked to note the report and comment on:**

- 1) The performance issues highlighted in section 4; and
- 2) The cost benchmarking activity outlined in section 6.

**9 Progress on actions to address the 2012/13 significant governance issues and review of the internal corporate governance controls** (Pages 63 - 88)

The purpose of this report is to:

- a) Update the Governance and Audit and Standards Committee on the actions relating to the 2012/13 Annual Governance Statement.
- b) Inform Members of steps taken to review the current internal corporate governance controls and put forward a set of revised controls for 2014

**RECOMMENDED that the Governance and Audit and Standards Committee:**

- a) Note the progress made in addressing the significant governance issues highlighted in the 2012/13 Annual Governance Statement.
- b) Approve the new internal corporate governance controls

**10 Agenda Item re Standing Order 17 - Questions by Councillors** (Pages 89 - 90)

At the request of the Committee Chair, to consider the following item with a view to recommending its adoption at Full Council:

That current Standing Order 17 (1), which is as set out below:-

"(1) At any meeting a Councillor may, subject to the six-month rule, ask"

be revised to delete those words and replace them with the following:-

"Questions by Members will be permitted to be asked at any meeting to those identified in Standing Order 17 (1) (a), subject to the six month rule and on the following basis -

Members submitting the question /seeking a resolution must at the point of submission demonstrate to the Monitoring Officer's satisfaction that they have already contacted the relevant Council officer(s) or Cabinet member(s) to seek the information/resolution, but do not consider that they have received a satisfactory response".

The current wording of Standing Order 17 is attached with the papers.

**RECOMMENDED that the Committee determines the matter.**

- 11 Consideration of the political balance rules in relation to the constitution of Sub-committees considering complaints against Members (Pages 91 - 92)**

The purpose of the report is to ask the Committee to consider whether it wishes to "disapply" the political balance rules in respect of its Sub-Committees which are considering complaints against Members. This would consequently mean that the three member panel shall wherever possible comprise a representative of each of the three groups, all the time those groups are represented on the main committee.

**RECOMMENDED that the Committee is asked to consider whether it wishes to disapply the political balance rules in respect of its Sub-Committees which are considering complaints against Members.**

- 12 Probate Applications (Pages 93 - 96)**

The purpose of the report is to seek to obtain a council resolution to appoint the City Solicitor as lawful nominee of the council for the purpose of obtaining Grants of Representation from the Probate Registry in order to recover debts owed to the council.

**RECOMMENDED that the Governance and Audit and Standards Committee recommend to Council that the City Solicitors delegation be amended by inserting the following additional delegation between paragraphs 30 and 31:**

**"To act in the capacity of lawful nominee of the council for the purpose of applications to the Probate Registry and, in so doing, to take such steps as shall be considered necessary to obtain a Grant of Representation in order to recover monies owed to the council."**

- 13 Audit Performance Status Report to 30 January 2014 for Audit Plan 2013/14 and proposed Audit Strategy (Pages 97 - 144)**

This report is to update the Governance and Audit and Standards Committee on the Internal Audit Performance for 2013/14 to 16<sup>th</sup> December 2013 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 the proposed Audit Strategy for the 2014/15 Plan.

**RECOMMENDED that members note**

- 1) **the Audit Performance for 2013/14 to 16<sup>th</sup> December 2013.**
- 2) **the highlighted areas of control weakness for the 2013/14 Audit Plan.**
- 3) **the changes in the Audit Plan.**
- 4) **approve the proposed Audit Strategy for the use of Audit resources for 2014/15.**

**14 Anti-Fraud and investigations update (Pages 145 - 152)**

(NB Please note that the appendix to this report is Exempt and if the Committee wish to refer to this, there is provision to do so following the exclusion of the press and public (see agenda item 18)

**15 Procurement Management Information (Pages 153 - 158)**

(NB Please note that appendices 2 and 3 of this report are Exempt and if the Committee wish to refer to these, there is provision to do so following the exclusion of the press and public (see agenda item 18)

The purpose of the report is to update Members on steps being taken to demonstrate that PCC is achieving value for money from its contracts for goods and services.

**RECOMMENDED that members note**

- 1) **we have surpassed the target of 95% conformance and achieved 98% for October 2013.**
- 2) **the performance of our suppliers and contractors and action in progress to address poor performance.**

**16 Data Security Breach Reporting (Pages 159 - 160)**

(NB Please note that the appendix to this report is Exempt and if the Committee wish to refer to this, there is provision to do so following the exclusion of the press and public (see agenda item 18)

To inform the Committee of any Data Security Breaches actions agreed/taken since the last meeting.

**RECOMMENDED that Members of the Governance & Audit & Standards Committee note the breaches that have arisen and the action determined by the Corporate Information Governance Panel (CIGP).**

**17 Complaints received into alleged breaches of the Code of Conduct by**

**Members of the Council (Pages 161 - 162)**

(NB Please note that the appendix to this report is Exempt and if the Committee wish to refer to this, there is provision to do so following the exclusion of the press and public (see agenda item 18)

**18 Exclusion of Press and Public**

**That in view of the contents of the following items on the agenda the Committee is RECOMMENDED to adopt the following motion:**

**“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 the reports contain information defined as exempt in Part 1 of Schedule 12A to the Local Government Act, 1972”.**

**The public interest in maintaining the exemption must outweigh the public interest in disclosing the information.**

**Under the Local Authorities (Executive Arrangements) (Meetings and Access to Information) England Regulations 2012, regulation 5, the reasons for exemption of the listed items is shown below.**

**Members of the public may make representation as to why the item should be held in open session. A statement of the Council’s response to representations received will be given at the meeting so that this can be taken into account when members decide whether or not to deal with the item under exempt business.**

**(NB The exempt/confidential committee papers on the agenda will contain information which is commercially, legally or personally sensitive and should not be divulged to third parties. Members are reminded of standing order restrictions on the disclosure of exempt information and are invited to return their exempt documentation to the Senior Local Democracy Officer at the conclusion of the meeting for shredding.)**

<b><u>Item</u></b>	<b><u>Exemption Para No.*</u></b>
<b>14. Anti-Fraud and investigations update (to follow) (exempt appendices)</b>	<b>1, 2 and 3</b>
<b>15. Procurement Management Information - Exempt Appendices 2 and 3</b>	<b>3</b>

**16. Data Security Breach Reporting - (to follow)  
Exempt Appendix 1 1,2 and 3**

**17. Member Complaints Report (to follow)  
Exempt Appendix 1 1 and 2**

**1. Information relating to any individual**

**2. Information that is likely to reveal the identity of an individual**

**3. Information relating to the financial or business affairs of any particular person (including the authority holding that information)**

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# Agenda Item 3

## GOVERNANCE & AUDIT & STANDARDS COMMITTEE

MINUTES OF THE MEETING of the Governance & Audit & Standards Committee held on Thursday, 7 November 2013 at 3.00 pm at the The Executive Meeting Room - Third Floor, The Guildhall

(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 David Fuller (Vice-Chair)  
Councillor Les Stevens (In place of Councillor Michael Andrewes)  
Councillor Phil Smith  
Councillor Donna Jones  
Councillor Aiden Gray (In place of Councillor John Ferrett)

### Officers

Michael Lawther, City Solicitor  
Michael Lloyd, Directorate Finance Manager (Technical & Financial Planning)  
Lyn Graham, Chief Internal Auditor  
Elizabeth Goodwin, Deputy Chief Internal Auditor  
Iwona Defer, Equalities & Customer Research Officer  
Kelly Dubock, Market Research Officer  
Louise Wilders, Head of Customer, Community and Democratic Services  
Charlotte Smith, Corporate Communications Manager

**Also present:** Mark Justesen - external auditor

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

Apologies for absence were received from Councillor Michael Andrewes. Councillor Les Stevens attended the meeting as his standing deputy. Apologies for absence were also received from Councillor John Ferrett. Councillor Aiden Gray attended the meeting as his standing deputy.

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

Councillor Terry Hall declared a non-pecuniary interest in agenda item 6 in that she is a trustee (not council appointed) of PRENO (Portsmouth Race Equality Network Organisation).

Councillor David Fuller declared a non-pecuniary interest in agenda Item 11 in that he is a ward colleague of Councillor Hancock but said that he felt able to consider the matter with an open mind.

Councillor Phil Smith declared a non-pecuniary interest in agenda item 8 as he is a trustee of the Kings Theatre.

**68. Minutes - 26 September 2013 (AI 3)**

**RESOLVED that the minutes of the meeting held on 26 September 2013 be confirmed and signed by the Chair as a correct record.**

**69. Update on actions identified in the minutes (AI 4)**

It was confirmed that training has not yet been provided by the Director of Public Health but that this would be arranged. The City Solicitor undertook to ask the Director of Public Health to write to the Committee about this.

**70. Update Report from the External Auditor (AI 5)**

The External Auditor provided a hand-out entitled 'Local Government Audit Committee Briefing by way of information of Committee Members' and presented his progress report.

Mr Justesen said that members should have received a copy of the Annual Audit Letter which reported that the 13/14 Council audit was now closed and all matters that needed to be raised with those charged with governance had been.

He drew Members' attention to the following:

- Grant Claims - now all signed off and submitted apart from Teachers' Pensions and the two new regeneration claims - Tipner and Northern Road Bridge All were on track for certification in advance of the grant claim deadlines.
- Planning 2013/14 -No significant opinion risks had been identified from changes in the accounting regulations, but new arrangements around retention of business rates may need to be reviewed.

However, in assessing the overall PCC control environment, the external auditors were considering the effect of cumulative savings plans and in particular the effect on management capacity in light of the number of breaches of financial rules noted in internal Audit work. The External Auditor was interested to see what the council intended to do about this issue in mitigation of a potential audit risk.

The City Solicitor said that the Chief Internal Auditor and the Head of Finance were currently drafting a letter to all staff concerning financial rules and training as this issue had already been identified as an area needing attention.

Mr Justesen said that he hoped to bring the audit plan for the year to the next meeting.

In response to questions the following matters were clarified:

- The Chief Internal Auditor said that new Financial Rules had been written and the training course is still to be updated. The new Financial Rules were waiting to be rolled out once the new Intralink was up and running, although they will be distributed to on-line staff via the new PolicyHub software. The training would be given to all staff but different modules would be applicable depending on their role.
- Mr Justesen said that the medium term financial strategy would not really mitigate against these as it principally sets out the Council's financial planning approach over the medium-term rather than reinforcing the overall control environment.
- The Chief Internal Auditor said that there was a need to roll out the new Rules and that a re-launch would be carried out once consultation had taken place.
- The City Solicitor said that the Chief Internal Auditor had been reporting the issues concerning the financial rules for some time but fewer resources brought increased challenges.

**RESOLVED that the update from the External Auditor be received.**

**71. Draft Equality and Diversity Strategy 2014-17 - (INFORMATION ONLY ITEM) (AI 6)**

(TAKE IN REPORT AND DRAFT EQUALITY & DIVERSITY STRATEGY 2014-17)

A revised report and an addendum to the draft Equality and Diversity Strategy was circulated to Members. The Head of Customer, Community & Democratic Services, Louise Wilders, introduced the report explaining that Portsmouth City Council's Equality & Diversity Strategy 2010-13 expires at the end of this year and that the Equality & Diversity Team have therefore been working on refreshing the current strategy for the years 2014-17. She advised that the revised strategy would be launched on 3 December 2013 subject to approval by Cabinet on 2 December 2013. She then invited Ms Defer, Equalities & Customer Research Office to provide more details to the Committee.

Ms Defer said that a wide range of consultation methods had been used and also many feedback methods as outlined in the report. The consultation had been aimed at all Portsmouth residents but there had been a fairly low number of respondents. The results of the consultation are set out in Section 3 of the report.

In response to queries the following matters were clarified:

- It was confirmed that four services within PCC had responded to the consultation.
- It was confirmed that an updated report and papers as circulated at this meeting would be included on the website as soon as possible.
- A query was raised about the initials LGBT (Lesbian, Gay, Bisexual and Transgender) and LGBTI (Lesbian, Gay, Bisexual, Transgender and Inter-Sex). In Germany there is no requirement to put the gender of a child on the birth certificate. A very small minority of babies are born with indeterminate gender and a request was made that dialogue took place with the various groups to see if they felt that the extra initial should be included.
- Ms Defer undertook to revise the figures shown on page 25 of the draft strategy as the number of residents' figures were inconsistent.
- Members referred to page 33 of the draft strategy and asked for clarification as to what the Alexandra area referred to. Members requested that the strategy referred to Ward names throughout.

The Chair explained that this was an information only report but that the Committee could feed in its comments to the Cabinet Meeting that would consider the draft strategy. The Committee did not put forward any formal comments for consideration at Cabinet.

**72. 2013 Budget Consultation Report - Residents (INFORMATION ONLY ITEM) (AI 7)**

(TAKE IN REPORT)

The Head of Customer, Community & Democratic Services introduced the report and said that the results had been placed in Group Rooms and she invited Kelly Dubock, (Market Research Officer) to provide an overview of the analysis of responses to the budget consultation. Ms Dubock outlined the background and methodology used. She said that although the consultation cannot provide us with statistically validated responses it was possible to identify key themes and to give some indication of the importance attached to each. She said that it was in her view useful to read the actual comments set out in Appendix 2 of the report as this provided a useful insight about the perceptions of residents.

In response to questions the following matters were clarified:

- Members acknowledged that this was a difficult report to write given the number of responses and the difficulties in collating them.
- Councillor Jones raised the issue as to whether this was in fact budget consultation. She said that she felt that this was a useful exercise but that it was not proper consultation in terms of the actual budget

proposals in her view. She felt that the consultation should be specifically on the proposals set out in the City Council's budget papers. The Head of Customer, Community & Democratic Services said that to clarify, PCC as a whole has an interest in getting better budget consultation across the board. This exercise was aimed at taking a snap-shot view and to attempt to ensure that the residents understood the complexities of the budget. She said that this was the beginning of a process. One of the challenges was how to engage people early enough in the process for next year. She said that PCC was looking to see what other councils did in terms of engaging the public with the budget consultation process. However, this would take time and this was a first step.

The Chair thanked those involved in the production of the report and appendices. The Committee noted the report.

**73. Audit Performance Status Report to 18 October 2013 for Audit Plan 2013/14 (AI 8)**

(TAKE IN REPORT)

The Chief Internal Auditor introduced the report and said that there were no new critical exceptions highlighted in this report for 2013/14 audit plan.

The Chief Internal Auditor explained that the large increase shown in the number of high risk exceptions in the table on page 4 could be explained because they relate to schools where full review programmes are being carried out in 2013/14 that were not carried out in the previous two years. This accounted for 52 of the high risk exceptions. The Chief Internal Auditor drew the Committee's attention to the audit of trusts mentioned in Paragraph 5.8 of the report. She said that most of the trust work appears to be in the process of being handed back to trusts to undertake themselves. However she noted that there is a new arrangement for Council employees to support the New Theatre Royal Trust. She explained that as there is an absence of trusts to effectively conduct an audit assignment, the audit is being taken out of the audit plan. Internal Audit will however pursue the New Theatre Royal Trust as a separate piece of work. She explained that the risks of employees being asked to carry out work on behalf of trusts are around the Council's liability for areas of work they have no control over and also putting Council employees into a position where they may have a conflict of interest as they would as a trustee have to work in the Trust's best interests as well as the Council's best interests as a Council employee which could create conflict.

In response to questions the following matters were clarified:

- The Chief Internal Auditor confirmed that if the high risk exceptions relating to schools were taken out of the figures, they would be in line with the previous two years' figures.
- The City Solicitor confirmed that advice and guidance was given to employees who took up trusteeship of external bodies such as the New

Theatre Royal Trust. He said that it was sometimes the case that trustees were appointed with a view to what they could bring to the Trust and where Council employees were appointed as trustees there were often gratuitous work requests. The City Solicitor said that the Council can no longer afford to provide work for trusts free of charge.

Councillor Phil Smith declared a non-pecuniary interest in this item as he is a trustee of the Kings Theatre. The City Solicitor advised that it was acceptable for elected representatives to do work on behalf of a trust but that a potential conflict of interest arose in cases where a member of staff was expected to do work for a trust free of charge.

## **RESOLVED**

- (1) That Members note the audit performance for 2013/14 to 18 October 2013;**
- (2) That Members note the highlighted areas of control weakness for the 2013/14 Audit Plan;**
- (3) That Members note the changes in the Audit Plan.**

### **74. Treasury Management Mid Year Review for 2013/14 (AI 9) (TAKE IN REPORT)**

Michael Lloyd, Directorate Finance Manager (Technical & Financial Planning) introduced the report. He said that the purpose of the report is to inform Members and the wider community of the Council's treasury management position at 30 September 2013 and of the risks attached to that position and to revise the list of approved investments. The report was before this Committee for information only and to afford the opportunity to provide formal comments if desired to the Cabinet meeting on 2 December 2013.

Michael Lloyd drew Members' attention to Part 5 of the report 'The reasons for recommendations' and then invited comments or questions from the Committee.

Members felt that this was a good and interesting report and felt that the recommendations made were sensible. A query was raised about the global corporate average default rates published by Standard and Poor which suggested that a triple B rated counter-party is three times more likely to default than a single A rated counter-party on a one year investment. The query raised was whether this default rate was the same for UK only corporate average default rates. Michael Lloyd said that he would check to see whether this information was available and would advise members outside the meeting.

The Committee noted the report and did not have any formal comments to send to Cabinet.

**75. Appointment of Independent Persons. (AI 10)**

The City Solicitor advised that under the Localism Act, there was a need to appoint independent persons so that when a complaint occurred they would receive a copy of it and their views would be sought. The independent person's role also included being available for consultation by the Member against whom a complaint had been made. The City Solicitor advised that an interview panel constituted in accordance with the Council's regulations (that included three members of the Governance & Audit & Standards Committee) agreed that Carole Damper and Bill Bailey should become independent persons. He explained that the Committee is asked to confirm the appointment of Carole Damper and Bill Bailey and to recommend to Council that the appointments be ratified.

**RESOLVED that the Governance & Audit & Standards Committee -**

- (1) Confirms the appointment of Carole Damper and Bill Bailey for a period of three years from 21 October 2013 and**
- (2) Recommends to Council that the appointments be ratified.**

**76. Exclusion of Press and Public (AI 13)**

It was proposed by Councillor Terry Hall, seconded by Councillor David Fuller that in view of the contents of the remaining items on the agenda the Committee moves into exempt session and this was unanimously agreed.

**RESOLVED**

**“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 remaining items on the grounds that the report(s) contain information defined as exempt in Part 1 of Schedule 12A to the Local Government Act, 1972”.**

**77. City Solicitor Report - Scheme of Delegation (AI 11)**

**(TAKE IN REPORT)**

The City Solicitor advised that since the reports were originally circulated, further information had come into his possession of an exempt nature that he felt the Committee needed to see.

The City Solicitor explained that he had received written deputations which he felt required other correspondence that was exempt to be circulated to the Committee in order to make sense of the written deputation. The exempt papers were circulated and time was given for the Committee to read the papers. The City Solicitor explained that a procedural issue had arisen as when the procedures were approved in July 2012, it had not been envisaged that a complaint may need to be adjourned at any stage. He went on to explain the reasons for the recommendation in his report.

At this point members resolved to move back into open session and members of the press and public were invited to re-join the meeting. It was proposed by Councillor Les Stevens, seconded by Councillor David Fuller that Members ask the Hearing Sub-Committee to consider as a preliminary matter whether or not to postpone the determination of the complaint until such time as the High Court proceedings are concluded. Upon being put to the vote this was unanimously carried.

**RESOLVED that members of Governance and Audit and Standards Committee ask the Hearing Sub-Committee to consider as a preliminary matter whether or not to postpone the final determination of the complaint until such time as the High Court proceedings are concluded.**

**78. Data Breach Reporting (AI 12)**  
(TAKE IN REPORT AND EXEMPT APPENDIX)

As the intention was to discuss the exempt appendix it was proposed by Councillor Terry Hall, seconded by Councillor Les Stevens that the Committee again move into exempt session. Upon being put to the vote this was unanimously carried.

**RESOLVED that under the provisions of Section 100A of the Local Government Act 1972 recommended by the Local Government (Access to Information) Act 1985 the press and public be excluded for the consideration of this item on the grounds that the report contains information defined as exempt in Part 1 of Schedule 12A to the Local Government Act 1972.**

The City Solicitor provided an update on the confidential appendix and confirmed that all involved had been notified and visited concerning the breach that had occurred.

It was proposed by Councillor Hall, seconded by Councillor Stevens that the proceedings moved back into open session. Upon being put to the vote this was carried.

**RESOLVED that Members of the Governance & Audit & Standards Committee note the breaches that have arisen and the action determined by the Corporate Information Governance Panel (CIGP).**

.....The meeting concluded at 5.05 pm.

Councillor Terry Hall

Chair



# Agenda Item 5

The Members of Governance & Audit & Standards Committee  
Portsmouth City Council  
Civic Centre  
Portsmouth  
Hampshire  
PO1 2ZX

20 December 2013

Ref: PCC/Claims/2012-13

Direct line: 02380 832043

Email: KHandy@uk.ey.com

Dear Member

## **Certification of claims and returns annual report 2012-13 Portsmouth City Council**

We are pleased to report on our certification work. This report summarises the results of our work on Portsmouth City Council's 2012-13 claims and returns.

### **Scope of work**

Local authorities claim large sums of public money in grants and subsidies from central government and other grant-paying bodies and are required to complete returns providing financial information to government departments. In some cases these grant-paying bodies and government departments require certification from an appropriately qualified auditor of the claims and returns submitted to them.

Under section 28 of the Audit Commission Act 1998, the Audit Commission may, at the request of authorities, make arrangements for certifying claims and returns because scheme terms and conditions include a certification requirement. When such arrangements are made, certification instructions issued by the Audit Commission to appointed auditors of the audited body set out the work they must undertake before issuing certificates and set out the submission deadlines.

Certification work is not an audit. Certification work involves executing prescribed tests which are designed to give reasonable assurance that claims and returns are fairly stated and in accordance with specified terms and conditions.

In 2012-13, the Audit Commission did not ask auditors to certify individual claims and returns below £125,000. The threshold below which auditors undertook only limited tests remained at £500,000. Above this threshold, certification work took account of the audited body's overall control environment for preparing the claim or return. The exception was the housing and council tax benefits subsidy claim where the grant paying department set the level of testing.

Where auditors agree it is necessary audited bodies can amend a claim or return. An auditor's certificate may also refer to a qualification letter where there is disagreement or uncertainty, or the audited body does not comply with scheme terms and conditions.

### **Statement of responsibilities**

In March 2013 the Audit Commission issued a revised version of the 'Statement of responsibilities of grant-paying bodies, authorities, the Audit Commission and appointed auditors in relation to claims and returns' (statement of responsibilities). It is available from the Chief Executive of each audited body and via the Audit Commission website.

The statement of responsibilities serves as the formal terms of engagement between the Audit Commission's appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

This annual certification report is prepared in the context of the statement of responsibilities. It is addressed to those charged with governance and is prepared for the sole use of the audited body. We, as appointed auditor, take no responsibility to any third party.

## **Summary**

Section 1 of this report outlines the results of our 2012-13 certification work and highlights the significant issues.

We checked and certified six claims and returns with a total value of £226,361,455. We met all submission deadlines. We issued two qualification letters for the Housing and Council Tax Benefits and Teachers' Superannuation claims. Details of the qualification matters are included in section 2. We have not made any recommendations for improvement.

Fees for certification work are summarised in section 2. The Audit Commission applied a general reduction of 40% to certification fees in 2012-13. We have included the actual fees for 2011-12 and their values after the 40% reduction to assist year on year comparisons.

We welcome the opportunity to discuss the contents of this report with you at the January 2014 Governance and Audit and Standards Committee.

Yours faithfully

K.L Handy  
Director  
Ernst & Young LLP  
Enc

# Certification of claims and returns annual report 2012-13

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## 1. Summary of 2012-13 certification work

We certified 6 claims and returns in 2012-13. The main findings from our certification work are provided below.

### Housing and council tax benefits subsidy claim

Scope of work	Results
Value of claim presented for certification	£122,098,234
Limited or full review	Full
Amended	£122,099,557
Qualification letter	Yes
Fee - 2012-13	£22,795
Fee - 2011-12 (60%)	£27,809
Fee - 2011-12 Full	£46,346
<b>Recommendations from 2011-12:</b>	<b>Findings in 2012-13</b>
None	N/A

Councils run the Government's housing and council tax benefits scheme for tenants and council taxpayers. Councils responsible for the scheme claim subsidies from the Department for Work and Pensions (DWP) towards the cost of benefits paid.

Our initial testing on rent allowances identified 1 case where benefit had been underpaid due to the incorrect calculation of average wages, therefore overstating income. As there is no eligibility to subsidy for benefit which has not been paid, this does not constitute an error per se. However, because an error in miscalculating the claimant's average weekly income could also result in overpayments, an additional random sample of 40 cases was tested.

In the additional testing, a further 6 errors were identified. Four of these resulted in an underpayment to the claimant, and so, as above, are not classified as errors. However, 2 resulted in overpayments. The percentage error rate in the sample reflects the individual cases selected. The value of the errors found ranged from £1 - £56, and the benefits periods ranged from 1 to 8 weeks.

We have reported the underpayments and the results of the 40+testing to the DWP in a qualification letter.

Similar findings have been included in our qualification letters for the last two years. Given the nature of the population for rent allowances, and the variation in the errors found, it is unlikely that significant additional work will result in amendments to the claim form that would allow me to conclude that it is either fairly or unfairly stated.

The amendments made to the claim were as the result of minor errors identified by the Council in the composition of the claim from the underlying Northgate records.

### Teachers' superannuation return

Scope of work	Results
Value of return presented for certification	£10,593,365
Limited or full review	Full
Amended	Not amended
Qualification letter	Yes
Fee - 2012-13	£1,447
Fee - 2011-12 (60%)	£929
Fee - 2011-12 (Full)	£1,549
<b>Recommendations from 2011-12:</b>	<b>Findings in 2012-13</b>
None	N/A

The Teachers' Pension Scheme is a contributory pension scheme run separately from the local government pension scheme and administered by Teachers' Pensions on behalf of the Department for Education. Councils must complete a return setting out what they have collected under the scheme and how much they need to pay over to the Government. Auditors are required to carry out checks on the return made.

We qualified the return on Test 7a of the CI, which requires us to test ..."contributory salaries have been extracted correctly from payroll records and included in section 1 column 1 in the appropriate tier."

In 2012-13 the Council compiled monthly reports using annual salaries to allocate teachers to contribution tiers and uses this for making monthly return to the Department via the STU system. We tested a sample of 11 teachers. In 2 cases we found additional payments made had not been reflected in the salaries included in the monthly reports. In 1 of these cases the impact of the additional payment led to the teacher being included in tier 3 rather than tier 4.

The Council has changed its system in 2013/14 and now assess teachers' paid salaries on a monthly basis to allocate them to the correct contributory tier. We have not tested the revised 2013/14 arrangements.

We also noted that the TP Audit Department had found no errors on the teachers' superannuation return and had certified the amount payable without qualification. However, the Council and TP audit department have ongoing email correspondence over discrepancies in calculating the tiered employees' contributions (£411.04), and employer's contributions (£917.12), using the contributory salary.

### National non-domestic rates return

Scope of work	Results
Value of return presented for certification	£79,998,047
Limited or full review	Full
Amended	No
Qualification letter	No
Fee – 2012-13	£1,255
Fee – 2011-12 (60%)	£872
Fee – 2011-12 (Full)	£1,454
<b>Recommendations from 2011-12:</b>	<b>Findings in 2012-13</b>
None	N/A

The Government runs a system of non-domestic rates using a national uniform business rate. Councils responsible for the scheme collect local business rates and pay the rate income over to the Government. Councils have to complete a return setting out what they have collected under the scheme and how much they need to pay over to the Government.

We found no errors on the national non-domestic rates return and we certified the amount payable to the pool without qualification.

### Pooling of housing capital receipts

Scope of work	Results
Value of return presented for certification	£2,420,750
Limited or full review	Full
Amended	No
Qualification letter	No
Fee – 2012-13	£1,003
Fee – 2011-12 (60%)	£758
Fee - 2011-12 (Full)	£1,264
<b>Recommendations from 2011-12:</b>	<b>Findings in 2012-13</b>
None	N/A

Councils pay part of a housing capital receipt into a pool run by the Department of Communities and Local Government (DCLG). Regional housing boards redistribute the receipts to those councils with the greatest housing needs. Pooling applies to local authorities, including those that are debt-free and those with closed Housing Revenue Accounts, who typically have housing receipts in the form of mortgage principal and right to buy discount repayments.

We found no errors on the pooling of housing capital receipts return and we certified the amount payable to the pool without qualification.

### Local Transport Plan Major Projects- Northern Road Bridge

Scope of work	Results
Value of return presented for certification	£5,920,459
Limited or full review	Full
Amended	No
Qualification letter	No
Fee – 2012-13	£2,200
No PY Fee	N/A
<b>Recommendations from 2011-12:</b>	<b>Findings in 2012-13</b>
N/A	N/A

The Department for Transport pays grants, under section 31 of the Local Government Act 2003, to local transport authorities in England. The scheme supports major projects such as large public transport infrastructure or road construction scheme

We undertook testing in accordance with the TRA11 CI, and, finding no errors on the Northern Road Bridge project return, we certified the amount of the claim.

There were however a number of improvements suggested to strengthen the audit trail from ledger to monitoring spreadsheet, to grant claim. Officers have agreed a number of changes in financial procedures that should address these issues in 13/14.

### Local Transport Plan Major Projects- Tipner

Scope of work	Results
Value of return presented for certification	£5,330,600
Limited or full review	Full
Amended	No
Qualification letter	No
Fee – 2012-13	£2,200
No PY Fee	N/A
<b>Recommendations from 2011-12:</b>	<b>Findings in 2012-13</b>
N/A	N/A

The Department for Transport pays grants, under section 31 of the Local Government Act 2003, to local transport authorities in England. The scheme supports major projects such as large public transport infrastructure or road construction scheme

We undertook testing in accordance with the TRA11 CI, and, finding no errors on the Tipner project return, we certified the amount of the claim. Improvements suggested as above.

## 2. 2012-13 certification fees

For 2012-13 the Audit Commission replaced the previous schedule of maximum hourly rates with a composite indicative fee for certification work for each body. The indicative fee was based on actual certification fees for 2010-11 adjusted to reflect the fact that a number of schemes would no longer require auditor certification. There was also a 40 per cent reduction in fees reflecting the outcome of the Audit Commission procurement for external audit services.

The indicative composite fee for Portsmouth City Council for 2012-13 was £26,500 and we completed our work on the associated claims and returns within this. However, two additional claims required certification, with an associated fee of £4,400. The total of £30,900 compares to a charge of £53,688 in 2011-12.

Claim or return	2011-12	2011-12	2012-13	2012-13
	Actual fee £	2011-12 fee less 40% reduction £	Indicative fee £	Actual fee £
Housing and council tax benefits	46,346	27,809	22,795	22,795
HRA subsidies	3,075	1,845	N/A	N/A
Teachers' superannuation return	1,549	929	1,447	1,447
National non-domestic rates return	1,454	872	1,255	1,255
Pooling of housing capital receipts return	1,264	758	1,003	1,003
<b>Scale fee Total</b>	<b>53,688</b>	<b>32,213</b>	<b>26,500</b>	<b>26,500</b>
Northern Road Bridge	-	-	-	2,200
Tipner	-	-	-	2,200
<b>Certification total</b>				<b>30,900</b>

### Notes:

1. Fees for annual reporting and for planning, supervision and review have been allocated directly to the claims and returns.
2. The cost of the additional work that was completed during our first year as your external auditors has not been recharged to you.



### 3. Looking forward

For 2013-14, the Audit Commission has calculated indicative certification fees based on the latest available information on actual certification fees for 2011-12, adjusted for any schemes that no longer require certification. The Audit Commission has indicated that the national non-domestic rates return will not require certification from 2013-14.

The Council's indicative certification fee for 2013-14 is £33,000 – the £28,600 published scale fee and like for like fees on the TRA11 grants. The actual certification fee for 2013-14 may be higher or lower than the indicative fee, if we need to undertake more or less work than in 2011-12 on individual claims or returns. Details of individual indicative fees are available at the following link:  
<http://www.audit-commission.gov.uk/audit-regime/audit-fees/201314-fees-and-work-programme/individual-certification-fees/>

We must seek the agreement of the Audit Commission to any proposed variations to indicative certification fees. The Audit Commission expects variations from the indicative fee to occur only where issues arise that are significantly different from those identified and reflected in the 2011-12 fee.

The Audit Commission has changed its instructions to allow appointed auditors to act as reporting accountants where the Commission has not made or does not intend to make certification arrangements. This removes the previous restriction saying that the appointed auditor cannot act if the Commission has declined to make arrangements. This is to help with the transition to new certification arrangements, such as those DCLG will introduce for business rates from 1 April 2013.

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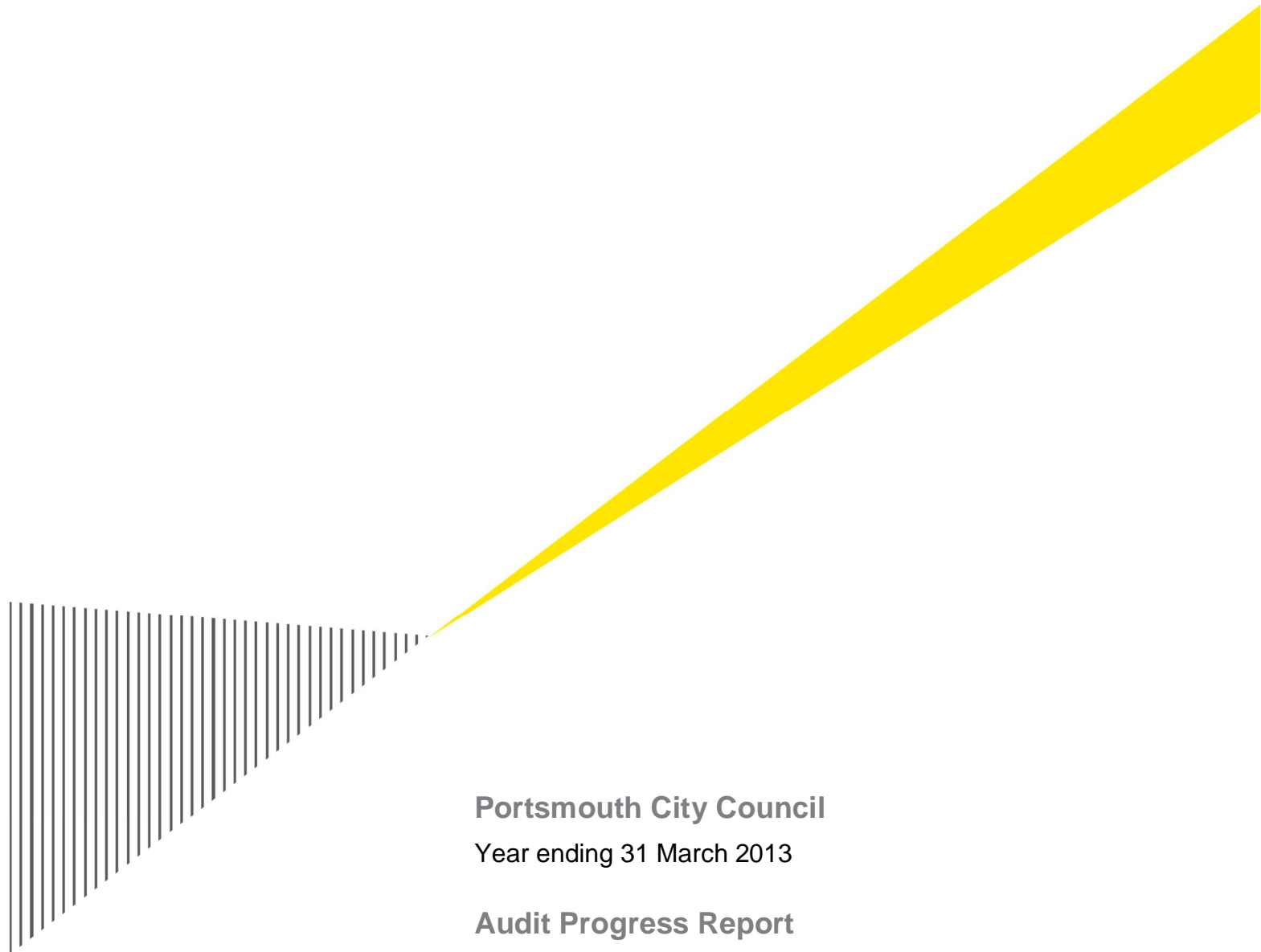
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**Portsmouth City Council**

Year ending 31 March 2013

**Audit Progress Report**

December 2013

Governance, Audit and Standards Committee  
Portsmouth City Council  
Civic Offices  
Guildhall Walk  
Portsmouth  
PO1 2AL

23 December 2013

Dear Sir/Madam

### **Audit Progress Report - 2012/13**

We are pleased to attach our December 2013 Audit Progress Report. The purpose of this report is to provide the Audit Committee with an overview of progress against the milestones set out in your 2012/13 Audit Plan and is the first step in ensuring that our audit is aligned with the Committee's service expectations.

Our audit is undertaken in accordance with the requirements of the Audit Commission Act 1998, the Code of Audit Practice, the Audit Commission Standing Guidance, auditing standards and other professional requirements.

We welcome the opportunity to discuss this report with you as well as understand whether there are other matters which you consider may influence our audit.

Yours faithfully

Kate Handy  
Director  
For and behalf of Ernst & Young LLP  
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# 1. Work completed

## **Assessment of the Council's internal controls**

We reviewed the design of the Council's core financial systems and tested the operation of key controls within those systems. We concluded that we could rely on them for opinion purposes and identified no issues of note to report to members.

## **Year end audit**

We issued our audit opinion on September 27<sup>th</sup> 2013, which was unqualified, and reported our findings in the Audit Results Report at the Committee meeting on 26<sup>th</sup> September.

## **Value for Money Conclusion**

We issued our conclusion on September 27<sup>th</sup> 2013, which was unqualified, and reported our findings in the Audit Results Report at the Committee meeting on 26<sup>th</sup> September.

## **Annual Audit Letter**

We certified the closure of the audit on October 4<sup>th</sup> 2013, when we issued our assurance statement in respect of the authority's Whole of Government Accounts consolidation pack.

The Annual Audit Letter was issued on October 30<sup>th</sup> 2013.

## **Grant claim certification**

We have completed our work on the certification of your claims and are bringing our Report on the audit of grant claims to the January 30<sup>th</sup> 2014 meeting.

## **Harbour Accounts Audit**

The Department for Transport have determined that the harbour accounts need to be prepared and audited, and the Audit Commission has confirmed we are appointed auditors for this engagement.

The Council is reviewing the draft accounts previously prepared, to ensure they are in Companies Act compliant format, and ensuring full supporting working papers are available. No date has yet been agreed for the audit of the accounts.

## 2. Timetable

### Audit Committee Timeline

We have set out below a timetable showing the key stages of the audit, including the value for money work and the whole of government accounts, and the deliverables we have agreed to provide to you through the 2012/13 Audit Committee cycle.

We have provided formal reports to the Audit Committee throughout our audit process as outlined below.

Audit phase	Timetable	Deliverables
High level planning:	<b>November</b>	Fee Letter
Risk assessment and setting of scopes	<b>November/ January</b>	
Testing of routine processes and controls	<b>February/March</b>	Audit Plan Interim Report (if required)
Value for money conclusion	<b>March/June</b>	Report to those charged with governance
Year-end audit	<b>July – September</b>	Report to those charged with governance
		Audit report (including our opinion on the financial statements and a conclusion as to whether the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources).
		Audit completion certificate
		Whole of Government Accounts Certification
Reporting	<b>October</b>	Annual Audit Letter
Grant claims	<b>December</b>	Report on the audit of grant claims

In addition to the above formal reporting and deliverables we have provided practical business insights and updates on regulatory matters through our Sector Briefings.

# Appendix 1: Audit Progress on Deliverables

## Progress against key deliverables

Key deliverable	Timetable in plan	Status	Comments
<b>Fee Letter</b>	December 2013	Completed	Reported to Chief Executive, Chair of Governance, Audit and Standards Committee, Head of Finance and Head of HR, Legal & Performance
<b>Audit Plan</b>	March 2013	Completed	Discussed with officers and agreed with Members at the March Committee
<b>Report to Those Charged with Governance</b>	September 2013	Completed	Presented to Governance, Audit and Standards Committee on 26/09/13
<b>Audit Report (including opinion and vfm conclusion)</b>	September 2013	Completed	Issued on 27/09/13
<b>Audit Certificate</b>	September 2013	Completed	Issued on 04/10/13
<b>WGA Certificate</b>	September 2013	Completed	Issued on 04/10/13
<b>Annual Audit Letter</b>	October 2013	Completed	Issued on 30/10/13
<b>Report on the Audit of Grant Claims</b>	December 2013	Completed	Issued on 24/12/13

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# Agenda Item 6



Portsmouth  
CITY COUNCIL

Agenda item:

**Title of meeting:** The Governance and Audit & Standards Committee

**Date of meeting:** 30 January 2014

**Subject:** Update on the council's compliance with its Equality Duty and Equality Impact Assessment Process

**Report by:** City Solicitor

**Wards affected:** All

**Key decision:** No

**Full Council decision:** No

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## 1. Purpose of report

- 1.1. To update the Committee on the compliance of council services with the Equality Duty and the Equality Impact Assessment process since the last report dated 26<sup>th</sup> September 2013.

## 2. Recommendations

- 2.1. That the Committee notes the contents of the report;
- 2.2. 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.
- 2.3. That the City Solicitor continues to report on such compliance to the Committee on a quarterly basis.

## 3. Update on the Council's compliance with the Equality Duty and the Equality Impact Assessment (EIA) process

### 3.1. Background

- 3.1.1. The Equality Act 2010 introduced the Public Sector Equality Duty requiring the council to consider the impact of its policies, strategies, projects and services on people with any of the nine 'protected characteristics': These are age, race,

disability, sex, gender reassignment, sexual orientation, religion, pregnancy and maternity, marriage or civil partnership. Any potential negative impact on any of the equality groups should be given 'due regard' throughout the process of (re)design / development, decision-making and implementation of our policies, strategies, projects and services.

3.1.2. Non-compliance can lead to costly, time-consuming and reputation-damaging legal challenge by individuals or pressure groups.

3.1.3. The council has a well-established Equality Impact Assessment (EIA) process which assists compliance with the Public Sector Equality Duty. The process requires that a preliminary EIA, if relevant, should be undertaken at the initial stage of (re)design / development of a policy, strategy, project or service. If the preliminary EIA identifies a potential negative impact on any of the groups protected under the Equality Act 2010, a full EIA should be undertaken before any final decision is made. The full EIA should take into account results of any public consultation and any other relevant local and national information available, including any effects of similar initiatives elsewhere in the UK.

3.1.4. The EIA process requires that all completed EIAs are sent to the Equality & diversity team for quality assurance before being submitted with a relevant report for a decision.

## **3.2. Compliance of council services with the Equality Impact Assessment process**

**3.2.1.** As part of the council's EIA process, council services are required to undertake review EIAs on the major services, policies, and functions of the council that have been identified by the management and the Equality & diversity team as having a potential present or future disproportionately negative impact on people possessing any of the 'protected characteristics'.

The table below shows the individual services' compliance with the council's 3 yearly rolling EIAs as at 20<sup>th</sup> December 2013. The table illustrates that the majority of the services continue to be 100% compliant. Adult Social Care have significantly improved its compliance over the last few months, and continue to have no outstanding EIAs. Transport & Environment Services have also made a notable progress in undertaking 3 yearly EIAs, but still have 4 outstanding EIAs. Children's Social Services continue to have one outstanding EIA, making them 88% complaint. Corporate Assets, Business & Standards also now have one EIA which is overdue. Housing & Property Services' compliance has seen

a decline in the last quarter - their 5 EIAs have become overdue making them 74% compliant. Finance Services also have a few (3) outstanding EIAs now, but have assured us that they would be completed in the next couple of weeks. The Equality & diversity team is working with these services to ensure that these EIAs are completed without further delay.

<b>Directorate</b>	<b>Service</b>	<b>Compliance</b>
Public Health	Health, Safety & Licensing	100% - no change
People Services	Education & Strategic Commissioning	100% - no change
	Children's Social Care and Safeguarding	88% (1 of 9 EIAs outstanding) - no change
	Adult Social Care	100% - no change
	Revenues and Benefits	100% - no change
Regeneration	City Development & Cultural Services	100% - no change
	Corporate Assets, Business & Standards	90% (1 of 10 outstanding) - down from 100%
	Transport & Environment	77% (4 of 17 outstanding) - up from 40%
	Housing & Property Services	74% (5 of 19 outstanding) - down from 100%
Performance / Support Services	Information Services	100% - no change
	Finance	58% (3 of 7 outstanding) - down from 100%
	HR, Legal & Performance	100% - no change
	Customer, Community & Democratic Services	100% - no change

**3.2.2.** All additional EIAs being undertaken on other proposed new or changed projects, policies, services and strategies that are placed before relevant decision-makers are monitored by the Equality & diversity team regularly through the Future Work Programme, regular liaison with democratic services, equality leads and other officers in individual services, and by checking meeting agendas of council decision-makers.

Council services are overall pro-active in planning for equality analysis as part of their project processes and contacting the Equality & diversity team for advice and support. The issue is often around quality of the EIAs produced. The Equality & diversity team however works with individual officers on their better understanding of the Equality Duty and improvements in quality of their

EIAs before they are finalised and put before decision-makers. Officers are usually cooperative and implement the team's advice.

In addition, in order to ensure that council officers and members are provided with information about latest developments in the Equality Law and their implications for the way council services operate, and understand the council's EIA process, the Equality & Diversity Team:

- a) Provides reports on developments in equality law to Strategic Directors Board, Departmental Management Team Meetings, and the Governance and Audit & Standards Committee.
- b) Works with our Learning & development services to ensure that their training courses are up-to-date.
- c) Provides advice and training to council officers on an individual basis - this is often preferred to group training sessions as it helps our officers understand the practical relevance of the Equality Law in the context of their service's work.
- d) Makes information about the council's legal obligations and the EIA process available on our main website at:  
<http://www.portsmouth.gov.uk/yourcouncil/equality-and-diversity.html>.
- e) Provides regular legal updates as well as information about diversity events on our Equality & diversity in Portsmouth blog at:  
<http://pccequality.blogspot.co.uk/>.

The Equality & diversity team are currently working with services across the council to ensure that all relevant budgetary savings proposals are properly consulted on with the public and assessed for any equality impact.

#### **4. Reasons for recommendations**

- 4.1. To ensure that the Council complies with its legal obligations under the Equality law.

#### **5. Equality impact assessment (EIA)**

- 5.1. This report does not require an Equality Impact Assessment as it does not propose any new or changed services, policies or strategies.

#### **6. Head of legal services, comments**

- 6.1. Legal advice and the effect of non-compliance are set out in this report.

**7. Head of finance’s comments**

**7.1.** There are no financial implications arising from the recommendations in this report.

.....  
Signed by:

**Appendices: Nil**

**Background list of documents: Section 100D of the Local Government Act 1972**

The following documents disclose facts or matters, which have been relied upon to a material extent by the author in preparing this report:

Title of document	Location
Nil	

.....  
Signed by:

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# Agenda Item 7

Agenda item:

<b>Decision maker:</b>	Governance and Audit and Standards Committee
<b>Subject:</b>	Treasury Management Monitoring Report for the Third Quarter of 2013/14
<b>Date of decision:</b>	30 January 2014
<b>Report by:</b>	Head of Financial Services & Section 151 Officer
<b>Wards affected:</b>	All
<b>Key decision:</b>	No
<b>Budget &amp; policy framework decision:</b>	No

---

## 1. Summary

The Chartered Institute of Public Finance and Accountancy (CIPFA) defines Treasury Management as “The management of the organisation’s cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks”. The risks associated with treasury management include credit risk, liquidity risk, interest rate risk and refinancing risk. The report contained in Appendix A reports on the City Council’s treasury management position as at 31 December 2013.

## 2. Purpose of report

The purpose of the report in Appendix A is to inform members and the wider community of the Council’s Treasury Management position at 31 December 2013 and of the risks attached to that position.

### 3. Background

In March 2009 the CIPFA Treasury Management Panel issued a bulletin on Treasury Management in Local Authorities. The bulletin states that “in order to enshrine best practice it is suggested that authorities report formally on Treasury Management activities at least twice yearly and preferably quarterly”. The report in Appendix A covers the first nine months of 2013/14

### 4. Recommendations

That the following actual treasury management indicators for the third quarter of 2013/14 be noted:

(a) The Council’s debt at 31 December was as follows:

<b>Prudential Indicator</b>	<b>Limit £M</b>	<b>Actual £M</b>
Authorised Limit	514	443
Operational Boundary	449	443

(b) The maturity structure of the Council’s borrowing was

	<b>Under 1 Year</b>	<b>1 to 2 Years</b>	<b>3 to 5 Years</b>	<b>6 to 10 Years</b>	<b>11 to 20 Years</b>	<b>21 to 30 Years</b>	<b>31 to 40 Years</b>	<b>41 to 50 Years</b>
Lower Limit	0%	0%	0%	0%	0%	0%	0%	0%
Upper Limit	25%	25%	25%	25%	30%	30%	30%	70%
Actual	1%	4%	3%	5%	9%	13%	11%	54%



- (c) The Council's sums invested for periods longer than 364 days at 31 December 2013 were:

	<b>Prudential Limit</b>	<b>Quarter 3 Actual</b>
	£m	£m
Maturing after 31/3/2014	218	101
Maturing after 31/3/2015	208	59
Maturing after 31/3/2016	198	44

- (d) The Council's fixed interest rate exposure at 31 December 2013 was £255m, ie. the Council had net fixed interest rate borrowing of £255m. This is within the Council's approved limit of £320m.
- (e) The Council's variable interest rate exposure at 31 December 2013 was (£128m), ie. the Council had net variable interest rate investments of £128m. This is within the Council's approved limit of £320m.

## **5. Implications**

The net cost of Treasury Management activities and the risks associated with those activities have a significant effect on the City Council's overall finances. Effective Treasury Management provides support to the organisation in the achievement of its business and service objectives.

## **6. Equality impact assessment (EIA)**

A preliminary equalities impact assessment on Treasury Management Policy was carried out in March 2013.

## **7. City Solicitor's Comments**

The Section 151 Officer is required by the Local Government Act 1972 and by the Accounts and Audit Regulations 2011 to ensure that the Council's budgeting, financial management, and accounting practices meet the relevant statutory and professional requirements. Members must have regard to and be aware of the wider duties placed on the Council by various statutes governing the conduct of its financial affairs.

**8. Head of Finance's comments**

All financial considerations are contained within the body of the report and the attached appendices

.....  
Signed by Head of Financial Services and Section 151 Officer

**Appendices:**

**Appendix A: Treasury Management Monitoring Report**

**Background list of documents: Section 100D of the Local Government Act 1972**

The following documents disclose facts or matters, which have been relied upon to a material extent by the author in preparing this report:

<u>Title of document</u>	Location
1 Treasury Management Files	Financial Services
2	

The recommendation(s) set out above were approved/ approved as amended/ deferred/ rejected by the Governance and Audit and Standards Committee on 30 January 2014.

.....  
Signed by: the Chair of the Governance and Audit and Standards Committee

**TREASURY MANAGEMENT MONITORING REPORT FOR THE THIRD QUARTER OF  
2013/14**

**1. GOVERNANCE**

The Treasury Management Policy Statement, Annual Minimum Revenue Provision for Debt Repayment Statement and Annual Investment Strategy approved by the City Council on 19 March 2013 provide the framework within which treasury management activities are undertaken. The prudential indicators were revised by the City Council on 12 November 2013 when the revised capital programme for 2013/14 was approved.

**2. ECONOMIC BACKGROUND**

The market view is that the Bank of England's target level for unemployment of 7%, before it will review changing Bank Rate, will be reached much sooner than the Bank's view back in August of towards the end of 2016. In its latest quarterly Inflation Report this month, the Bank has shortened this period to possibly as early as the end of 2014. Financial markets have also moved their expectations back from their over optimism, which reached fever pitch in September, and are now expecting a first increase in Bank Rate in Q2 2015. The Council employs Capita Asset Services to provide interest rate forecasts and this is not Capita's view however. The Bank has been at pains to emphasise that reaching a 7% unemployment rate is not a trigger for the first increase in Bank Rate, but this target is only an assurance that they will not increase Bank Rate before that rate is reached. 7% is, therefore, merely a point at which the Monetary Policy Committee (MPC) would start to ask the question whether Bank Rate warrants being increased. This question will then be dependent on MPC forecasts for inflation and growth. The MPC does have a twin mandate of controlling inflation and supporting the Government's policy for growth and employment. Provided inflation looks likely to stay near to the target rate of 2% (Bank forecast is now 1.9% Q4 2015), the MPC are likely to give priority to supporting growth and employment. This could mean a continuation of loose monetary policy and consequently an extended period of historically low Bank Rate compared to what we have viewed as being 'normal' rates.

Capita expect the first increase in Bank Rate to be in the second quarter of 2016. Capita are

only forecasting the Bank Rate to reach 1.25% in Q1 2017. This is a slow rate of increase because Capita have major reservations that the current bout of strong economic growth (the Bank has now increased its growth forecasts for 2014 to 2.8% and for 2015 to 2.5%), will wilt as the major stimulus has come from consumer spending and an uplift in borrowing to buy property. Whilst the release of this burst of pent up demand to buy property is having a very welcome effect on the economy, this surge is very likely to fade in time and will then leave a major question mark over where growth is going to come from. Basically, there are four main areas of demand in the UK economy: -

1. Consumers – but most consumers are trying to pay down debt. In addition, most consumers are experiencing declining disposable income as wage increases are less than inflation. This will not reverse until productivity and business investment improve so as to warrant paying higher wages. It is mainly higher wages that could provide a solid stimulus to an increase in consumer expenditure which would then underpin strong growth.

2. Government – committed to austerity programmes to reduce its expenditure.

3. Foreigners buying our exports – but the EU, our major export market, is likely to experience tepid growth, at best, for the next few years

4. Business investment in fixed capital formation; but this has fallen from 13.5% to 10.4% of gross domestic product (GDP) over the last six years. Labour productivity has fallen significantly over the last six years, and so there should be potential to improve productivity in order to facilitate increased levels of production. Export markets also look relatively weak, so again, there is little need to invest in order to expand production for that reason. Finally, the Bank keeps on commenting on the level of surplus capacity in the economy so there is an issue as to how long it will take for that capacity to absorb increases in levels of production before new investment appears on the agenda of companies.

Turning to the US, the Federal Reserve has announced that it will start to taper its asset purchases. However, UK gilt yields are still closely tracking movements in US treasury yields and these could, therefore, be volatile as the political deadlock and infighting between Democrats and Republicans over the budget, and the raising of the debt limit, has only been deferred, rather than resolved.

### **3. INTEREST RATE FORECAST**

We are in times when events can precipitate major volatility in markets. While Ireland has made very good progress towards probably being able to exit from its bail out soon, it looks increasingly likely that Greece is now going to need a third bailout package, though not one on the same scale as the first two. Concerns are also rising over Portugal requiring another bailout. Slovenia looks increasingly like it is heading towards a bailout. A growing lack of confidence in the Euro Zone (EZ) austerity programmes could cause bond yields to rise for EZ countries. This could help maintain UK gilts as a safe haven and so depress gilt yields close to current levels for an extended period.

Capita's forecast is based on an initial assumption that we will not be heading into a major resurgence of the EZ debt crisis, or a break-up of the EZ, but rather that there will be a managed, albeit painful and tortuous, resolution of the debt crisis where EZ institutions and governments eventually do what is necessary - but only when all else has been tried and failed. Under this assumed scenario, growth within the EZ will be tepid for the next couple of years and is, therefore, likely to dampen UK growth, as the EU is our biggest export market. Capita is also concerned that some EZ countries experiencing low growth, will, over the next few years, see a significant increase in total government debt to GDP ratios. There is a potential danger for these ratios to rise to the point where markets lose confidence in the financial viability of one, or more, countries. However, it is impossible to forecast whether any individual country will lose such confidence, or when, and so precipitate a resurgence of the EZ debt crisis. While the European Central Bank (ECB) has adequate resources to manage a debt crisis in a small EZ country, if one, or more, of the large countries were to experience a major crisis of market confidence, this would present a serious challenge to the ECB and to EZ politicians.

Capita's Public Works Loans Board (PWLB) forecasts are based around a balance of risks. Potential for upside risks, especially for longer term PWLB rates, are as follows:-

- a further increase in investor confidence that robust world economic growth is firmly expected, causing a flow of funds out of bonds and into equities.
- UK inflation being significantly higher than in the wider EU and US, causing an increase in the inflation premium inherent to gilt yields
- a reversal of Sterling's safe-haven status on an improvement in financial stresses in the EZ
- A reversal of QE; this could initially be implemented by allowing gilts held by the Bank to mature without reinvesting in new purchases, followed later by outright sale of gilts currently held.

PWLB rates and bond yields are unpredictable as we are experiencing exceptional levels of volatility which are highly correlated to political developments, (or lack of them), in the sovereign debt crisis. The PWLB rate forecasts below are based on the new Certainty Rate (minus 20 bps) which has been accessible since 1st November 2012.

	NOW	Dec-13	Mar-14	Jun-14	Sep-14	Dec-14	Mar-15	Jun-15	Sep-15	Dec-15	Mar-16	Jun-16	Sep-16	Dec-16	Mar-17
<b>BANK RATE</b>	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.75	1.00	1.00	1.25
<b>3 month LIBID</b>	0.40	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.60	0.70	0.90	1.30
<b>6 month LIBID</b>	0.50	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.70	0.80	1.00	1.20	1.40
<b>12 month LIBID</b>	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80	1.00	1.20	1.40	1.60	1.80	2.00	2.30
<b>5 yr PWLB</b>	2.50	2.50	2.50	2.60	2.70	2.70	2.80	2.80	2.90	3.00	3.10	3.20	3.30	3.40	3.40
<b>10 yr PWLB</b>	3.70	3.60	3.60	3.70	3.80	3.80	3.90	3.90	4.00	4.10	4.20	4.30	4.30	4.40	4.50
<b>25 yr PWLB</b>	4.40	4.40	4.40	4.50	4.50	4.60	4.60	4.70	4.80	4.90	5.00	5.10	5.10	5.10	5.10
<b>50 yr PWLB</b>	4.40	4.40	4.40	4.50	4.50	4.60	4.70	4.80	4.90	5.00	5.10	5.20	5.20	5.20	5.20

#### 4. NET DEBT

The Council's net borrowing position excluding accrued interest at 31 December 2013 was as follows:

	<b>1 April 2013</b>	<b>31 December 2013</b>
	£'000	£'000
Supported Borrowing	185,802	184,493
Housing Revenue Account (HRA) Self Financing (Unsupported)	85,665	85,061
Other Unsupported Borrowing	86,706	86,102
<b>Sub Total - Borrowing</b>	<b>358,173</b>	<b>355,656</b>
<b>Finance Leases (Unsupported)</b>	<b>4,538</b>	<b>3,966</b>
Private Finance Initiative (PFI) Schemes (Supported)	73,349	73,185
Waste Disposal Service Concession Arrangement (Unsupported)	10,872	10,400
<b>Sub Total Service Concession Arrangements (including PFIs)</b>	<b>84,221</b>	<b>83,585</b>
<b>Gross Debt</b>	<b>446,932</b>	<b>443,207</b>
Investments	(246,068)	(228,834)
<b>Net Debt</b>	<b>200,864</b>	<b>214,373</b>

Prior to 1 April 2004 local authorities were only permitted to borrow to the extent that the Government had granted credit approvals. When the Government granted credit approvals it also increased the Council's revenue grant to cover most of the cost of the resulting borrowing. This is known as supported borrowing and accounts for £184m (or 52%) of total borrowing.

From 1 April 2004 the Council was permitted to borrow without government support, known as unsupported borrowing. On 28 March 2012 the Council made a capital payment of £88.6m to the Government under the HRA Self Financing arrangements in order to avoid future and greater payments to the Government. This was funded by unsupported borrowing.

Revenue grants from the Government also cover most of the £73m financing element of the Milton Cross School, highways and learning disabilities facilities private finance initiative (PFI) schemes.

In essence the Government funds most of the financing costs associated with 58% of the Council's debt.

The Council has a high level of investments relative to its gross debt due to a high level of reserves, partly built up to meet future commitments under the Private Finance Initiative schemes and future capital expenditure. However these reserves are fully committed and are not available to fund new expenditure. The £84m of borrowing taken in 2011/12 to take advantage of the very low PWLB rates has also temporarily increased the Council's cash balances.

The current high level of investments increases the Council's exposure to credit risk, ie. the risk that an approved borrower defaults on the Council's investment. In the interim period where investments are high because loans have been taken in advance of need, there is also a short term risk that the rates (and therefore the cost) at which money has been borrowed will be greater than the rates at which those loans can be invested. The level of investments will fall as capital expenditure is incurred and commitments under the Private Finance Initiative (PFI) schemes are met

## 5. BORROWING ACTIVITY

No new borrowing was undertaken during the first three quarters of 2013/14.

The Council's debt at 31 December was as follows:

<b>Prudential Indicator 2013/14</b>	<b>Limit £M</b>	<b>Position at 31/12/13 £M</b>
Authorised Limit	514	443
Operational Boundary	449	443

Interest rates across the interest rate yield curve generally rose during the first three quarters of 2013/14, but remain volatile. The low points were generally seen in April.

### **PWLB rates for the first three quarters of 2013/14**

	<b>1 Year</b>	<b>5 Year</b>	<b>10 Year</b>	<b>25 Year</b>	<b>50 Year</b>
<b>Low</b>	1.11%	1.70%	2.71%	3.91%	4.04%
<b>Date</b>	02/04/13	08/04/13	23/04/12	8/04/13	05/04/13
<b>High</b>	1.43%	2.98%	4.10%	4.68%	4.71%
<b>Date</b>	27/12/13	30/12/13	30/12/13	11/09/13	11/09/13
<b>Average</b>	1.27%	2.35%	3.49%	4.40%	4.46%

## 6. MATURITY STRUCTURE OF BORROWING

In recent years the cheapest loans have often been very long loans repayable at maturity.

During 2007/08 the Council rescheduled £70.8m of debt. This involved repaying loans from the Public Works Loans Board (PWLB) early and taking out new loans from the PWLB with longer maturities ranging from 45 to 49 years. The effect of the debt restructuring was to reduce the annual interest payable on the Council's debt and to lengthen the maturity profile of the Council's debt.

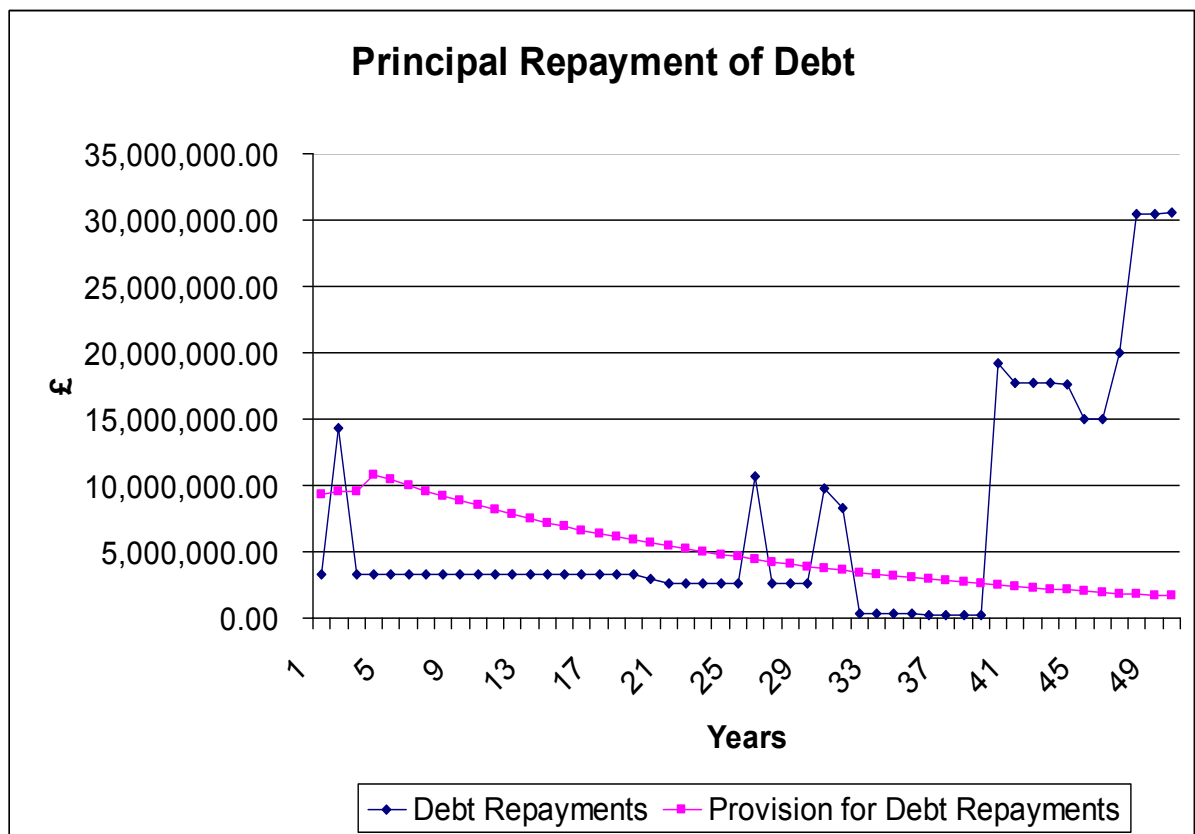
£50m of new borrowing was taken in 2008/09 to finance capital expenditure. Funds were borrowed from the PWLB at fixed rates of between 4.45% and 4.60% for between 43 and 50 years.



A further £173m was borrowed in 2011/12 to finance capital expenditure and the HRA Self Financing payment to the Government. Funds were borrowed from the PWLB at rates of between 3.48% and 5.01%. £89m of this borrowing is repayable at maturity in excess of 48 years. The remaining £84m is repayable in equal installments of principal over periods of between 20 and 31 years.

As a result of interest rates in 2007/08 when the City Council rescheduled much of its debt and interest rates in 2008/09 and 2011/12 when the City Council undertook considerable new borrowing 54% of the City Council's debt matures in over 40 years time.

The Government has issued guidance on making provision for the repayment of debt which the Council is legally obliged to have regard to. The City Council is required to make greater provision for the repayment of debt in earlier years. Therefore the City Council is required to provide for the repayment of debt well in advance of it becoming due. This is illustrated in graph below.



This means that it is necessary to invest the funds set aside for the repayment of debt with its attendant credit and interest rate risks (see sections 8 and 10). The City Council could reschedule its debt, but unless certain market conditions exist at the time, premium payments have to be made to lenders.

CIPFA's Treasury Management in the Public Services Code of Practice which the City Council is legally obliged to have regard to requires local authorities to set upper and lower limits for the maturity structure of their borrowing. The limits set by the City Council on 19 March 2013 together with the City Councils actual debt maturity pattern are shown below.

	<b>Under 1 Year</b>	<b>1 to 2 Years</b>	<b>3 to 5 Years</b>	<b>6 to 10 Years</b>	<b>11 to 20 Years</b>	<b>21 to 30 Years</b>	<b>31 to 40 Years</b>	<b>41 to 50 Years</b>
Lower Limit	0%	0%	0%	0%	0%	0%	0%	0%
Upper Limit	25%	25%	25%	25%	30%	30%	30%	70%
Actual	1%	4%	3%	5%	9%	13%	11%	54%

## **7. INVESTMENT ACTIVITY**

In accordance with the Code, it is the Council's priority to ensure security of capital and liquidity, and to obtain an appropriate level of return which is consistent with the Council's risk appetite. As set out in Sections 2 and 3, it is a very difficult investment market in terms of earning the level of interest rates commonly seen in previous decades as rates are very low and in line with the 0.5% Bank Rate.

The Council held £229m of investments as at 31 December 2013 (£246m at 31 March 2013) and the investment portfolio yield for the first eight months of the year is 0.61%.

The Council's budgeted investment return for 2013/14 is £1,646k, and performance for the year to date is £166k above budget.

The Council's Annual Investment Strategy sets an investment limit for each institution. A number of investment limits were revised as part of the Mid-Year Review approved by the City Council on 10 December 2013. The investment limits for unrated building societies are set at 0.5% of their total assets. As part of the review the investment limits of unrated building societies were revised to reflect the latest data published by KPMG. As part of this review the investment limit for Darlington Building Society was reduced by £0.1m from £2.7m to £2.6m, and the investment limit for Hanley Economic Building Society was also reduced by £0.1m from £1.7m to £1.6m. The Council had invested £2.7m in Darlington Building Society and £1.7m in Hanley Economic Building Society prior to the investment limits being reviewed. As a consequence of this, the Council's investments in both of these building societies now exceed their investment limit by £0.1m. These investments mature on 10 January 2014 and 17 April 2014 respectively. As the investment limits have been exceeded through a slight decrease in these building societies' total assets rather than a fundamental weakness, it is proposed to let these investments mature rather than to attempt to negotiate a premature repayment.

## **8. SECURITY OF INVESTMENTS**

The risk of default has been managed through investing only in financial institutions that meet minimum credit ratings, limiting investments in any institution to £26m and spreading investments over countries and sectors.

The 2013/14 Treasury Management Policy approved by the City Council on 19 March 2013 only permits deposits to be placed with the Council's subsidiaries, namely MMD (Shipping Services) Ltd, the United Kingdom Government, other local authorities, certain building societies and institutions that have the following credit ratings:

### Short Term Rating

F2 (or equivalent) from Fitch, Moody's (P-3) or Standard and Poor (A-3)

### Long Term Rating

Triple B (triple BBB category) or equivalent from Fitch, Moody's or Standard & Poor

### Viability / Financial Strength Rating

bbb from Fitch or C- from Moody's

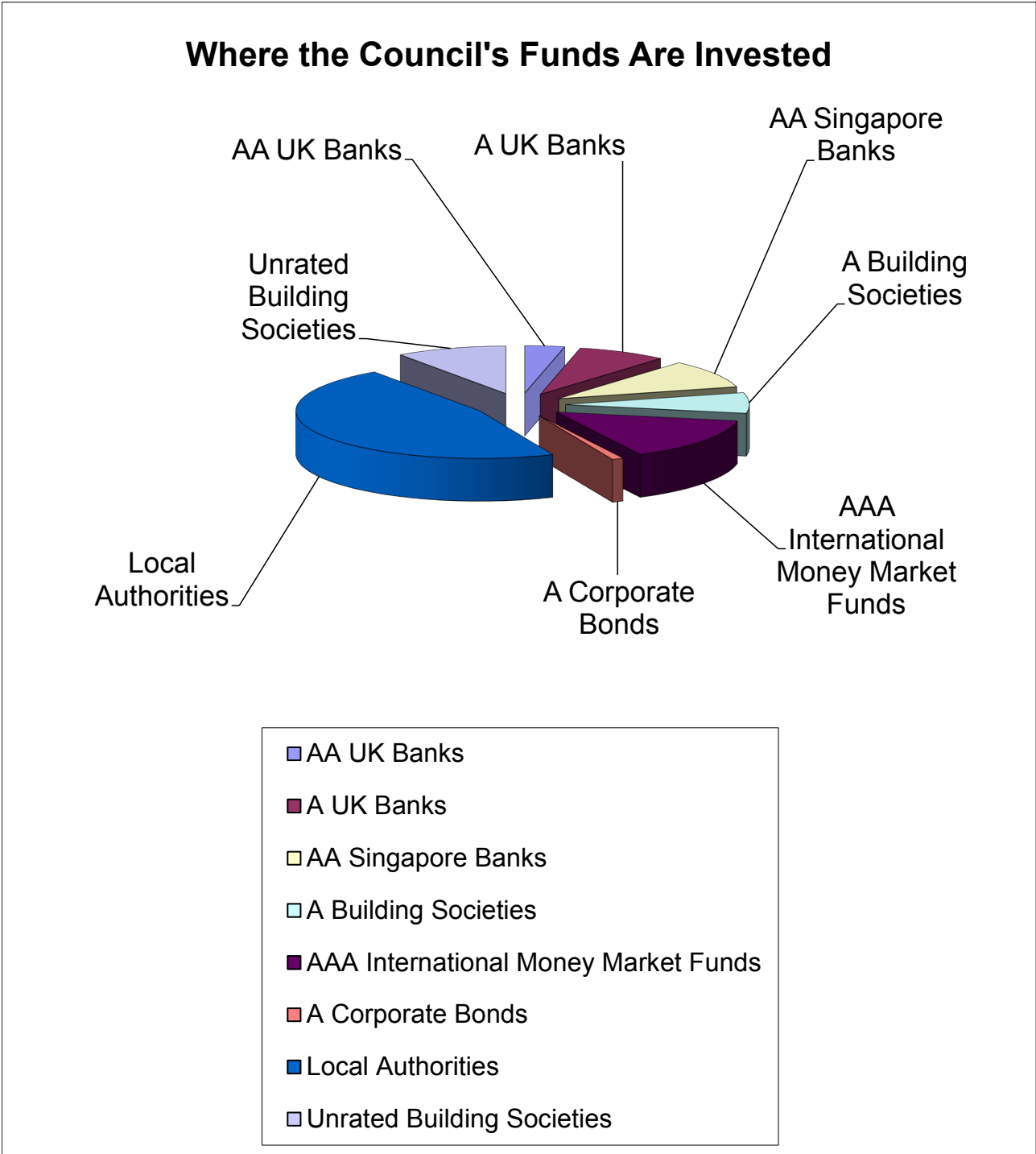
### Support Rating

5 from Fitch

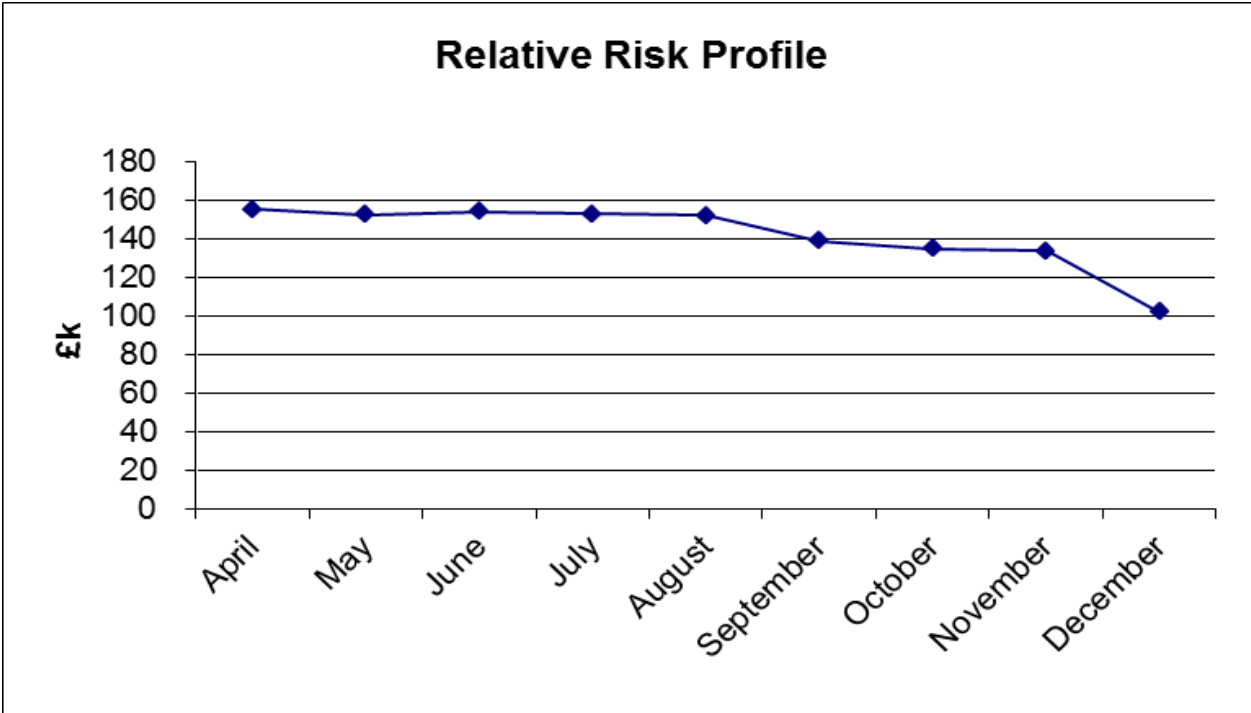
Under the Council's Annual Investment Strategy counter parties are categorised by their credit ratings for the purposes of assigning investment limits.

At 31 December 2013 the City Council had on average £5.9m invested with each institution.

The chart below summarises how the Council's funds were invested at 31 December.



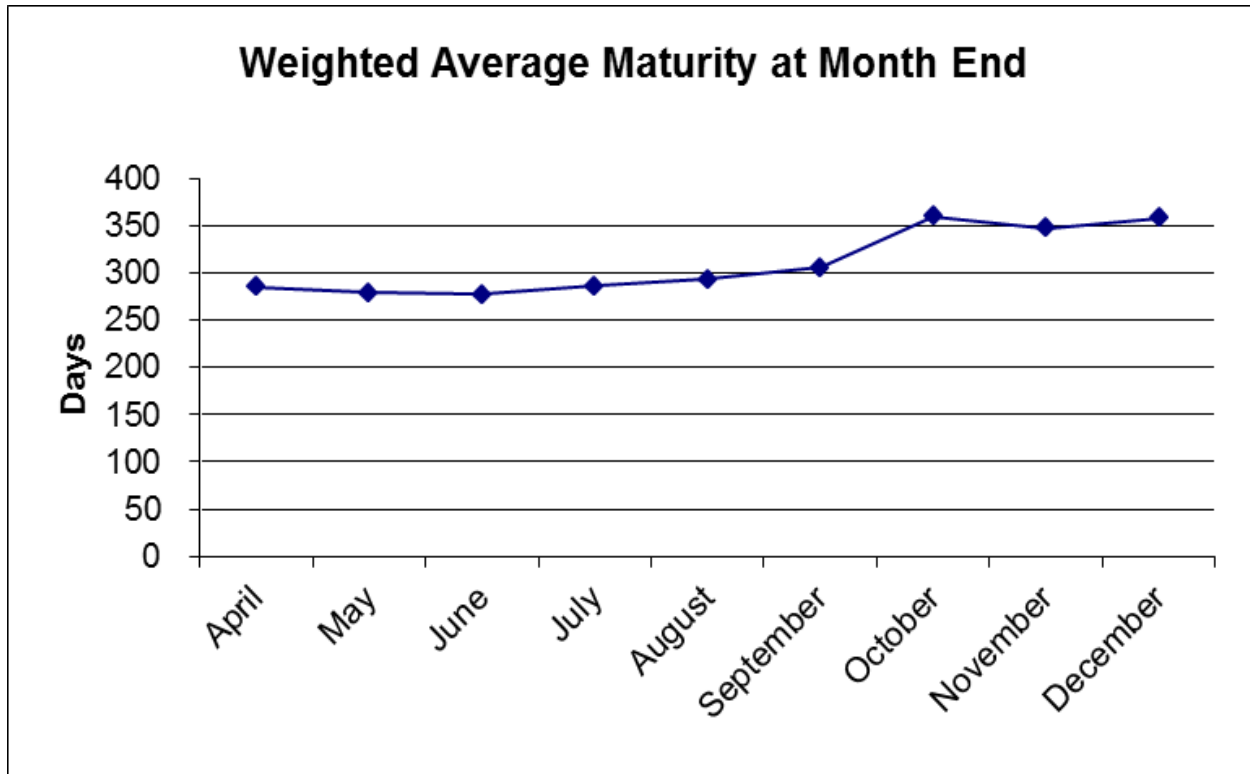
The credit rating agencies publish default rates for each rating category. Multiplying these default rates by the amount invested in each credit rating category provides a measure of risk that can be used as a benchmark to determine whether the City Council’s investment portfolio is becoming more or less risky over time as shown in the graph below.



The City Council’s investment portfolio became relatively less risky over the first three quarters of 2013/14. This is largely due to an investment in a triple B rated building society maturing in September and a number of investments in unrated building societies maturing in December. Although the Council was able to increase its returns by lending to triple B and unrated building societies, the Funding for Lending Scheme has enabled these institutions to obtain cheap funding from the Bank of England and the interest offered by such institutions is now much reduced. The above graph should be read in relative terms. A default occurs when sums due are not paid on time. A default does not mean that the sum invested will be lost permanently.

## 9. LIQUIDITY OF INVESTMENTS

The weighted average maturity of the City Council's investment portfolio started at 285 days in April and increased to 358 days in December as funds were available to invest longer to get a higher return. This is shown in the graph below.



The 2013/14 Treasury Management Policy seeks to maintain the liquidity of the portfolio, ie. the ability to liquidate investments to meet the Council's cash requirements, through maintaining at least £10m in instant access accounts. At 31 December £33.2m was invested in instant access accounts. Whilst short term investments provide liquidity and reduce the risk of default, they do also leave the Council exposed to falling interest rates.

Under CIPFA's Treasury Management Code it is necessary to specify limits on the amount of long term investments, ie. Investments exceeding 364 days that have maturities beyond year end in order to ensure that sufficient money can be called back to meet the Council's cash flow requirements. The Council's performance against the limits set by the City Council on 19 March 2013 is shown below.

<b>Maturing after</b>	<b>Limit</b>	<b>Actual</b>
	£m	£m
31/3/2014	218	101
31/3/2015	208	59
31/3/2016	198	44

## 10. INTEREST RATE RISK

This is the risk that interest rates will move in a way that is adverse to the City Council's position.

The CIPFA Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes require local authorities to set upper limits for fixed interest rate exposures. Fixed interest rate borrowing exposes the Council to the risk that interest rates could fall and the Council will pay more interest than it need have done. Long term fixed interest rate investments expose the Council to the risk that interest rates could rise and the Council will receive less income than it could have received. However fixed interest rate exposures do avoid the risk of budget variances caused by interest rate movements. The Council's performance against the limits set by the City Council on 19 March 2013 is shown below.

	<b>Limit</b>	<b>Actual</b>
	£m	£m
Maximum Projected Gross Borrowing – Fixed Rate	355	356
Minimum Projected Gross Investments – Fixed Rate	(35)	(101)
Fixed Interest Rate Exposure	320	255

The CIPFA Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes also require local authorities to set upper limits for variable interest rate exposures. Variable interest rate borrowing exposes the Council to the risk that interest rates could rise and the Council's interest payments will increase. Short term and variable interest rate investments expose the Council to the risk that interest rates could fall and the Council's investment income will fall. Variable interest rate exposures carry the risk of budget variances caused by interest rate movements. The Council's performance against the limits set by the City Council on 19 March 2013 is shown below.

	<b>Limit</b>	<b>Actual</b>
	<b>£m</b>	<b>£m</b>
Minimum Projected Gross Borrowing – Variable Rate	-	-
Maximum Projected Gross Investments – Variable Rate	(320)	(128)
Variable Interest Rate Exposure	(320)	(128)

The City Council is particularly exposed to interest rate risk because all the City Council's debt is made up of fixed rate long term loans, but most of the City Council's investments are short term. Future movements in the Bank Base Rate tend to affect the return on the Council's investments, but leave fixed rate long term loan payments unchanged.

The risk of a 0.5% increase in interest rates to the Council is as follows:

<b><u>Effect of +/- 0.5% Rate Change</u></b>	<b>2013/14</b>	<b>2014/15</b>	<b>2015/16</b>	<b>2016/17</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Long Term Borrowing	-	2	163	270
Investment Interest	(54)	(785)	(1,089)	(953)
<b>Net Effect of +/- 0.5% Rate Change</b>	<b>(54)</b>	<b>(783)</b>	<b>(926)</b>	<b>(683)</b>



# Agenda Item 8



Portsmouth  
CITY COUNCIL

Agenda item:

**Title of Meeting:** Governance and Audit and Standards Committee

**Date of Meeting:** 30 January 2014

**Subject:** Performance Management Update - Q2, 2013-14

**Report by:** Head of HR, Legal and Performance

**Wards affected:** N/A

**Key decision (over £250k):** N/A

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## 1. Summary

- 1.1 This performance report provides a summary of information received as part of quarter two reporting for 2013-14, and an indication of how work around cost benchmarking is developing.

## 2. Purpose of report

- 2.1 To inform members of performance issues arising in the second quarter of the 2013-14 reporting period, and update on work relating to cost benchmarking.

## 3. Recommendations

**The Governance and Audit Committee are asked to note the report and comment on:**

- 1) The performance issues highlighted in section 4; and
- 2) The cost benchmarking activity outlined in section 6.

## 4. Context

- 4.1 As previously reported to the G&A&S committee, Heads of Service have produced a series of business plans, summarised as "Plans on a Page" that are the bedrock of performance monitoring in the organisation. These summary plans generally contain:

- a statement of the way in which the service will contribute to shaping the great waterfront city
- the 5-7 most critical things the service will deliver in the coming year
- the key KPIs for the service
- any other requirements from their Strategic Director (for example, risks)

4.2 For this reporting year, Heads of Service will be providing performance updates against these summary plans. A detailed summary of issues raised attached as Appendix A, but key issues to note are:

- **Adult Social Care** - There are concerns about achievement of targets in relation to direct payments, and further work is taking place to understand this. There is an area of uncertainty around the Integration and Transformation Fund.
- **Children's Social Care and Safeguarding** - There has been a significant improvement in the number of Common Assessment Frameworks (CAF) completed, and a reduction in the number of repeat referrals; but there are concerns about the quality of some of the CAFs. We know there are some challenges around the Youth Offending Team, and specifically historical reoffending rates, and are awaiting the report following an recent inspection. There are also concerns that there are too many changes of social workers for our looked after children.
- **Education and Strategic Commissioning** - there is a concern that whilst a positive trend over the long-term has been maintained, GCSE results have slipped back. Our Early Years scores remain ahead of national averages and there is good practice in nursery place provision. However, we are seeing an increasing number of children with special educational needs, and an increase in numbers of children is putting pressure on our school places. A piece of work is underway with the school improvement function to look at preparedness under the Ofsted regime.
- **Integrated Commissioning Unit** - Implementation of action plans for carer's services and dementia services are progressing well. There is positive progress on the 0-5 pathway commissioning project. Areas of focus for improvement are the use of targeted data to improve outcomes and the development of the approach to working with the voluntary and community sector.
- **Revenues and Benefits** - The service is performing well on almost all KPIs. The service has implemented some welfare changes; no significant issues have arisen from the benefits cap, but a significant number of households (c.1650) are affected by the social sector size criteria. Discretionary housing payment demand has already outstripped supply. A great deal of uncertainty remains on key DWP initiatives, including the implementation of Universal Credit, and the Single Fraud Investigation Service.
- **Positive Family Steps Service** - The identification of families and "starts" into service has increased, and the system review is progressing, There are some emerging concerns linked to numbers of looked after children, and a need to target services where levels of referrals are low.

- **Housing and Property Services** - Recent changes to rent policy means that the income profile to the Housing Revenue Account (HRA) will change over the next three years, which will require rephrasing of development work to accommodate the change. 1200 tenants have received cuts in benefits as a result of reforms, creating a £1m rent arrears position, with full debt recovery unlikely and a long term impact to the HRA.
- **City Development and Cultural Services** - BH Live successfully took over management of the Pyramids. There has been a significant improvement in the time taken to turn around most planning applications (12% better than the national benchmark) although we remain above the national benchmark for "major" applications. Support for inward investment is an area which needs improvement.
- **Transport and Environment** - Both Tipner and Northern Road Bridge are predicted to be completed on time and under budget. The organisation is performing well on waste and recycling KPIs. The affordability of the PFI contract remains and high priority, as does closing the Parking deficit.
- **Corporate Assets, Business and Standards** - The first phase of the investment portfolio review is underway, which will identify opportunities for rental growth. Good outcomes are being achieved on supported employment programmes and contracts. There is an urgent need to improve the referral process for Telecare, and to look at Homecheck services.
- **Community Safety and Licensing** - there has been an overall reduction in crime, and anti-social behaviour in particular. However, violent crime rates are still too high, as is the young offender custody rate.
- **Public Health** - the U18 pregnancy rate is falling, although the u16 rate remains high. The seasonal flu vaccination rate for over 65s is above the national target, but we are not hitting targets on healthcheck completion.
- **Customer, community and democratic services** - Phase 1 website is on target for a January launch. The education helpdesk has been integrated into the wider city helpdesk, although the wider helpdesk is experiencing some difficulties, with call waiting and call abandon rates rising.
- **Information services** - Windows 7 implementation is improving performance for users, and an improved service desk is delivering shorter call waiting times. However, it is becoming increasingly difficult to resource all projects with diminishing resources.
- **HR, Legal and Performance** - Targeted interventions in areas of high staff sickness have been successful. However, capacity planning across the organisation remains a challenge.

## 5. Areas for development

5.1 The process for reporting on performance, which for a period of time was

looser, has now started to embed across the organization, and there is more rigour than has been the case for a few cycles. We are now seeking to better link reporting on risk and corporate governance issues, to ensure that a fuller picture can be discerned from the available information.

- 5.2 We are also starting to look at the design of the planning and reporting process for 2014/15, with a view to making closer links to the decision-making processes of the organization, and giving more assurance on areas of "business as usual".

## **6. Value for money and cost benchmarking activity**

- 6.1 As previously reported, focused benchmarking around value for money issues is taking place in services of highest spend, children's services and adult social care.
- 6.2 In relation to children's services, an analysis of budgeted spend for these functions has been carried out and presented to the directorate management team. This analysis compared Portsmouth's budgeted spend per capita with that of the authorities in its Children's Services Comparator Group and CIPFA Statistical Nearest Neighbours. The areas of spend covered were Fostering, Adoption, Youth Justice and Social Work (including child protection). The results of the analysis suggested that three of the comparator authorities had a lower total budgeted spend, these were Sheffield, Sefton and Salford.
- 6.3 It was agreed that follow up work would be done to explore any differences in policies and practice at these authorities. This might provide useful examples of good practice or different models of service delivery which Portsmouth might want to learn from or adopt. Sheffield was chosen as the first authority with which to carry out follow up work and it was agreed that a visit would be arranged. Suggested lines of enquiry for this purpose are in development, and the Governance, Audit and Standards committee will be kept informed of findings.
- 6.4 It was agreed that Sheffield should also be looked at in terms of VFM for Adult Social Care. An initial high level analysis of spend in Adult Social Care shows that Portsmouth has below the All England average spend in all areas except Social Care for Adults with Mental Health Needs, where the difference is only marginal. Further work is to be carried out to analyse Portsmouth's spend on Adult Social Care against its comparator groups to identify any authorities with lower spend, using the Audit Commission Value for Money Profiles.
- 6.5 A new release of the CIPFA VfM toolkit was received in December. This provides comparative data for actual expenditure for 2013/13 and updated performance indicators. A high-level analysis will be shared with all services as part of the business planning process, and there is a requirement that services set out their response to the data as part of the plans.

**7. Equality impact assessment (EIA)**

7.1 An Equality Impact Assessment will be maintained alongside the development of the performance management framework to ensure that full consideration is given to equality issues. Any equality matters arising through value for money consideration will be considered as a discrete process, as separate EIAs will be completed for these areas of work.

**8. Legal implications**

8.1 The report has incorporated legal implications and accordingly there are no other immediate legal implications arising from this report.

**9. Head of finance’s comments**

9.1 There are no financial implications to bring to member’s attention at this stage. However, it should be noted that there could be further financial implications following further exploration of any of the performance issues raised in this report, and related future reports could result in financial implications. These will be flagged to members at the appropriate time.

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Signed by: Jon Bell, Head of HR, Legal and Performance

**Appendices: Appendix A - Summary of performance reports, Q2 2013-2014**  
**Background list of documents: Section 100D of the Local Government Act 1972**

The following documents disclose facts or matters, which have been relied upon to a material extent by the author in preparing this report:

<b>Title of document</b>	<b>Location</b>
1. reports to, and minutes of, SDB meetings	Strategy Unit
2. Summary business plans	Strategy Unit

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## Appendix A – Summary of performance reports, Q2 2013-2014

What has gone well?	What needs watching?	What needs to be improved?
<b>Revenues and Benefits</b>		
<ul style="list-style-type: none"> <li>- Performing well on almost all KPIs, and satisfaction with local tax high</li> <li>- Benefit cap now implemented; no significant issues arisen to date</li> </ul>	<ul style="list-style-type: none"> <li>- Council tax collection below plan</li> <li>- Level of budget savings required in 2014/15 will place significant pressure on ability to protect Housing Benefit subsidy and local tax income</li> <li>- Social sector size criteria applied – significant number of households affected (1650)</li> <li>- Discretionary Housing Payment demand has already outstripped supply</li> <li>- Still a great deal of uncertainty on key Department of Work and Pensions initiatives eg. Universal Credit and Single Fraud Investigation Service</li> </ul>	<ul style="list-style-type: none"> <li>- Sickness absence, although that has shown continual improvement since December</li> </ul>
<b>Positive Family Steps Service</b>		
<ul style="list-style-type: none"> <li>- The identification of families, and “starts” into service has increased</li> <li>- Multi-systemic therapt service capacity increased</li> <li>- Systems review progressing</li> </ul>	<ul style="list-style-type: none"> <li>- Data sharing arrangements</li> <li>- Capacity – two multi-systemic therapy clinicians leaving the team</li> <li>- Development of monitoring system</li> </ul>	<ul style="list-style-type: none"> <li>- Emerging concerns linked to numbers of looked after children not interacting with service</li> <li>- Need to target low referring services eg. Housing services (also note Common Assessment Framework (CAF) training not led to increase)</li> </ul>
<b>Integrated Commissioning Unit (ICU)</b>		
<ul style="list-style-type: none"> <li>- Implementation of dementia action plan on track and all key milestones being met</li> <li>- Good progress on implementing the</li> </ul>	<ul style="list-style-type: none"> <li>- Service redesign and decommissioning decisions in Older People’s Mental Health services are at odds with Clinical Commissioning Group (CCG) priority and</li> </ul>	<ul style="list-style-type: none"> <li>- Engagement with GPs by the Carers Assessment Service</li> <li>- Greater focus on targeted data collection required to evidence</li> </ul>

What has gone well?	What needs watching?	What needs to be improved?
carers action plan - Positive progress on implementing the action plan from transformational commissioning and procurement plan for continuing healthcare - 0-5 pathway project on target	demographic changes	outcomes - Development of a corporate approach to relationship with Voluntary and Community Sector
<b>Adult Social Care</b>		
- Good progress on seeking opportunities for integrated working with health - Programme of Extra Care Supported Housing and dementia facilities progressing - Review of carers service progressing well (see ICU report) - Good work on increasing direct payment uptake	- Integration and Transformation Fund details as yet unknown, and no new money, so discussions with CCG on how this is used	- Overall target for Direct Payments needs to be above 70% by April 2014 – currently at 60% - Learning Disability and Mental Health performance on direct payments appears to be weak
<b>Education and Strategic Commissioning</b>		
- Early Years Foundation Stage figures remain ahead of national average - 2 year nursery place provision on track – Portsmouth cited as exemplar of good practice - Capital programmes all on track and more academy transfers completed	- Tightening of Ofsted framework - Need to ensure resourcing is sufficient to carry out particular projects - Need to work on engagement with “clusters” - Increasing number of children and young people with Special Educational Needs - Latest pupil forecasts show continued pressure on Year R – numbers to rise again in 15/16	- GCSE results have slipped back by 5% points from last year - Need to improve provision for autism in primary and secondary schools - Data sharing with health on early years remains a barrier to development of effective early intervention audit
<b>Children’s safeguarding and social care</b>		
- Annual Joint Action Team report completed, evidencing significant	- Timeliness of core assessments - Children subject to repeat protection	- Quality of chronologies - Changes of social workers for



What has gone well?	What needs watching?	What needs to be improved?
<p>improvement in number of CAFs and reduction in repeat referrals</p> <ul style="list-style-type: none"> <li>- Social Work Matters is having a positive impact on recruitment and retention</li> <li>- 2 important posts are now in place</li> <li>- Exceeding target for children leaving care through adoption, and some good work on developing fostering</li> <li>- Restructure of Youth Offending Team (YOT) completed, new structure commenced on 1<sup>st</sup> October 2013</li> <li>- New Belongings Initiative will be launched on 18 October 2013 and the relevant work streams will follow</li> </ul>	<p>plans</p> <ul style="list-style-type: none"> <li>- Placement Stability Working Group to look at what can be done to avoid premature breakdowns of placements</li> <li>- Quality of CAF</li> <li>- Intended Destinations for young people for 2014 and the resource implication for Raising the Participation Age</li> <li>- Quality of Pathway Plans.</li> <li>- Quality of Care Plans for Looked After Children</li> </ul>	<p>our looked after children remains too high</p> <ul style="list-style-type: none"> <li>- Re-offending rates- based on historical data from before the YOT was created- continues to be high.</li> </ul>
<b>Housing and property services</b>		
<ul style="list-style-type: none"> <li>- Migration to a single integrated database commenced</li> <li>- £1.5m boiler replacement programme completed this quarter</li> <li>- Skill building for staff on financial and benefits skills</li> </ul>	<ul style="list-style-type: none"> <li>- Recent changes to rent policy means that the income profile to the HRA will change over the next three years. This will require rephrasing of future development work to accommodate the change.</li> <li>- 1200 residents received cuts in benefits as a result of reforms, creating a £1m rent arrears position, bringing current arrears to £2.5m. Despite support to payment, full debt recovery is unlikely and there will be a long term impact to the HRA position.</li> </ul>	<ul style="list-style-type: none"> <li>- Long term maintenance strategies need to be developed for client services to improve forecasting and relationships</li> <li>- Looking to enhance advice and support skills available to housing applicants.</li> </ul>

What has gone well?	What needs watching?	What needs to be improved?
<b>City Development and Cultural Services</b>		
<ul style="list-style-type: none"> <li>- Visitor numbers are robust overall</li> <li>- Business prospectus design and interviews completed</li> <li>- BH Live successfully took over management of the Pyramids</li> <li>- Significant decrease in time taken to turn around “other” and “minor” planning applications – 12% better than national benchmark.</li> </ul>	<ul style="list-style-type: none"> <li>- Inward investment framework and delivery</li> <li>- Lack of investment in online booking system resulting in impact on purchase options</li> <li>- Reduce time to process major planning applications – now 24% above national benchmark</li> </ul>	<ul style="list-style-type: none"> <li>- need a sustainable solution for access of people with disabilities to areas of the seafront beaches</li> <li>- inward investment website needs improvement</li> <li>- staff capacity and budgetary constraints impacting on digitizing archive</li> <li>- need to improve stage management of events</li> <li>- need to finalise building control options to improve service</li> </ul>
<b>Corporate Assets, Business and Standards</b>		
<ul style="list-style-type: none"> <li>- first phase of investment portfolio review is underway, which will identify opportunities for rental growth</li> <li>- Launch of the extended Houses in Multiple Occupation licensing service</li> <li>- Joint working with police has resulted in more speedy response to noise nuisance complaints</li> <li>- Traffic Optimisation Project now underway</li> <li>- Portsmouth Craft and Manufacturing Industries (PCMI) achieving good outcomes on supported employment programmes and contracts</li> </ul>	<ul style="list-style-type: none"> <li>- Monitoring the affordability of new homes provided, especially those built for rent in expensive areas of the city</li> <li>- Trading Standards team need to develop new strategies to deal with emerging poor practices on internet sales</li> <li>- We will be required to invest in more rigorous sampling of local shellfish beds</li> <li>- Need to maximize income for all aspects of employment, learning and skills services</li> </ul>	<ul style="list-style-type: none"> <li>- the Town Centres manager will need to intervene to reverse the deteriorating environmental quality and cleanliness of Commercial Road</li> <li>- Working with Adult Social Care to improve the referral process for Telecare and Telehealth services</li> <li>- Need to review Homecheck services</li> <li>- The Food Standards Audit later this year is likely to recommend improvements</li> </ul>
<b>Transport and environment</b>		
<ul style="list-style-type: none"> <li>- Both Tipner and Northern Road</li> </ul>	<ul style="list-style-type: none"> <li>- Affordability of the PFI contract remains a</li> </ul>	<ul style="list-style-type: none"> <li>- The Parking deficit still forecast at</li> </ul>

What has gone well?	What needs watching?	What needs to be improved?
<p>Bridge are predicted to be completed on time and under budget</p> <ul style="list-style-type: none"> <li>- Local Flood risk management strategy in consultation</li> <li>- On track for delivery of Local Sustainable Transport Fund programme</li> <li>- Performing well on waste and recycling KPIs</li> </ul>	<p>major priority and PWC are employed and work underway</p> <ul style="list-style-type: none"> <li>- Progress against the internal carbon management targets</li> <li>- There is an objective to increase the level of regular sports participation and accessibility to active recreation services – a sports strategy is in development but will be at risk if resources are removed as part of budget savings</li> </ul>	<p>£650k – a number of recovery measures underway</p>
<b>Community Safety and Licensing</b>		
<ul style="list-style-type: none"> <li>- Reduction in ASB incidents</li> <li>- funding secured for development of a community perpetrator programme for domestic abuse</li> <li>- Accommodation for ex-offenders improving</li> <li>- Overall reduction in crime</li> </ul>	<ul style="list-style-type: none"> <li>- noise complaints are increasing</li> <li>- high number of police recorded domestic abuse incidents</li> <li>- government “transforming rehabilitation” agenda will split current probation service into companies tendered on payment by results</li> </ul>	<ul style="list-style-type: none"> <li>- poor conviction rate for domestic abuse crimes</li> <li>- young offenders custody rate</li> <li>- explore increases in new crime types eg. Cyber crime</li> <li>- Violent crime still too high</li> </ul>
<b>Public Health</b>		
<ul style="list-style-type: none"> <li>- U18 pregnancy rates falling</li> <li>- Staff flu vaccination being rolled out</li> <li>- Seasonal flu vaccination rate for the over 65s is above national target</li> <li>- Good progress on some Healthy Cities programmes</li> </ul>	<ul style="list-style-type: none"> <li>- Work to review the 5-19 pathway has begun</li> <li>- Underachieving on 4 week smoking quits (but could be a late reporting issue)</li> <li>- Need to increase the knowledge and understanding of members</li> </ul>	<ul style="list-style-type: none"> <li>- U16 pregnancy rates stay high</li> <li>- T3 obesity waiting list suspended</li> <li>- Number of healthchecks completed not hitting targets</li> <li>- High numbers of smokers in pregnancy</li> </ul>
<b>Information Services</b>		
<ul style="list-style-type: none"> <li>- Windows 7 implementation improving performance for users</li> </ul>	<ul style="list-style-type: none"> <li>- becoming unable to resource all projects with diminishing resources</li> </ul>	<ul style="list-style-type: none"> <li>- relationship with schools</li> </ul>

What has gone well?	What needs watching?	What needs to be improved?
<ul style="list-style-type: none"> <li>- Improved service desk delivering shorter call wait times</li> <li>- Now providing IT for Solent Local Economic Partnership</li> <li>- - PDR and moderation process embedded</li> </ul>	<ul style="list-style-type: none"> <li>- market improving and staff leaving for better paid jobs</li> <li>- schools business moving away</li> </ul>	
<b>Customer, community and democratic services</b>		
<ul style="list-style-type: none"> <li>- A number of successful campaigns and media management activities</li> <li>- Education helpdesk created and integrated to City Helpdesk (CHD)</li> <li>- General Registration Office commending Portsmouth for best practice</li> <li>- Phase 1 website on target for January 2014 launch</li> <li>- Mod Gov software due to go live on 1<sup>st</sup> November</li> <li>- Developing partnership approach on equalities</li> <li>- Work on the business prospectus, and some work with partner authorities</li> </ul>	<ul style="list-style-type: none"> <li>- capacity of core team to deal with major issues</li> <li>- budget savings reducing back office of services is having an adverse impact on CHD – longer call waiting and lack of ownership</li> <li>- new frontline service areas moving into the civic need to be well planned and funded</li> <li>- Small elections team to manage individual electoral registration, and increasingly dependent on corporate support for postal vote opening etc – will need corporate agreement on way forward</li> <li>- Role of engagement across the organisation – planning pilot project with regeneration team</li> </ul>	<ul style="list-style-type: none"> <li>- call waiting and abandon rates in CHD increasing, due to cuts, national issues such as benefit changes (requests for support, paying council tax for first time etc)</li> <li>- Scrutiny approach needs reviewing</li> <li>- Capacity of team and corporate appetite around equalities</li> </ul>
<b>HR, Legal and Performance</b>		
<ul style="list-style-type: none"> <li>- Workforce planning approach in development</li> <li>- targeted interventions in areas of high sickness successful</li> </ul>	<ul style="list-style-type: none"> <li>- reliability of data still a concern in relation to absence; this may get worse with HR self-serve</li> <li>- corporate governance priorities need further embedding</li> </ul>	<ul style="list-style-type: none"> <li>- Workforce planning has been bottom up – corporate strategy needs strengthening</li> <li>- Redeployment policy needs</li> </ul>

What has gone well?	What needs watching?	What needs to be improved?
<ul style="list-style-type: none"> <li>- new risk framework developed</li> </ul>	<ul style="list-style-type: none"> <li>- Performance framework (including VFM) still developing</li> <li>- HR self-serve still requires roll-out and embedding</li> <li>- new approach to risk needs embedding – approaches across services very variable</li> </ul>	<ul style="list-style-type: none"> <li>review</li> <li>- Sickness working group not working well</li> <li>- Capacity planning across the organisation remains a challenge</li> <li>- Future shape, scope and structure of transformation still evolving</li> </ul>

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Agenda item:

**Title of meeting:** Governance and Audit and Standards Committee  
**Date of meeting:** Thursday 30 January 2014  
**Subject:** Progress on actions to address the 2012/13 significant governance issues and review of the internal corporate governance controls  
**Report From:** Jon Bell, Head of HR, Legal and Performance  
**Report By:** Megan Southcott, Strategy Adviser, Strategy Unit  
**Wards Affected:** None  
**Key Decision (over £250K)** No

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## 1. Purpose of Report

1.1. The purpose of this report is to:

- a) Update the Governance and Audit and Standards Committee on the actions relating to the 2012/13 Annual Governance Statement.
- b) Inform Members of steps taken to review the current internal corporate governance controls and put forward a set of revised controls for 2014.

## 2. Recommendations

2.1. It is recommended that the Governance and Audit and Standards Committee:

- a) Note the progress made in addressing the significant governance issues highlighted in the 2012/13 Annual Governance Statement.
- b) Approve the new internal corporate governance controls.

## 3. Progress Against the 2012/13 Annual Governance Issues

3.1. The Authority has a duty to produce and publish an Annual Governance Statement in accordance with the Accounts and Audit (England) Regulations 2011. The 2012/13 Annual Governance Statement was approved by the Governance and Audit and Standards Committee on 26 September 2013 and formally signed off by the Leader of the Council and the Chief Executive.

3.2. The Annual Governance Statement sets out 29 significant governance issues. The Governance and Audit and Standards Committee have requested regular progress updates on the actions to address these issues.

3.3. Progress has been made in tackling the significant governance issues. A summary of progress can be found in **Appendix A**.

3.4. Progress will continue to be reported to the committee on a regular basis. It will also be monitored by the Corporate Governance Group on a quarterly basis.

#### 4. Review of the Internal Corporate Governance Controls

- 4.1. The corporate governance framework was reviewed between June-September 2012. The review showed that there were a number of barriers preventing the framework from being effective. Specifically, evidence suggested that services do not have the time or resource to monitor and report on compliance against a large number of governance controls, which significantly heightens the risk of breaches in critical areas. On the 14 November 2012, the Strategic Directors Board (SDB) accepted that this was an issue, and agreed to focus on a smaller number of high priority controls. Nine controls were deemed highest priority.
- 4.2. The nine current high priority controls were discussed at the Corporate Governance Group on 3 December. Initial thoughts indicated that the current priorities and associated controls are still relevant. However, it was agreed that the controls should be reviewed in more detail by SDB to ensure they:
- are the most critical to meeting the council's business needs and addressing possible areas of exposure or vulnerability (*in order to minimise the risk of non-compliance, legal implications and reputational damage*);
  - focus on addressing the council's most significant governance issues
  - support each of the 6 CIPFA/SOLACE good governance principles;
  - support the corporate guiding principles.
- 4.3. It was also agreed that the previous, more extensive list of controls, would be re-visited to see if any are more pertinent to the governance challenges we face.
- 4.4. SDB reviewed the controls on 8 January 2014 and consensus was that the current controls are still relevant in terms of meeting the council's business needs/addressing known weaknesses. However, it has been necessary to amend the wording to reflect current policy/legislation (see table below). A detailed summary of the controls, compliance measures, monitoring arrangements and tools can be found in **Appendix B**.

1	All services have a business plan that reflects the vision of the authority; meets a minimum set of standards; is actively managed; and is refreshed and published annually
2	Risk is regularly reviewed and tangible mitigation measures are in place and regularly tested.
3	All posts that fall within the legislation must be checked in line with the Disclosure and Barring service guidelines.
4	All staff must adhere to the clear desk and clear screen policy wherever they are working and ensure that sensitive/personal information is appropriately secured when travelling to/from work.
5	The Council understands its legal equalities duties, and embed them as part of service projects and plans.
6	All services have business continuity plans in place that are regularly tested and reviewed.
7	Complaints are responded to within a timely manner, causes addressed, and outcomes recorded
8	100% of staff are given good quality PDRs and any actions resulting from the PDR must be completed within agreed timescales.
9	100% of staff complete the code of code of conduct form on joining the Council and notify managers if there are any changes.



- 4.5. When reviewing the relationship between CIPFA/SOLACE good governance principles and the existing controls it became clear that the following 2 principles were not supported by the current controls:
- We engage with local people and other stakeholders to ensure robust public accountability and;
  - We develop the capacity and capability of members and officers to be effective.
- 4.6. Similarly, when reviewing the relationship between the council's corporate guiding principles and the existing controls, the following principle was not supported by the current controls:
- Support councillors as strategic leaders
- 4.7. When looking at the previous list of controls, it became apparent that the majority were either explicit in the constitution or strengthened by the existing controls, with the exception of the following:
- Do you have a community engagement plan? What methods do you use to engage with users?
  - Services with buildings are reducing their carbon emissions in line with corporate target.
- 4.8. The Governance and Audit and Standards Committee are asked to confirm if, in the light of assurance they receive from other sources (e.g. Internal Audit reports, external audit reports, and sources such as the corporate risk register and performance reports) they are comfortable that the current controls do not strengthen the governance arrangements around:
- Supporting councillors as strategic leaders
  - Effectively engaging with local people and other stakeholders
  - Managing energy usage to ensure efficiency
- 4.9. If the Governance and Audit and Standards Committee are not comfortable on this basis, it would be helpful if members could consider how they would want to see the issue controlled.
- 4.10. It is worth noting that the 2013 Corporate Peer Challenge highlighted that member training and political development is not systematic nor sufficiently championed and would benefit from more robust succession planning. The peer challenge team also noted that there is scope to improve the council's relationship with the Voluntary and Community Sector. These have been flagged in the 2012/13 Annual Governance Statement.
- 4.11. The controls will need to be finalised by the end of February 2014, at which point service heads will be asked to complete the annual internal control questionnaires (supported by a good governance guide), to assess compliance with the controls. It is expected that they will be monitored by strategic directors. The returns will be cross-referenced with quarterly performance reports and risk reports to ensure that a consistent picture is built.

## 5. Equality Impact Assessment (EIA)

- 5.1. An equality impact assessment is not required as the recommendations do not have a negative impact on any of the protected characteristics as described in the Equality Act 2010. If any equalities issues are identified when monitoring compliance with the internal corporate governance controls they should be further explored via completion of individual equality impact assessments.

## 6. Legal Implications

- 6.1. Legal considerations have been taken into account in the preparation of this report and where appropriate embodied within it.

## 7. Head of Finance Comments

- 7.1. There are no financial implications arising from the recommendations in this report.

Signed by: Jon Bell  
 Head of HR, Legal and Performance

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### Appendices:

<b>Appendix A</b>	Progress on actions to address to significant governance issues
<b>Appendix B</b>	Internal corporate governance controls for 2014

Background list of documents: Section 100D of the Local Government Act 1972  
 The following documents disclose facts or matters, which have been relied upon to a material extent by the author in preparing this report:

<b>Title of document</b>	<b>Location</b>
Annual Governance Statement 2012/13	Strategy Unit
Good Governance Guidance	Strategy Unit

**APPENDIX A - Progress on actions to address the 2012/13 significant annual governance issues**

Ref	Governance Issue	Actions	Measures of Success	Lead/s	Update on Progress
1	Possible weaknesses in people management	Commission and promote a new management training programme.	Increased participation	Fiona Morrison	Due to a review of the L and D structure and offer being undertaken a new programme has yet to be developed. Any new programme will be based upon service need and will likely to be around a flexible package of delivery options.
		Report to be progressed to Employment Committee following the review of the PDR process.	100% of staff to have a PDR. All services to be using the new template.	Gemma Limburn	The council's arrangements for PDRs are still felt to be inadequate, both in terms of the process and implementation. A report will be provided to Employment Committee once the arrangements have been reviewed and a proposal developed.
		Continue to monitor staff opinion survey results regarding staff satisfaction with management and leadership.	Increased satisfaction	Gemma Limburn with support from Tarnia Goodsell	The current Pulse and Staff opinion Surveys are being reviewed by the comms team in consultation with HoS and HR in relation to content, timing and purpose. The staff survey is currently run every 6 months.  The 'Pulse' survey was held with staff in April 2013 and saw increased satisfaction across all measures (separate breakdown of full results available). The outcomes from the surveys will be analysed by HR and Comms team and an action plan put into place with services
2	Non-completion of financial rules training, resulting in non-compliance with Financial Rules	Parts A-D of Financial Rules to be uploaded onto PolicyHub	100% of relevant staff have read Parts A-D.	Lyn Graham/ Chris Ward	The financial rules have been finalised and will be published on PolicyHub. Training will be rolled out early in 2014, which will be co-ordinated by Paul Thomas.
		Parts E-G of Financial Rules to be finalised and uploaded onto PolicyHub	100% of relevant have read Parts E-G.		

**APPENDIX A - Progress on actions to address the 2012/13 significant annual governance issues**

Ref	Governance Issue	Actions	Measures of Success	Lead/s	Update on Progress
		Training programme on new financial rules to be rolled out.	Relevant staff have attended the training		
3	All posts that fall within the legislation need to be checked in line with the Disclosure and Barring Service guidelines that came into effect on the 17 June 2013	Recruitment to ensure that relevant guidance and advice is issued to the manager and candidate as required, checks are undertaken for casual employees, and the recruiting manager is aware of the correct process to follow.	All staff have up-to-date CRBs	Julie Barratt	Where applicable rolling checks are in place and all posts are assessed at initial recruitment to assess eligibility for DBS. Sessions have been done for social care managers, Recruitment Officers ensure new Managers or Managers that have not recruited for a long time are briefed.
		Disclosure and Barring Service Policy to be updated and uploaded onto	Current guidance available on Intranet		Has been uploaded onto Policy Hub
4	Business Continuity Plans could be strengthened	Services to participate in a table-top exercise within a year of producing the service business continuity plan to test the robustness of the plan.	100% services complete a table-top exercise	Kate Scott	Adult Social Care table-top exercise held on the 19 August for the wider management team as a follow up from the May exercise. A debrief report has been produced and circulated. Legal Services table-top exercise on the 8 October 2013 and a debrief report has been produced and circulated; this was submitted as part of their Lexcel Accreditation. The IS table-top exercise that was booked has been postponed until the new IS Business Manager is in post. Awaiting a date from HR, Legal and Performance for a Table-top exercise. A Business Continuity Plan Template has been produced for use by Portsmouth Care Homes; this is currently being trialled with 2 care homes.

**APPENDIX A - Progress on actions to address the 2012/13 significant annual governance issues**

Ref	Governance Issue	Actions	Measures of Success	Lead/s	Update on Progress
5	The Council's Equality and Diversity Strategy needs to be refreshed and compliance and monitoring of equalities duties could be improved.	Managers to ensure that all staff complete the equalities healthcheck (needs to be completed every 3 years).	100% of staff to complete	Fiona Morrison	Currently 945 staff are trained and up to date in equalities training which is around 25% of the workforce. However, in some cases training has been deemed unnecessary or has been achieved through different means. The requirement for Equalities Health Check training needs to be reviewed in relation to legal compliance in liaison with the E&D team. Currently attendance isn't mandated.
		<p>Set up an equalities project group with a range of service and member representatives to:</p> <ul style="list-style-type: none"> <li>-Review our current guidance, the council's duties and the national policy context.</li> <li>-Feedback on the findings and recommendations within the recent LGA Peer Review letter.</li> <li>-Consider lessons from recent consultation activities.</li> <li>-Evaluate the previous approach of the FEG (Fairness and Equalities Group)</li> <li>-Inform the revision of the Council's Equality and Diversity Strategy (2010-13) and Single Equality Scheme (SES) - expires at the end of this year.</li> <li>-Review the current EIA (Equalities Impact Assessment) process and how it is monitored and enforced.</li> </ul>	<p>New Equality and Diversity Strategy and Single Equalities Scheme in Place</p> <p>Review of EIA process complete.</p>	Iwona Defer	Consultation on the draft Equality & diversity strategy 2014-17 took place between 1 <sup>st</sup> August and 31 <sup>st</sup> October 2013. The strategy and accompanying Equality & diversity action plan (based on the current Single Equality Scheme Plan) was presented to the Governance and Audit & Standards Committee for information on 7 <sup>th</sup> November 2013. The strategy was considered for decision by the Cabinet on 2 <sup>nd</sup> December 2013.
		Improve the quality of workforce data.	Better understanding of the diversity of the workforce	Penny Lane	The implementation of HR Self-Serve should enable the Council to improve the quality of its workforce data. The project was delayed due to technical issues. However, the pilot started in Jan 2014.

**APPENDIX A - Progress on actions to address the 2012/13 significant annual governance issues**

Ref	Governance Issue	Actions	Measures of Success	Lead/s	Update on Progress
6	Not all services are undertaking comprehensive succession planning	A review of workforce planning to be developed which will seek to identify and share areas of good practice and encourage the development of robust succession planning across all services.	Revised workforce planning approach in place.	Penny Lane/ HR Business Partners	A report went to SDB on workforce planning progress on the 13 <sup>th</sup> November. The report covered emerging themes and next steps. As one of the steps GL will be developing a Work Force Planning Strategy. A revised approach to workforce planning is now in place and the majority of services have developed plans for their workforce. The suggested format for workforce plans includes seven themes of which succession planning is one. In completing their plans, most services have identified succession planning as an area for improvement and work is underway to address this issue in a number of areas, for example through the use of trainee roles.
7	The approach to risk management needs to be fully embedded following the 2013 review.	Communicate the outcomes of the review and issue information and guidance to staff on the development of a risk culture and the 9 areas SDB require assurance on.	SDB receive assurances against the 9 specified areas from 100% of Services around risk management.	Lyn Graham	A draft risk register has been put together. A Risk Policy is being finalised and will be uploaded onto PolicyHub early in 2014. Training on managing risk, will be piloted by staff in culture during December 2013. The risk software is being re-developed to make it more user-friendly.
8	Performance management arrangements need strengthening	Adopt a corporate approach to the performance management of business plans including regular value for money reviews to use as a can opener for further discussion/action.	Better understanding of performance and expenditure across the Authority.	Kelly Nash	Q1 reports were completed across almost all services, providing an indication of where performance was strong, and where there might be some concerns across the organisation. It was agreed that the Q2 reports could be strengthened with a common format to be adopted, with a stronger focus on performance against key milestones and measures as opposed to narrative, and a focus on impact.

**APPENDIX A - Progress on actions to address the 2012/13 significant annual governance issues**

Ref	Governance Issue	Actions	Measures of Success	Lead/s	Update on Progress
					<p>These are now being analysed and a corporate report is to be produced setting out the position and identifying areas for further analysis. It is likely that recommendations for further enhancement will follow.</p> <p>In order to provide more focus to the conversation on corporate performance, a corporate "plan on a page" has been developed, setting out the key activities that need to take place if the organisation is to do the things it wants to do in the way it wants to do them.</p> <p>This plan will be communicated throughout the organisation with everyone encouraged to think about how they link in. In relation to value for money, a decision was taken to undertake pieces of work in the highest spending areas of the authority, starting with Adult Social Care and Children's Safeguarding and Social Care. Analysis is underway.</p> <p>There are also ongoing pieces of work in relation to Education (although this may now need refocusing) and the city's enterprise centres. Findings of all of these pieces will be reported back to Strategic Directors and Members.</p>

**APPENDIX A - Progress on actions to address the 2012/13 significant annual governance issues**

Ref	Governance Issue	Actions	Measures of Success	Lead/s	Update on Progress
9	The Council's approach to project management could be strengthened	Recommendations to be reviewed and inform work going forward. Strengthening of the role of the Corporate Programmes Board, and Project Directors around assurance and challenge. Assuring that all projects are managed appropriately by skilled, competent and qualified Project Management Professionals.	More robust project governance and assurance frameworks, an appropriately qualified and skilled internal PM resource.	Karen Jones	Work has started to look at the long term forecasting of projects and resources required. This will link in to the workforce planning strategy, to ensure appropriately skilled and qualified project and programme managers are available when needed. The reporting and focus of the Corporate Programmes Board has been expanded, and the links to the CPB registers and linking to a project portfolio approach. Also a targeted effort to bring project closure and lessons learned reports to CPB has increased key member and SD's level of challenge and questioning at gateway 5.
10	Member training and political development is not systematic nor sufficiently championed and would benefit from more robust succession planning	Review of the effectiveness of the current member support offer, approach to training needs analysis, the development offer (including succession planning arrangements), and information flow to members.	Review complete	Michael Lawther	A report has been drafted and includes a summary of the peer challenge actions, information regarding the current provision and a number of possible solutions based on improving member support, training and development needs analysis, information flow to members, and review of effectiveness. Michael Lawther took the report to the 9 December 2013 group leaders meeting, but this was deferred (rescheduled date tbc).
		Consider the introduction of a more systematic and tailored political development and training offer for Councillors including the introduction of tailored Personal Development Plans and member training and development champions.	Increased member participation in non-compulsory training		



**APPENDIX A - Progress on actions to address the 2012/13 significant annual governance issues**

Ref	Governance Issue	Actions	Measures of Success	Lead/s	Update on Progress
11	There is scope to improve the council's relationship with the Voluntary and Community Sector	Revisit the compact and use this process to establish rules of engagement both strategically and tactically.	New compact in place.	Rob Watt/ Mandy Lindley	The compact is currently being revised by a small working group comprising of members of the VCS in the city and PCC representatives. Following a consultation period it will be re-launched in the Spring of 2014.
		Consider a member portfolio for the Voluntary and Community Sector	Considered and implemented if necessary		Cllr Hugh Mason is the Cabinet Lead for the voluntary sector.
12	There is scope to further develop the Cabinet and Strategic Directors Board as one team, with shared goals and expectations.	Consider building the capacity of Cabinet and the Strategic Directors Board as a single leadership team.	Considered and implemented if necessary	David Williams/ Cllr Gerald Vernon-Jackson	The recommendation has been considered by the Strategic Directors Board. Strategic Directors to discuss the proposal with Cllr Gerald Vernon-Jackson, Leader.
13	There is scope to improve the articulation of the council's corporate vision	Consider the Peer Challenge recommendations to develop a more compelling narrative for Portsmouth as a place and as a community and to outline financial and other challenges over the short, medium and long term and how the council plans to deal with them.	Improved articulation of the Council's corporate vision.	Strategic Directors Board	<p>The budget savings proposals for 2014/15, budget pressures, council tax and capital programme were discussed at Full Council October 2013. The paper outlines a financial strategy for 2014/15 and beyond, and sets the overall aim as: "In-year" expenditure matches "in year" income over the medium term whilst continuing to drive towards the regeneration of the City and protecting the most important and valued services.</p> <p>An update will be cascaded to all staff on 5<sup>th</sup> December 2013.</p> <p>There are no plans to produce a corporate plan.</p>

**APPENDIX A - Progress on actions to address the 2012/13 significant annual governance issues**

Ref	Governance Issue	Actions	Measures of Success	Lead/s	Update on Progress
14	The Shaping the Future Programme would benefit from more robust programme management arrangements	Develop a high level programme narrative.	More rigorous programme management.	Bev Lucas/ Nicola Waterman	<p>Working with the Business Leaders Group and individual work stream chairs, we are currently in the process of creating individual work plans for each of the ten work streams. The work plans include the high level actions (from regeneration strategy and Business Growth &amp; Skills Plan) that the work stream is contributing to, details of the activities that the work stream will undertake in the year ahead to deliver/contribute to delivering the high level actions, measures of success in relation to these activities and identifies the KPIs that the work stream is contributing to (directly or indirectly). The suite of KPIs (for both the regen strategy and BGSP) is similarly being developed and awaits final sign-off. Work plans and KPIs will be in place by the end of 2013.</p> <p>The last progress report was taken to Cabinet in February 2013. These were originally six-monthly, but we propose moving to an annual reporting cycle to reflect the timeframe within which you would realistically expect to see progress against such high-level actions.</p> <p>A Shaping Conference has been scheduled for the 18 November. The day will be a mixture of debate, keynote speakers, presentations and information stands</p>
		Increase the robustness of governance arrangements in relation to economic growth and regeneration by reviewing performance management arrangements for Shaping the Future of Portsmouth to ensure clarity around ownership and delivery of the actions and that actions arising from the Business Growth and Skills Plan are fully integrated.			
		Regular monitoring of performance against the indicators, with progress reports to the Business Leaders Group and Cabinet.			
		Hold an annual Shaping the Future Conference to communicate the development of the programme.			

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Ref	Governance Issue	Actions	Measures of Success	Lead/s	Update on Progress
15	A number of governance issues were raised as a result of the safeguarding peer challenge	The Portsmouth Safeguarding Children Board (PSCB) has been responsible for the governance for the issues arising from the LGA Safeguarding Children Peer Review. All of the 'areas for consideration' highlighted by the Peer Review feedback letter have been mapped against existing action plans in all partner agencies and the Board was assured that all of them are covered through existing actions. The progress against these actions is monitored through the work of the PSCB's Monitoring Evaluation and Scrutiny Committee which regularly reports to the PSCB.	All immediate actions to be completed.	Hayden Ginns (Safeguarding Manager due to be in post from Jan 2014).	<p>The mapping of actions from the Peer Review into existing plans was completed.</p> <p>There remains however a need to re-review the actions to ensure there has been progress against all the areas, particularly those that were not able to be linked to existing plans.</p> <p>This is planned for early 2014</p>

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Ref	Governance Issue	Actions	Measures of Success	Lead/s	Update on Progress
16	There is scope to strengthen procedures around data protection.	All staff to ensure that confidential/personal data is locked away. Spot checks to ensure that this is taking place. Introduction of new Multi-functional devices to ensure locked printing.	Reduction in the number of data breaches	Heads of Service	Following recent Audit carried out by Internal Audit following actions agreed:- Legal Services - have undertaken to lock items away within the mezzanine and a follow up showed that files are now securely held. Children's Services - took action to inform all staff and to provide locked drawers and cupboards where needed. A follow up showed still some information is not being locked into drawers at night and further actions taken with individuals and with training and awareness. All other Heads of Services informed of individual circumstances and actions taken by those Heads of Services with individuals concerned. Roll out of new MFD's will ensure individuals have to log in to print, reducing the risk of picking up/sighting data in error. Policy Hub to be used to delivery training on how to use MFD's.  Audit carried out a spot check week commencing 9 <sup>th</sup> December 2013.
		Services to delete or archive confidential/personal data that is no longer required whilst ensuring that data retention requirements are met.			Corporate Information Governance Panel to consider how regular programme of destruction can be implemented authority-wide
		Relevant staff to undertake information governance training.			All staff to undertake on-line training. Lyn Graham/Dave Ingram looking at how reporting functionality can be improved to ensure those who have not undertaken training or failed are reported to managers.

**APPENDIX A - Progress on actions to address the 2012/13 significant annual governance issues**

Ref	Governance Issue	Actions	Measures of Success	Lead/s	Update on Progress
17	The December 2012 budget and performance report forecast a significant overspend on the assisted home to school transport budget.	<p>Michael Lawther and Julian Wooster will liaise with Chris Ward (Head of Finance and S 151 Officer) to discuss the exception raised as a result of this review and to agree a resolution to the forecast overspend for 2013/2014.</p> <p>Review of the eligibility criteria for home to school transport, the application and assessment process for determining eligibility and the mode of transport used to meet eligible children and young people.</p>	Reduced overspend in 2014/15.	Julian Wooster/ Michael Lawther/ Chris Ward	<p>The council is consulting on a number of proposals (closes 24 January 2014), which if implemented will enable better control of spend whilst ensuring a fair and consistent process. Feedback from the consultation will be shared with Cabinet on 3 March 2014.</p> <p>*We would only provide free transport assistance over and above the statutory requirement if there were exceptional circumstances.</p> <p>*Applicants who wish to be considered under exceptional circumstances would need to provide a recent summary of the child and family's history and information about their needs on a new form called a Common Assessment Framework (CAF). A medical, educational or social care professional could help the family complete the CAF.</p> <p>*Any transport assistance offered would always be the most suitable lowest-cost option.</p> <p>*All applicants would need to go through the same process, using the same single application form.</p> <p>*Applications would need to be made annually, and would need to include an up-to-date assessment of need that considered the child and the family's circumstances.</p> <p>*Free transport assistance would be offered according to a number of principles.</p>

**APPENDIX A - Progress on actions to address the 2012/13 significant annual governance issues**

Ref	Governance Issue	Actions	Measures of Success	Lead/s	Update on Progress
18	Work undertaken by the Building Control Surveyor is not checked.	The department is currently being restructured and at the time of the audit there was no Building Control Manager in position. The building regulation charge calculation sheet will be reviewed to ensure that the base calculation is clearly recorded. In the interim period the calculation sheets will be spot checked by the Head of Planning Services.	Spot checks carried out on a regular basis.	Claire Upton-Brown	A Building Control Manager is now in post. The standard fees applied are entered onto a charge sheet which is attached to the file, which are spot checked. Where estimated fees are required a programme prepared by Fareham is used.
19	The Accounts Receivable Audit revealed errors in the completion of credit note request forms, reducing our control over preventing fraud.	A new monitoring process is to be implemented to enable potential review of all credit notes raised. Monthly reports are to be produced by the Accounts Receivable team and nominated finance officers will be responsible for monitoring and verifying the validity of the credit notes raised in their area of responsibility. Evidence of the monitoring conducted will be noted on the report generated.	New monitoring process successfully implemented	Chris Ward	This action has been completed.
20	There are public buildings that do not come under the auspices of the Council to undertake legionella testing and these include, for example, some schools and the Pyramid Centre	The Port Senior Building Surveyor has stated that "tanks will be lagged and temperature gauges fitted as well as procedures for flushing before use. This, together with the rigorous testing regime that is employed in the rest of the site, will reduce the likelihood of any problem".	More consistent testing and monitoring	Jon Crawford	Action complete - Portsmouth International Port management team have adopted the Councils' new corporate legionella management policy and now pro-actively work with the Corporate Legionella Advisor to ensure compliance with corporate policy and UK legislative requirements.

**APPENDIX A - Progress on actions to address the 2012/13 significant annual governance issues**

Ref	Governance Issue	Actions	Measures of Success	Lead/s	Update on Progress
		A Corporate Legionella Management Policy will be introduced by the Health and Safety Manager.		Frank Regan	Action complete - Corporate Legionella Management Policy agreed at SDB level and published on 1 <sup>st</sup> July 2013.
		Letter to go to all schools explaining their responsibilities and for PCC Schools a process to demonstrate compliance.		Jon Crawford	Action complete - Mike Stoneman (Strategic Commissioning Manager, CFL SSE) completed this action on 21 <sup>st</sup> October 2013.
		New management of the Pyramids by BH Live will have contacts in place for Legionella testing/monitoring and management. These will be audited annually as part of the annual inspection of all the Pyramids.		John Bean	Action complete - Pyramids (as with other properties of this nature) are subject to audit in accordance with corporate policies and service-specific policies (Housing and Property Services) and any non-conformances identified will be addressed in accordance with contractual agreements and UK legislation.
21	The Financial Controller post at the MMD is an authoriser as well as the administrator for Sage and is therefore vulnerable to either be in a position to commit a fraud or at risk of accusations of fraud.	The Financial Controller to be removed as an administrator of the Sage Payroll system.	Financial Controller removed as an administrator.	MMD (Shipping Services)	Lyn Graham contacted the MMD to check progress in December 2013.
22	MMD cannot evidence which staff access levels to Navision (a finance and distribution system).	The IT Administrator will analyse the different security groups in Navision and detail the access rights they have. The users in each security group will then be reviewed by the Directors and amendments will be made as necessary.	Clear and appropriate staff access levels		Lyn Graham contacted the MMD to check progress in December 2013.

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Ref	Governance Issue	Actions	Measures of Success	Lead/s	Update on Progress
23	Members of staff at the MMD who have access to Navision have the ability to amend supplier and customer details, including bank details.	<p>To improve segregation of duties, the setting up / editing of supplier accounts need to be restricted to the Management Accountant and, in their absence, by the Desktop Support Analyst. The Financial Controller will check all payments and will sample check that bank details on the forms are correct.</p> <p>Purchase Ledger BACS payments are created / exported from Navision by the Purchase Ledger Clerk and transactions imported into Lloyds Link are frozen so that amendments cannot be overwritten by any authorised officer without cancelling the initial entry, preventing amendments outside of Navision.</p>	Restricted editing rights.		Lyn Graham contacted the MMD to check progress in December 2013.



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Ref	Governance Issue	Actions	Measures of Success	Lead/s	Update on Progress
24	The Client Affairs Team takes responsibility for the finances of Social Care clients incapable of managing their own affairs, acting as their Deputy through an application to the Court of Protection. It was confirmed that there were no formalised procedures on how to deal with client property searches or records that need to be kept.	Formalised procedure to be put in place that covers client property searches and also a template for recording items that have been removed from clients homes. A copy of the procedure and template has been provided to Internal Audit and a follow up audit will review its application.	Clear, formalised procedure in place.	Julian Wooster/ Rob Watt	There is a formalised process in place regarding property searches and the removal of goods. Both the procedure notes and the log sheets have been communicated to staff and documents stored on the shared drive. Internal Audit have received a copy of the processes and are happy with the safeguards in place.
25	There are a high number of critical and high risk exceptions and therefore only limited assurance on the effectiveness of internal control framework can be given.	Internal Audit to work with Heads of Service to improve specific areas of control weaknesses.	Less critical and high risk exceptions identified in the 2013/14 Annual Audit Opinion	Lyn Graham	The high risk areas are largely contained within 2 areas of focus. Effort has been concentrated in these areas and the issues are being addressed.
26	Surveillance and product details need to be recorded at cancellation of Authorisation.	The OSC Inspector has issued their report which found that all previous recommendations had been actioned, that PCC has raised their compliance to a high level and make one recommendation regarding recording of surveillance details and product at the cancellation stage.	Policy to be revised.	Lyn Graham	Policy and application forms have been updated and re-issued.

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Ref	Governance Issue	Actions	Measures of Success	Lead/s	Update on Progress
27	There is scope to strengthen the governance arrangements for the Joint City Deal between Portsmouth and Southampton	Formation of a City Deal Joint Statutory Committee (JSC) comprising of the two Cities, Solent LEP, and other Solent Local Authorities, together with an invitation to key statutory agencies party to the deal (Highways Agency, DFT, HCA, DEFRA family, DWP and SFA) to work with the JSC.	Unity of policy making for the local area	David Williams/ Robert Parkin/ Mark Heath (SCC)	<p>A non-legal entity group comprising of leaders from Hampshire County Council, Portsmouth City Council, Southampton City Council, private sector representatives and representatives from the Solent Local Enterprise Partnership has been formed.</p> <p>Terms of reference are being worked up and each Local Authority is responsible for approving the creation of their non-legal entity at their Cabinet or Council meeting.</p> <p>A Secretariat needs to be established. This should be complete by January 2014.</p> <p>Mark Heath from Southampton City Council is leading on these actions.</p>
28	Operating within the new public health arrangements.	Increase awareness across members and officers of the City Council's public health responsibilities and implications including through the following: Discussion with lead member and other relevant portfolio holders, Briefing notes to all Members CTB presentation, Team Brief information.	Budget decisions supporting key public health priorities	Andrew Mortimore	Through the Council's regular communication channels news of public health services and activities are regularly presented, including team brief. Reviews/updates of all public health services have been scheduled for cabinet member briefing, and CTB has a presentation and session on public health. Further briefings of members and staff are being planned for the new year, when the Council's new DPH will be in post.

**APPENDIX A - Progress on actions to address the 2012/13 significant annual governance issues**

Ref	Governance Issue	Actions	Measures of Success	Lead/s	Update on Progress
		Embed the Health and Wellbeing Board as a committee of the council and an effective partnership providing strategic direction to the council and CCG's approach to improving the health and wellbeing of local people.	Continued engagement of key partners.  Delivery against priorities in agreed Joint Health and Wellbeing Strategy	Andrew Mortimore/ Julian Wooster	The Health and Wellbeing Board has stepped up to its new role and, as well as delivering the Joint Strategic Needs Assessment and a Health and Wellbeing Plan, is leading and coordinating partnership work around some of the key system issues for the City. This includes the continuing transformation of out-of-hospital services to a more integrated, person-centred model. The Board is meeting for development sessions to ensure it is able to meet the increasingly demanding role of system leadership and coordination.
		Ensure effective relationships are maintained with institutions including providers and commissioning groups that make up the local health system.	Effective inter-agency working.	Andrew Mortimore/ Julian Wooster	Key relationships continue to be developed and improved through Board to Board meetings, the Integrated Commissioning Board, Children and Young Peoples Trust and the Health and Wellbeing Board (amongst others)
		Ensure Public Health resource allocation achieves intended maximum health gain and outcomes through appropriately evidenced and evaluated intervention activity.	Difference in life expectancy and healthy life expectancy between communities is reduced. Outcome indicators demonstrate improvement	Andrew Mortimore	There is ongoing work to match the "ring-fenced" public health budget to Council provided or commissioned services that will deliver improvement in key health outcomes. Most outcomes will change over years rather than months, and methods are being developed to ensure the most effective use of resources across a range of potentially competing priorities.
		Resolve outstanding information governance issues with access to NHS data and information in line with national guidance and enabling legislative changes.	Relevant NHS data and information is made available and appropriate governance arrangements in place	David Price	Some work-arounds have been developed that ensure key information requirements can be delivered within information governance rules, but the national issue of access to patient/client identifiable information by local authority public teams remains unresolved. Representations have been made to Public Health England and their Chief Knowledge Officer.

**APPENDIX A - Progress on actions to address the 2012/13 significant annual governance issues**

Ref	Governance Issue	Actions	Measures of Success	Lead/s	Update on Progress
		Embed Public Health objectives into council decision making, for instance, by using Health Impact Assessments to support process.	Health is incorporated into decision making	Matt Smith	An externally funding programme of training events on Health Impact Assessment has been planned for the Council over the next three months. Public Health briefings are also taking place with Heads of Service and respective Senior Management Teams linked to redistribution of grant funding.
29	The Council is letting the Brunel wing of the Civic Offices and as a result will be reconfiguring the Civic Offices	Ensure regular communications about the new culture of mobile and flexible working are cascaded to staff.	Staff are kept informed and comply with the new ways of working.	Tarnia Goodsell	Civic office staff received detailed information to update them on new approach to flexible working and progress of the bid/tenant search in April and July. Information for all staff was included in the June and August 'Team Brief'. As services have become affected they have been offered corporate support to adapt to new working style (see below)
		Develop a culture change package to support 'working anywhere' based on a new management style.		Kelly Nash	Package of support communications and staff engagement, including: <ul style="list-style-type: none"> <li>• Manager support workshops to share positive experiences, case studies and overcome barriers (also available at team level)</li> <li>• Manager handbook gives policy information as well as guidance and advice on preparing and managing team for more flexible working and prompt and guidance for reviewing/amending processes to adapt to new approach.</li> <li>• New 'flexible working policy' developed to complement new approach and update previous policy which focussed on exclusive homeworking</li> </ul>

Ref	2012/13 Control	2013/ 14 Control	Policyholder/s	Compliance Measures	Compliance Monitoring	Guidance and Support Tools
1	All services have a business plan that reflects the vision of the authority, is actively managed with at least the relevant SD quarterly, and published annually on 31 March.	All services have a business plan that reflects the vision of the authority; meets a minimum set of standards; is actively managed; and is refreshed and published at least annually.	Paddy May/ Kelly Nash	<p>-All services must produce a three year business plan, subject to a refresh on at least an annual basis, which includes the following core elements:</p> <ul style="list-style-type: none"> <li>- The core business that must be delivered and the relevant standards and measures of performance, with reference to relevant benchmarks and comparators</li> <li>- Plans for improvement, development and disinvestment activity (including sector-led improvement) over a three year period based on the key aims set out in the council plan, financial planning, and performance and financial benchmarking activity</li> <li>- Arrangements for addressing key governance issues</li> <li>- Key service risks and management/mitigation activities</li> <li>- Arrangements for robust performance management within the services</li> </ul> <p>-All services must produce an up-to-date summary business plan which sets out:</p> <ul style="list-style-type: none"> <li>- The core service activities to be delivered, and the performance standards/measures</li> <li>- The key change/development projects for the service, with outcomes to be achieved and the key milestones</li> <li>- Key governance issues to be addressed, how and on what timeframe</li> <li>- Key risk issues to be addressed, how and on what timeframe</li> </ul> <p>-All services must share their draft business plan with their Strategic Director before it is finalised.</p> <p>-All services must ensure their business plan is formally approved by the relevant Portfolio Holder at the first portfolio meeting of the municipal year.</p>	<p>-Heads of Service must regularly monitor the performance of the Business Plan with their Strategic Director on a quarterly basis, their Departmental Management Team and Service Management Teams on a regular basis.</p> <p>-Services will be asked to collate the minimum business planning requirements and share the information with their DMT's in March 2014. SD's will be required to sign off the content before it is presented to Cabinet Members.</p> <p>-Policy Holder to check publication of signed business plan on an annual basis and relay and inform Strategic Directors if there are any compliance issues.</p>	<p>-Guidance notes for Heads of Service.</p> <p>-Support and guidance from the strategy unit on request.</p> <p>-Summary business plan template.</p> <p>-Performance monitoring template.</p>
2	Risk is regularly reviewed and tangible mitigation measures are in place and regularly tested.	Risk is regularly reviewed and tangible mitigation measures are in place and regularly tested.	Lyn Graham/ Frank Regan	<p>-All services must have a mechanism for identifying and assessing risk on a continuous basis</p> <p>-All new risks must be reported to SD's with immediate effect</p> <p>-All significant risks must be logged on the significant risk register and ranked as high, medium or low</p> <p>-All risks must be recorded in assurance categories and assurance must be available in the form of evidence that can be verified</p> <p>-100% of staff should read the risk management policy</p> <p>-E-learning on risk management should be completed as part of induction and every three years thereafter by all staff</p>	<p>-Risks to be considered at DMT's, meetings with portfolio holders, one to ones and any other meetings held to discuss service performance, objectives, progress, new decisions, options, changes in working practices and legislation</p> <p>-Internal audit will report to SDB and G&amp;A&amp;S within relevant timing of the risks on mitigation with either assurance or alerting to weaknesses in actions</p> <p>-Internal audit will carry out annual audits on assurance and effectiveness of RM procedures</p> <p>-Managers to monitor completion of training through the annual PDR process.</p>	<p>-Risk policy (which includes examples of questions to consider when assessing risks</p> <p>-One page briefing note on employee responsibilities and risk available through policyhub and Intralink</p> <p>-E-learning on risk management</p> <p>-Significant risk register (held by audit).</p> <p>-Risk alert forms available on intralink for staff to report risks to their manager</p>
3	All individuals (including volunteers/temporary posts) working with children and adults require an enhanced criminal records check prior to appointment in line with PCC's disclosure and barring policy.	All posts that fall within the legislation must be checked in line with the Disclosure and Barring service guidelines.	Jon Bell/ Gemma Limburn	<p>-All recruiting managers must adhere to the Council's Disclosure and Barring Service Policy. When a post is engaged in regulated activity with either children or adults, an enhanced DBS needs to be completed. Other posts may require a standard disclosure. The correct level of DBS must be completed during the recruitment process.</p> <p>-All Managers and staff involved in recruitment and selection of staff in areas where there is vulnerability are required to undertake 'Safer Recruitment' training and that 'safer recruitment' practices are mandatory in those areas.</p>	<p>-All eligible posts working with children and adults can be checked on a rolling programme. Each service may choose how to implement this.</p> <p>-Managers to monitor completion of safer recruitment training through MLE.</p>	<p>-Disclosure and Barring Policy (Policyhub)</p> <p>-Policyholders will receive email notification of any legislative/process changes.</p>

Appendix B - Internal corporate governance controls for 2014

Ref	2012/13 Control	2013/ 14 Control	Policyholder/s	Compliance Measures	Compliance Monitoring	Guidance and Support Tools
4	All staff adhere to clear desk and clear screen practices related to sensitive/personal information.	All staff must adhere to the clear desk and clear screen policy wherever they are working and ensure that sensitive/personal information is appropriately secured when travelling to/from work.	Peter Harding/ Helen Magri	-All staff must adhere to the Clear Desk Clear Screen Policy.	-Heads of Service are responsible for ensuring that spot checks are carried out at least every 6 months. Managers must record any non-compliance and escalate issues to the Head of Service and Information Governance Group. Audit may carry out adhoc spot check to test that managers are undertaking checks/enforcing this policy. Staff found to have breached this policy, may be subject to PCC's disciplinary procedure. If a criminal offence is considered to have been committed further action may be taken to assist in the prosecution of the offender(s).	-Clear Desk, Clear Screen Policy (Policyhub) -Data Protection Policy (Policyhub) -Default screen lock (set to 15 seconds)
				-All staff must read the Information Security Policy on an annual basis.	-Policyhub will send reminders to staff to read the Policy. Staff must confirm that they have read the Policy.	
				-All staff must read the Data Protection Policy on an annual basis.		
5	All services understand our legal equalities duties, and embed them as part of service projects and plans.	The Council understands its legal equalities duties, and embed them as part of service projects and plans.	James Sandy/ Iwona Defer	-All new members of staff must complete the one day introductory Equalities and Diversity course within their probationary period.	-Managers to monitor completion of equalities training through PDR's and MLE.	-Guidance on the Equality Act 2010 and equalities duty. -Advice and guidance from the equalities team -Corporate consultation process -Equalities and Diversity Strategy -EIA toolkit -EIA forms
				-All employees must complete the Equalities and Diversity e-learning Health Check on MLE every 3 years. If employees do not pass the healthcheck they will be required to attend either the half-day refresher workshop, or an hour-long briefing. Training requirements should be discussed during staff PDR's.		
				-Heads of Service must ensure that Equality Impact Assessments (EIA's) are carried out on all major services and functions of the council, and all projects and policies to assess any potential adverse implications for some of our staff, residents and visitors. All EIAs must be sent to E&D Team for quality assurance at least two weeks prior to decision meetings.	-The Equalities and Diversity Team will monitor completion of EIAs and chase where appropriate. Non-compliance issues will be escalated to SD's.	
6	All services have business continuity plans in place that are regularly tested and reviewed.	All services have business continuity plans in place that are regularly tested and reviewed.	Kate Scott	-All services must have a business continuity plan in place, which includes: Key service outputs, Resources required to maintain key service outputs, along with outline response options to ensure continuity of key service outputs.	-Each service must have a business continuity representative responsible for producing and maintaining the plan(s).	-Business continuity plan template -Log of table-top exercise activity (kept by Policyholder).
				-Business continuity plans need to be revised every 3 years, following recommendations from table top exercises or after a significant service change i.e. restructure/change in personnel.	-All services must take part in a table top exercise to test the robustness and quality of the business continuity plan within one year of the plan being developed and every 3 years thereafter. The Policyholder must complete a debrief report following any exercise.	
				-The key service outputs and resource requirements that have been identified within each service business continuity plan must be used to inform the Corporate Business Continuity Plan.		
7	Complaints are dealt with in a timely manner, responded to effectively, and outcomes recorded.	Complaints are responded to within a timely manner, causes addressed, and outcomes recorded.	Peter Harding/ Carole Cunningham	-All complaints are must be logged and responded to within the designated timescales i.e. 10 working days for a first-stage complaint, 15 working days for a second-stage complaint and 20 working days for a third-stage complaint.	-Corporate Complaints must send reminders to Heads of Service when responses are overdue.	-Corporate Complaints Policy (Policyhub) -Adults' Social Care Complaints Guidance -Children's Social Care Complaints Guidance
				-Regular training must be carried out, to ensure that employees deal with complaints in line with the statutory procedure set.	-An Annual Complaints report must be submitted to the Governance, Audit and Standards Committee	
				-Heads of Service must review complaints on a quarterly basis and ensure that any underlying process issues are addressed.	-Complaints statistics (number of complaints received/number of complaints responded to within timescales/number of complaints closed by service area) are compiled on a quarterly basis and discussed through DMT's in line with performance monitoring.	



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Ref	2012/13 Control	2013/ 14 Control	Policyholder/s	Compliance Measures	Compliance Monitoring	Guidance and Support Tools
8	100% staff are given good quality PDRs, and training needs are sent to HR	100% of staff are given good quality PDRs and any actions resulting from the PDR must be completed within agreed timescales.	Jon Bell/ Gemma Limburn	-100% of employees receive a good annual PDR.	-Managers must monitor when staff PDR's are due and ensure that they take place on an annual basis. -MLE will alert staff when their PDR has expired. -The Line Manager of the Manager completing the PDR must sign off the PDR and in doing so confirm that it is of good quality. The Line Manager's Manager must sign off the PDR and in doing so confirm that it is of good quality.	-PDR template -PDR development tools
				-Employee development needs and mandatory training needs are captured through PDR's and an action plan to address key needs is put in place.	-MLE will alert staff when mandatory training needs (Welcome to PCC, People First, Health check for Information Governance, Health and Safety - DSE, Health and Safety - Fire Safety, Equality and Diversity Health check, Financial Rules), are due to expire.	
9	100% staff complete the annual code of conduct and return to manager. Managers have procedures for dealing with misconduct.	100% of staff complete the code of conduct form on joining the Council and notify managers if there are any changes.	Jon Bell/ Gemma Limburn	-All new employees must complete and return a code of conduct form during the recruitment and induction process and check that there are no changes to declarations on an annual basis.	-Managers must check if there have been any changes to the code of conduct during the annual PDR process. A new form only needs to be completed if there are changes/additional declarations made to the previously submitted annual code of conduct form. Any changes must be noted on the PDR form and returned to HR.	-Employee code of conduct form
					-Policyhub will send a copy of the code of conduct to all staff on an annual basis. Staff must confirm that they have read the form.	

## Supporting Information

- CIPFA/SOLACE good governance principles

1. We focus on the purpose of the Authority and on outcomes for the community and implementing a vision for the local area. (covered by control 1)
2. Members and officers work together to achieve a common purpose with clearly defined functions and roles. (covered in the constitution)
3. We promote values for the authority and demonstrate the values of good governance through upholding high standards of conducts and behaviour. (covered by control 8)
4. We take informed and transparent decisions, which are subject to effective scrutiny and managing risk. (covered by control 2)
5. We develop the capacity and capability of members and officers to be effective. (consider introducing a control that supports this principle)
6. We engage with local people and other stakeholders to ensure robust public accountability. (consider introducing a control that supports this principle)

- Corporate Guiding Principles

1. Put customers first (covered by control 7)
2. Provide value for money (covered by control 1)
3. Be ambitious (covered by control 1)
4. Use evidence to shape services (covered by control 1)
5. Simplify, strengthen and share processes (covered by control 7)
6. Get it right first time (covered by control 7)
7. Support councillors as strategic leaders (consider introducing a control that supports this principle)
8. Value and support staff (covered by control 8)
9. Listen and learn (covered by control 7)

- Previous Controls

1. Terms of reference for all partnerships and portfolio holders (do not re-introduce - this is clear in the constitution)
2. All services take into account safeguarding duties for both adults and children (do not re-introduce - control 3 should cover this)
3. Ensure all staff adhere to our ways of working (do not re-introduce - control 8 should cover this)
4. What systems do you have in place for recording and monitoring health and safety issues? All staff completed compulsory training (do not re-introduce - control 8 should cover this)
5. Services with buildings are reducing their carbon emissions in line with corporate target (consider re-introducing)
6. All services provide value for money (do not re-introduce - control 1 should cover this)
7. Discussions with category manager before making a decisions on a new contract (do not re-introduce - business as usual)
8. Contract outcomes should be monitored to ensure they are delivering what they should be. (do not re-introduce - business as usual)
9. 100% completion of info governance/anti-fraud/bribery/financial rules training by all officers. Audit spot checks highlight 100% compliance (do not re-introduce - control 8 should cover this)
10. Do you have a community engagement plan? What methods do you use to engage with users? (consider re-introducing)
11. Do you respond to Fol requests within legal timescales? (do not re-introduce - business as usual)
12. Information published on website in line with Scheme of Publication and kept up to date (do not re-introduce - this is clear in the constitution)

## Key Themes

Support Members

Effective engagement

Reducing carbon emissions



# Agenda Item 10

## Current Wording of Standing Order 17 (re Agenda item 10) 30 Jan 2014

### QUESTIONS BY COUNCILLORS

#### 17. Questions for the Cabinet or Chair

(For Extraordinary meetings see Standing Order 9 above)

(1) At any meeting a Councillor may, subject to the six-month rule, ask

(a) the relevant Cabinet Member or Committee Chair any question relating to the Council's powers or duties or which affects the City but which is not otherwise before the Council;

(b) any of the Council's representatives serving on the Hampshire Fire & Rescue Authority, Hampshire Police Authority, Langstone Harbour Board and the Joint Crematorium Board, may comment to the Council in relation to any matter arising from an answer submitted under this Standing Order .

(2) Questions in an acceptable form must be given to the Local Democracy Manager by 12 noon eleven days before the day of the meeting.

(3) With the permission of the Cabinet Member or Committee Chair, a Councillor may ask any question relating to urgent business for which the usual notice has not been given.

(4) The Local Democracy Manager will circulate with the agenda questions to be asked under (1) above. Questions will be answered in the chronological order they are received, except that any Councillor who submits more than one question will not have their second or subsequent questions answered until all other Councillors' first round questions have been answered; the same procedure to be followed until all questions have been exhausted.

(5) The notice of the question under (1) above may indicate that a written answer may be given. Where the question is answered in writing, the written answer will be circulated at the meeting to Councillors.

(6) The Cabinet Member, committee chair or representative to whom the question is addressed may ask another Councillor to answer the question. The person answering the question shall provide a concise reply to the original or supplementary question(s). Whilst whomsoever is answering the question must make every endeavour to give a full oral answer, an original question may be the subject of a written reply if it is believed that a detailed reply is required that could best be provided in a written form because of the length and/or complexity of the answer to be given which would be circulated to all Councillors within 7 days.

(7) On any matter arising out of the reply -

(i) The Councillor asking the original question may ask up to two supplementary questions that must arise directly out of the original question or the reply;

(ii) Any other Councillor will be limited to one supplementary question that must arise directly out of the original question or the replies;

(iii) No debate may take place on the reply to a question or any supplementary question.

(8) Every member of the Council may ask one question. If they wish to ask more than one question the questions shall be asked in rotation in the order in which they were received. Forty five minutes will be allowed for questions under this Standing Order. Where a question is begun an answer will be provided even if the 45 minutes period has been exceeded. If the question has not been put, a written reply will be provided within 14 days and circulated to all members.

(9) If a Councillor asking a question is not present when that question is reached, a written reply will be forwarded to the Councillor for information.

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# Agenda Item 11



Portsmouth  
CITY COUNCIL

Agenda item:

**Title of meeting:** Governance & Audit & Standards Committee

**Date of meeting:** 30 January 2014

**Subject:** Consideration of the political balance rules in relation to the constitution of Sub-Committees considering complaints against Members

**Report by:** City Solicitor

**Wards affected:** N/A

**Key decision:** No

**Full Council decision:** No

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## 1. Purpose of report

- 1.1 The Committee is asked to consider whether it wishes to "disapply" the political balance rules in respect of its Sub-Committees which are considering complaints against Members. This would consequently mean that the three member panel shall wherever possible comprise a representative of each of the three groups, all the time those groups are represented on the main committee.

## 2. Recommendations

- 2.1 The Committee is asked to consider whether it wishes to disapply the political balance rules in respect of its Sub-Committees which are considering complaints against Members.

## 3. Background

- 3.1 The Council agreed on 17<sup>th</sup> July 2012 to "disapply" the political balance rules in respect of Sub-Committees of Governance and Audit and Standards which were dealing with complaints. This meant the Sub-Committees' membership would in future not be made up of Members in the same proportion as the political groups are represented on the Council. Instead it was agreed that the Sub-Committees would be "cross party as far as reasonably practicable."
- 3.2 However, Section 17 (2), Local Government and Housing Act 1989 provides that any decision not to apply the political balance rules shall come to an end if there is any change in the make-up of a committee where they have been disappplied. In January 2013, the Committee membership changed and therefore the Council was required to once again apply the political balance rules. From that date all Sub-Committees have been made up of two Lib-Dem Members and one Conservative Member in accordance with the political balance rules.

3.3 The Committee is asked to consider whether they again wish to disapply the political balance rules in respect of the Sub-Committees' membership. If the decision is made to disapply the political balance rules then they shall be applied only until the end of this council year in May 2014 when the matter would again have to be reconsidered.

3.4 The decision is one which this Committee can make but it must be made without any of the Members present voting against it.

**4. Reasons for recommendations**

4.1 To allow Members to consider whether they wish to disapply the political balance rules in respect of Sub-Committees.

**5. Equality impact assessment (EIA)**

5.1 The contents of this report do not have any relevant equalities impact and therefore an equalities assessment is not required.

**6. Legal Implications**

6.1 The City Solicitor's comments are included in this report.

**7. Finance Comments**

7.1 There are no financial implications arising from the recommendations set out in this report.

.....  
Signed by: Michael Lawther, City Solicitor

**Appendices:**

**Background list of documents: Section 100D of the Local Government Act 1972**

The following documents disclose facts or matters, which have been relied upon to a material extent by the author in preparing this report:

Title of document	Location

# Agenda Item 12

Agenda item:

**Title of meeting:** Governance and Audit and Standards Committee

**Date of meeting:** 30 January 2014

**Subject:** Probate Applications

**Report by:** City Solicitor

**Wards affected:** n/a

**Key decision:** No

**Full Council decision:** Yes

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## 1. Purpose of report

To seek to obtain a council resolution to appoint the City Solicitor as lawful nominee of the council for the purpose of obtaining Grants of Representation from the Probate Registry in order to recover debts owed to the council.

## 2. Recommendations

That Governance and Audit and Standards Committee recommend to Council that the City Solicitor's delegation be amended by inserting the following additional delegation between paragraphs 30 and 31:

"To act in the capacity of lawful nominee of the council for the purpose of applications to the Probate Registry and, in so doing, to take such steps as shall be considered necessary to obtain a Grant of Representation in order to recover monies owed to the council."

## 3. Background

In cases where monies are owed to the council by the estate of a deceased debtor, the council may apply for a 'creditor's grant' from the Probate Registry in order to recover the sum owed. This would be appropriate in a case where there is no personal representative of the deceased who is willing and able to act as executor/administrator of the estate.

In the past, a resolution of full council has been sought to appoint the City Solicitor as nominee of the council for the purpose of making application to the Probate Registry on individual cases. Extension of the powers delegated to the City Solicitor would avoid the need for a resolution of full council to be passed in each case where a debt is owed.

**4. Reasons for recommendations**

It is considered that extending the City Solicitor's delegation in this way is consistent with the other delegations to him, namely to conduct legal proceedings on behalf of the Council, and will avoid further reports having to be brought when the occasion arises.

**5. Equality impact assessment (EIA)**

An Equality Impact Assessment is not required as there are no equality issues arising from the recommendations in the report.

**6. Legal Implications**

There is a possible, low risk that Portsmouth City Council could be held responsible for payment of any outstanding liabilities/debts owed by the estate of the deceased. In each case, Legal Services should endeavour to obtain a signed statement from each and every personal representative of the deceased setting out what, if any, outstanding liabilities/debts there are.

Provided that external solicitors are not required to assist our own Legal Services department, the only anticipated fee will be for the application to the Probate Registry, currently £45.00. In the event that an external solicitor is required, it is likely (based on the fee charged for the previous similar case) that their fee would be approximately £1,500.

**7. Finance comments**

There are no financial implications arising from the recommendation in this report. Any specific costs arising from individual cases will be met by the service receiving the income.

.....  
Signed by: Michael Lawther, City Solicitor

**Background list of documents: Section 100D of the Local Government Act 1972**

The following documents disclose facts or matters, which have been relied upon to a material extent by the author in preparing this report:

<b>Title of document</b>	<b>Location</b>
None	N/a

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Agenda item:

**Decision maker:** Governance & Audit & Standards Committee

**Subject:** Audit Performance Status Report to 16<sup>th</sup> December 2013 for Audit Plan 2013/14 & Audit Strategy for 2014/2015

**Date of decision:** 30 January 2014

**Report by:** Chief Internal Auditor

**Wards affected** All  
**Key decision (over £250k)** No

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## 1. Summary

- 1.1 There are 13 new critical exceptions highlighted in this report for 2013/14 Audit Plan.
- 1.2 There are 155 planned Audits for 2013/14 made up of 126 new reviews and 29 follow up audits. Of these 94 (60%) have been completed or are in progress as at 16<sup>th</sup> December 2013. This represents 62 audits (40%) where the report has been finalised, 8 audits (5%) where the report is in draft form and 24 audits (15%) currently in progress.
- 1.3 In addition to the planned audits there are 12 areas of on-going work and 5 of continuous audits which contribute to risk assurance.
- 1.4 Areas of Assurance are shown in Appendix A.
- 1.5 213 days of reactive work have been undertaken to 16<sup>th</sup> December 2013, with 245 days set aside in the 2013/14 Audit Plan.
- 1.6 The proposed Audit Strategy for Audit coverage for 2014/15 is attached as Appendix B to this report.

## 2. Purpose of report

- 2.1 This report is to update the Governance and Audit and Standards Committee on the Internal Audit Performance for 2013/14 to 16<sup>th</sup> December 2013 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 the proposed Audit Strategy for the 2014/15 Plan.

## 3. Background

- 3.1 The Annual Audit Plan for 2013/14 has been drawn up in accordance with the agreed Audit Strategy approved by this Committee on 24<sup>th</sup> January 2013 following consultation with Heads of Services, Strategic Directors and the Chair of this Committee.

#### **4. Recommendations**

- 4.1 That Members note the Audit Performance for 2013/14 to 16<sup>th</sup> December 2013.
- 4.2 That Members note the highlighted areas of control weakness for the 2013/14 Audit Plan.
- 4.3 That Members note the changes in the Audit Plan.
- 4.4 That Members approve the proposed Audit Strategy for the use of Audit resources for 2014/15.

#### **5. Audit Plan Status 2013/14 to 16<sup>th</sup> December 2013**

##### **Percentage of approved plan completed**

- 5.1 60% of the annual audit plan has been completed or is in progress as at 16<sup>th</sup> December 2013, slightly below the equivalent period last year but slightly higher than the year before. Despite some already significant time spent on special investigations, providing there is not a significant number of further ones, there is currently no reason why the Plan cannot still be met. Appendix A shows the completed audits for 2013/14. This percentage is made up as follows;
  - 54 new reviews (34%) where the report is finalised, 8 (5%) in draft form and 23 (15%) currently in progress.
  - 8 planned follow ups (5%) where the report is finalised and 1 (1%) work in progress.
- 5.2 As requested by Members of the Committee a breakdown of the assurance levels on completed audits is contained in Appendix A.

##### **Changes to the Audit Plan**

- 5.3 In total there are now 155 Audits in the Plan as opposed to 156 originally.
- 5.4 Asbestos Removal has been amalgamated with the planned Asbestos Management audit.
- 5.5 Super Connected City has been added. This provides, amongst other things, a voucher scheme of small grants towards initial capital expenditure of small & medium enterprises looking to upgrade to a superfast or above broadband connection. This is a new area for Internal Audit and coverage will include giving assurance on value for money and anti-fraud measures established for the Scheme.
- 5.6 The Contract with Special Schools Audit has been removed from the Plan as this work is now being covered under the Commissioning Children's Services Audit.
- 5.7 External Bailiffs has replaced the Debt Recovery audit which was focusing on the Internal Bailiffs. The focus of this audit has changed at the request of the Head of Financial Services due to the current proposal to restructure the department.
- 5.8 One follow up audit has been added to the plan, Debt Recovery, this will only follow up on exceptions raised in the 2012/2013 audit as stated above.

## Reactive Work

5.9 245 days have been allowed for reactive work and investigations in 2013/14 and 213 days have been used to 16<sup>th</sup> December 2013.

5.10 The 213 reactive days were used for:

- 20 special investigations
- 37 items of advice (of half a day or more- advice which takes less time than this is not recorded)

As well as the following unplanned reviews:

- DECC LA Fuel Poverty Grant
- Troubled Families Grant
- Energy & Climate Change Grant
- Pilots National Pension Fund verification of contributions

## Exceptions

5.11 Of the programmed reviews completed so far this year the number of exceptions in each category have been:

- 15 Critical
- 124 High Risk
- 33 Medium Risk
- 7 Low Risk (improvements)

5.12 The table below is a comparison of the audit status figures, up to 16<sup>th</sup> December 2013 for this financial year and the previous two years.

	<b>2011/2012</b>	<b>2012/2013</b>	<b>2013/14</b>
<b>% of the audit plan progressed</b>	57%	63%	60%
<b>No. of Critical exceptions</b>	1	1	15
<b>No. of High risk exceptions</b>	88	62	124*
<b>No. of reactive days</b>	281	213	213

\*65 of the high risk exceptions relate to Schools where full review programmes are being carried out in 2013/14 that were not carried out in the previous two years.

## On-going Areas

5.13 The following 12 areas are on-going areas of work carried out by Internal Audit;

- Regulation of Investigatory Powers Act (RIPA)- authorisations and training
- Anti-Money Laundering review of Policy and training
- Investigations (included in the 245 days of reactive work)
- Financial Rules, review, waivers, training

- National Fraud Initiative (NFI) to facilitate national data matching carried out by the Audit Commission
- Internal Data Matching of the Council's own data
- National Anti-Fraud Network (NAFN) bulletins and intelligence follow up
- Counter Fraud Programme
- Policy Hub project to ensure that all Council policies are held in one place and staff are notified of the policies relevant to them
- G&A&S Committee reporting and attendance and Governance, Audit Planning and Consultation
- Risk Management

### **Continuous Audit Areas**

- 5.14 The following 5 areas are subject to continuous audit (i.e. regular check to controls) and feed into overall assurance;
- Legionella Management
  - Asbestos Management
  - Key risks management in services
  - Performance Management
  - Business Continuity/Emergency Planning

## **6. Areas of Concern**

### **Concerns identified since the last meeting**

- 6.1 There are 13 new areas of concern (critical exceptions) highlighted in finalised reports to services since the previous status report to this Committee, from this year's Audit Plan.

#### **6.2 MMD Transport Audit**

- 6.2.1 Three new critical exceptions have been raised in relation to the transport activities carried out within MMD to external customers. These refer to the lack of adequate insurance verification in place for sub-contractors used. The existing exposure to the risk of fraud as reliance is placed on key individuals and the failure to safeguard assets appropriately. The details of these exceptions are included in the attached Appendix C

#### **6.3 Secondary School**

- 6.3.1 A special investigation was carried out on a Secondary School and is reported in the Investigation Report to this Committee. However, the audit found nine critical exceptions which identified systemic failings over the management and financial controls in operation. Due to the severity of those failings both the School and the Authority are in Internal Audits opinion, exposed to a critical degree of financial failure, fraud and reputational damage.
- 6.3.2 Audit have given a no assurance opinion that the School are currently using their funds either appropriately or effectively, or that they are safeguarding their assets, complying with relevant regulations and rules, or providing reliable financial and operational information in order to inform their decision making processes.

6.3.3 As a result of our finds the School have been issued with a 'Notice of Concern' in accordance with the scheme for Financing School's, section 2.17, by the Section 151 officer and Director of Children's Services. The Notice sets out the actions that the City Council requires the Governing Body of the School to implement, the expected time scales and the action the City Council will take if the Governing Body fails to comply.

6.3.4 The critical exceptions and additional nine high risk exceptions are detailed in the attached action plan, Appendix D. This Plan also contains the School's response to the issues raised as required under the Notice of Concern.

#### **6.4 Information Governance Arrangements**

6.4.1 One new critical exception was raised as a result of audit testing.

6.4.2 A security check of the building identified that despite two areas being restricted; Legal Service mezzanine floor and Children's Services access was in fact allowed to over 100 people.

6.4.3 Legal Services did not follow a clear desk policy because they believed access was restricted and as a result, they breached the Data Protection Act requirements, as steps had not been taken to secure sensitive and personal information. A follow up audit found that this had been rectified.

6.4.4 Children's Services when interviewed said they followed a clear desk policy but the Security checks during the audit found a number of areas where paperwork was being left on desks, or in unlocked drawers. The management response was to ensure that staff were reminded of their responsibilities and spot checks carried out.

6.4.5 Licensing does not have a clear desk policy and Internal Audit recorded 3 examples of documentation not secured due to moving from a secured area and not having suitable lockable cabinets. However the management response was to rectify this and remind staff of their responsibilities.

6.4.6 See attached appendix E for the extract from the main audit report for further detail.

#### **7. No Assurance Audits**

7.1 Although the following audit areas do not include any critical exceptions they are highlighted in this report as no assurance was given on the effectiveness of controls overall due to the number of high risks identified at the time of audit testing.

##### **7.2 Hire Cars**

7.2.1 A review of the Hire Car system was carried out which identified that there are currently no controls in place that allows the Authority to verify any mileage, fuel or damage costs invoiced to PCC.

7.2.2 In addition to this there are currently no requirements for a hirer to declare the business justification for hiring a car, leaving the system vulnerable to exploitation.

7.2.3 Finally, testing highlighted that there is currently no separation of duties within the invoice checking and payment process.

#### 7.2.4 **Agreed Action**

Management agreed that a record sheet is to be introduced for pool cars requiring hirers to sign a record of the pre and post hire mileage, fuel and damage. The Internet registration process is to be updated with a field for the line manager's email address which will trigger an email to the manager to make them aware that their member of staff is hiring a car. The checking of invoices is to be moved to the Transport Admin Team and to be spot checked by management before payment is made. All actions agreed have been implemented from September 2013.

#### 7.3 **Primary School**

7.3.1 In summary there was no evidence that the School had defined and documented the responsibilities of each person involved in the administration of its finances to avoid the duplication, or omission, of the framework of accountability for governors and staff.

7.3.2 That all appropriate assets are recorded, safeguarded and controlled and disposal of equipment is properly administered and controlled and that the use of the minibus is restricted to authorised staff with all journey details being recorded.

#### 7.3.3 **Agreed Actions**

It was agreed that the structure and responsibilities of governors and staff will be reviewed to ensure financial management requirements are clear to all staff and governors; controls will be put in place to ensure compliance with Financial Rules in relation to the administration and control of the School's assets and the mini bus journey log sheets will be checked and evidenced on a termly basis to ensure that there are no gaps in the odometer readings and purchase of fuel is recorded. A hire agreement form will also be put in place for all external hirers.

#### 7.4 **Youth Offending Team**

7.4.1 Staff are not fully aware of the National Standards timeframes as completion of asset assessments and contact being made is not always in compliance with these. Scoring of young people during assessments did not always clearly link to their risk of reoffending; intervention plan targets are not generally meeting SMART criteria and do not always link to the highest scoring risks and assessments and intervention targets are not always being reviewed in a timely manner.

#### 7.4.2 **Agreed Actions**

The Youth Offending Team Manager has agreed to redistribute and discuss the National Standards. All staff are to attend bespoke assessment, planning, intervention and supervision training; to be reminded of requirements of young person's involvement in asset assessments and case file checks to be undertaken regularly.

#### 7.5 **Safer Recruitment Children's Social Care**

7.5.1 Not all recruiting managers have done the Safer Recruitment training; interview notes and references were not on all files tested. One casual worker had been recruited without HR's knowledge and references, right to work documentation and a DBS check had to be carried out retrospectively; references were not always from appropriate sources, References are not always followed up as a matter of course to confirm that they are genuine.

### **7.5.2 Agreed Actions**

All managers who recruit staff are to undertake the safer recruitment training; HR to be involved in the recruitment of all staff; right to work checks and DBS checks to be undertaken for all new staff. The wording on the reference request is to be modified and checked by the appropriate HR team to ensure that they have come from an appropriate source.

## **8. Comments on Plan 2013/14 to date**

8.1 15 critical exceptions have been identified to date for this financial year. The number of high risk exceptions seems high but this figure is skewed by the number of high risks relating to the Schools Audits and is in fact slightly lower than previous years.

## **9. Proposed Audit Strategy 2014/15**

9.1 The Chief Internal Auditor is required to produce an Annual Plan for each financial year to give a sufficient review of the Authority's functions in order to form an annual opinion on the effectiveness of the control framework. The purpose of the Strategy is to set out the strategic approach that will allow this to be managed.

9.2 The proposed Strategy is attached as Appendix B to this report. It defines:

- the service provision,
- how the functions are to be identified and risk assessed for inclusion in the Plan
- the activities that are required to be carried out regardless of risk.

## **10. Equality impact assessment (EIA)**

10.1 The contents of this report do not have any relevant equalities impact and therefore an equalities assessment is not required.

## **11. City Solicitor's Comments**

11.1 The City Solicitor has considered the report and is satisfied that the recommendations are in accordance with the Council's legal requirements and the Council is fully empowered to make the decisions in this matter.

11.2 Where system weaknesses have been identified he is satisfied that the appropriate steps are being taken to have these addressed.

## **12. Head of Finance & S151 Officer Comments:**

12.1 There are no financial implications arising from the recommendations set out in this report.

12.2 The S151 Officer is content that the progress against the Annual Audit Plan and the agreed actions are sufficient to comply with his statutory obligations to ensure that the Authority maintains an adequate and effective system of internal audit of its accounting records and its system of internal control.

.....  
Signed by: Lyn Graham, Chief Internal Auditor

**Appendices:**

- Appendix A - Completed audits from 2013/14 Audit Plan
- Appendix B - Audit Strategy for 2014/15 Audit Plan
- Appendix C- MMD critical exceptions & action plan
- Appendix D - School critical exceptions & action plan
- Appendix E- Information Governance Arrangements & action plan

**Background list of documents: Section 100D of the Local Government Act 1972**

The following documents disclose facts or matters, which have been relied upon to a material extent by the author in preparing this report:

<b>Title of document</b>	<b>Location</b>
1 Accounts and Audit Regulations	<a href="http://www.legislation.gov.uk/uksi/2011/817/contents/made">http://www.legislation.gov.uk/uksi/2011/817/contents/made</a>
2 Audit Strategy 2013/14	<a href="http://www.portsmouth.gov.uk/media/gas20130124r7appB.pdf">http://www.portsmouth.gov.uk/media/gas20130124r7appB.pdf</a>
3 Previous Audit Performance Status and other Audit Reports	Refer to Governance and Audit and Standard meetings – reports published online <a href="http://www.portsmouth.gov.uk/yourcouncil/10349.html">http://www.portsmouth.gov.uk/yourcouncil/10349.html</a>



Service	Function	Exceptions				Assurance					Actions agreed	Summary of areas where no assurance can be given
		Critical	High	Medium	Low	Internal Control Environment	Compliance with Laws, Regs, Rules, Procedures and contract conditions	Safeguarding of assets	Effectiveness of ops	Reliability and Integrity		
Finance- Chris Ward	Income Handling Project	0	0	1	0	GREEN	GREEN			AMBER	✓	Testing highlighted that the PIMS project manager is not provided with up to date budgetary information on the project.
	Capital Accounting	0	0	0	0	GREEN	GREEN		GREEN	GREEN	N/A	No exceptions raised
	Cash Collection	0	5	0	0	AMBER	AMBER	AMBER		AMBER	✓	Testing highlighted not all staff in the main cash complex had signed the cash handling instructions, floats are not randomly spot checked, lack of separation of duties when checking money and at Portsmouth Dog Kennels the spare keys to the safe were held in it
	Banking	0	1	1	0	GREEN	AMBER	GREEN	AMBER	GREEN	✓	Testing highlighted that non compliance with financial rules in relation to account reconciliations. Testing also evidence that PCC do not have a current contract directly with G4S, this is being managed through the Hampshire contract
	Petty Cash/Imprest Accounts	0	5	1	0		AMBER	GREEN	AMBER		✓	Testing highlighted that the list of petty cash/imprest accounts was not up to date, not all claims had sufficient evidence to support the payment, reconciliations had not always been carried out one monthly basis, not all claims were supported by a VAT receipt. Follow up testing evidenced that management checks had only just commenced on the main cash complex.
	Controlled Stationery	0	1	0	0	GREEN	GREEN	GREEN	AMBER		✓	Non compliance with procedures for the chasing of receipt memos to ensure stationery has been received
Corporate Governance- Michael Lawther/ Chris Ward/ Jon Bell	Corporate Governance arrangements	1	3	1	1	AMBER	AMBER	AMBER	AMBER	AMBER	✓	Testing identified breach of the DPA steps had not been taken to secure sensitive information, not all staff in Childrens Services were using the locked print function, correspondence sent out was not correctly addressed, Lack of information governance training amongst staff in Childrens Services, data is being held for longer than required. for FOI requested timescales are not being met

Service	Function	Exceptions				Assurance					Actions agreed	Summary of areas where no assurance can be given
		Critical	High	Medium	Low	Internal Control Environment	Compliance with Laws, Regs, Rules, Procedures and contract conditions	Safeguarding of assets	Effectiveness of ops	Reliability and Integrity		
Housing and Property Management- Owen Buckwell	Security		1			GREEN	GREEN	GREEN		AMBER	✓	Testing identified that there were 527 of ID swipe cards that had not been used in the last 3 months.
	Cleaning contract				1	GREEN	AMBER		GREEN		✓	Testing identified that on some passes held by the cleaners it was not possible to identify them.
	Sheltered Housing Service											Testing highlighted that the safe at one of the blocks was not compliant with insurance requirements, appointeeship funds did not reconcile and in some cases did not show a running balance, residents reviews of their support plans are not being recorded on their files, cash handling instructions had not been signed by staff, money was being held in a glass jar at one of the sheltered blocks and gifts and hospitality sheets are not being reviewed by management.
Corporate Assets Business and Standards- Alan Cufley	Pest Control		2	3	1	GREEN	AMBER		AMBER		✓	Testing highlighted that there was not a current up to date inventory in place for the equipment used by Pest Control Operatives.
Follow Ups	Welfare Burials	0	0	1	0	GREEN	GREEN	AMBER	GREEN		✓	Follow up testing identified succession planning to be implements by January 2014 and items held in the store cupboard relating to old cases to be destroyed.
Adult Social Care- Rob Watt	Commissioned Services		1	0	0	GREEN	GREEN	GREEN	AMBER		✓	Testing identified that 33% of the sample were reviewed outside of the 12 monthly review cycle.
	Residential and Day Centres self assessments											Testing highlighted at one day centre there is no log of who has keys to the building, purchase orders are being raised after invoices are received and lack of control over amenity funds.
Follow Ups	Client Affairs	0	0	0	0	GREEN	GREEN				N/A	All exceptions closed
	Deferred Payments	0	0	0		Green					N/A	All exceptions closed
HR, Legal and Performance- Jon Bell	DBS checks					GREEN	GREEN		GREEN		N/A	No exceptions raised
	Land Charges		0	1	0	AMBER	GREEN	GREEN			✓	Testing highlighted that there are no written procedures for the administration of Land Charges.

Service	Function	Exceptions				Assurance					Actions agreed	Summary of areas where no assurance can be given
		Critical	High	Medium	Low	Internal Control Environment	Compliance with Laws, Regs, Rules, Procedures and contract conditions	Safeguarding of assets	Effectiveness of ops	Reliability and Integrity		
	Data Quality Checks	0	1	4	1	AMBER			AMBER	AMBER	✓	Testing highlighted that performance was not being monitored, cases were not being formally closed, no analysis of files is carried out to establish training needs, staff are not aware of the amount of work being outsourced, client feedback is not formally sought and the cost of external works can not be analysed in an efficient manner
	Purchase cards	2	1	0	0	AMBER	RED		RED		✓	Testing highlighted that the Purchase card policy was out of date. Testing evidenced breaches of the Purchase Card Policy and procedures, HMRC VAT regulations and Financial Rule G38
Education and strategic Commissioning- Di Mitchell	City Boys Secondary		5	2		AMBER	AMBER	AMBER	GREEN	GREEN	✓	No compliance with Schools Financial Value Standards, data protection, lack of income spot checks, non compliance with financial rules for purchase cards and inventory.
	St Pauls RC Primary		6			GREEN	AMBER	AMBER	GREEN	AMBER	✓	Non compliance with financial rules for income, purchase cards, inventory. Non compliance with the Scheme for Financing Schools in relation to voluntary funds
	Newbridge Junior		1	1		GREEN	AMBER	GREEN	GREEN	AMBER	✓	The review highlighted a lack of current IT policy inclusive of principle 7 from the Data Protection Act. Non compliance with the Scheme for Financing Schools in relation to voluntary and private funds.
	Mayfield Secondary		14	1		AMBER	AMBER	AMBER	GREEN	AMBER	✓	Non compliance with financial rules for petty cash, purchase cards, separation of duties in relation to income, purchase orders, quotations and inventory. Lack of MIDAS training and recording of odometers. Retention of CRB check against data protection act requirements. Non compliance with the Scheme for Financing Schools in relation to delegated spending limit and hire agreement forms
	College Park Infant					GREEN	GREEN	GREEN	GREEN	GREEN	✓	No exceptions raised.

Service	Function	Exceptions				Assurance					Actions agreed	Summary of areas where no assurance can be given
		Critical	High	Medium	Low	Internal Control Environment	Compliance with Laws, Regs, Rules, Procedures and contract conditions	Safeguarding of assets	Effectiveness of ops	Reliability and Integrity		
	Medina Primary		6	1		AMBER	AMBER	AMBER	GREEN	GREEN	✓	Non compliance with financial rules for petty cash, inventory, quotations and purchase cards. Lack of clarity in relation to budget monitoring and controls in relations to the odometer readings of the mini buses
	Moorings Way Infant		9	1		AMBER	AMBER	AMBER	GREEN	GREEN	✓	Testing evidenced that the chair of Governors is also the Chair of Finance, keys are not removed from site breaching insurance requirements, inappropriate use of petty cash, petty cash account had gone overdrawn, purchase card statements had not been reviewed by an appropriate officer, inventory is not in accordance with financial rules, pecuniary interests had not been registered, lack of quotes for work undertaken, incorrect budget approval and lack of public liability insurance on record for after school club coordinators.
	Charles Dickens		10	2	1	AMBER	AMBER	AMBER	AMBER	GREEN	✓	Testing evidenced non compliance with the SFVS, purchase orders were not being raised in advance of expenditure and the infants school account had not been closed, breach of data protection act principle 7 and DPA registration for the infants school ceased in Nov 13 and Juniors is due to cease in Dec 13, Breach of the PCC scheme of financing schools, petrol claims for mileage that cant be accounted for, breach of DBS code of practice, breach of financial rules in relation in inventory. No evidence that staff are aware of and have signed the whistleblowing policy and register of pecuniary interests is not kept up to date.
	Cumberland Infant	0	1	1	0	GREEN	AMBER	AMBER	GREEN	GREEN	✓	Testing evidenced that purchase card transaction logs were not being signed by an appropriate manager and that the inventory held electronically but not password protected and a reason for disposal of items was not given.

Service	Function	Exceptions				Assurance					Actions agreed	Summary of areas where no assurance can be given
		Critical	High	Medium	Low	Internal Control Environment	Compliance with Laws, Regs, Rules, Procedures and contract conditions	Safeguarding of assets	Effectiveness of ops	Reliability and Integrity		
	Fernhurst Junior	0	2	1	0	GREEN	AMBER	AMBER	GREEN	AMBER	✓	Testing highlighted access to cash in the school office during working hours was not restricted, disposal from the inventory were not being written off by the Head Teacher and no audit of the voluntary and private funds had been conducted.
	Court Lane Infant	0	2	0	1	GREEN	AMBER	AMBER	GREEN	AMBER	✓	Testing highlighted that serial numbers were no longer being recorded on the inventory sheets, there was no evidence of independent audit of the voluntary and private funds and access to cash in the school office during working hours was not restricted.
Children's Social Care and Safeguarding- Stephen Kitchman	Youth Offending Team	0	6	0	0	AMBER	AMBER		AMBER			Testing identified that staff are not fully aware of National Standards timeframes, completion of asset assessments and contact being made is not always in compliance with National Standards timeframes, scoring of young people during assessments did not always clearly link to their risk of reoffending, intervention plan targets are not generally meeting SMART criteria and do not always link to the highest scoring risks and assessments and intervention targets are not always being reviewed in a timely manner
	National Policy for Community Orders (Recruitment of YOT Volunteers)	0	1	0	0	GREEN	AMBER	GREEN	GREEN		✓	Testing highlighted that the recruitment process had not been adhered too.
	Looked after children Issues Resolution Process	0	0	0	1	GREEN	GREEN		GREEN		✓	Testing highlighted that not all notifications were being recorded in the same place.
	Kinship Policy		1			AMBER	GREEN		GREEN	GREEN	✓	Testing highlighted a lack of knowledge of the Friends and Family careers framework.
	Foster Placements and residential care self assessments	0	1	1	0	AMBER	AMBER		GREEN		✓	Testing highlighted at one of the units is no longer staffed 24/7, however there is no intruder alarm and not all staff had completed Information Governance training. Testing also highlighted at one unit there is only one signatory for the petty cash account.

Service	Function	Exceptions				Assurance					Actions agreed	Summary of areas where no assurance can be given
		Critical	High	Medium	Low	Internal Control Environment	Compliance with Laws, Regs, Rules, Procedures and contract conditions	Safeguarding of assets	Effectiveness of ops	Reliability and Integrity		
	HR Safer recruitment Childrens Services	0	3	0	0	AMBER	AMBER		GREEN		✓	Testing highlighted a lack of Safer Recruitment training, recruitment checks are not carried out
Follow Ups	Transfer of cases between teams	0	0	0	0	GREEN	GREEN		GREEN		✓	Testing evidenced that all previously raised exceptions have been implemented as agreed.
	PACT -Protection of Court Teams quality of paperwork	0	2	0	0	GREEN	GREEN	AMBER	GREEN		✓	Testing highlighted that legal documentation was still not being sent within the time frame, however changes have been made to the process which are now in place and training will be delivered in October 2013.
	Family Support Team	0	1	0	0		AMBER				✓	Follow up testing identified the team has been restructured however it was not possible to confirm if procedures are being complied with
	Family Support Team Second Follow Up	0	1	0	0		AMBER				✓	Second follow up testing identified that after the procedures were changed, there was no child in need plan for one case, one plan did not identify actions and planning meetings were not always within 4 weeks.
	EC Roberts Centre	0	1	0	0				AMBER		✓	Follow up testing highlighted that spot checks are not being recorded, it was therefore not possible to evidence that the previously agreed action had been implemented.
<b>Customer, Community and Democratic Services- Louise Wilder</b>	Registrars	0	1	0	0	AMBER	GREEN	GREEN	GREEN	GREEN	✓	Testing highlighted that staff had not completed mandatory training or signed the cash handling instructions
	Elections	0	0	0	0	GREEN	GREEN	GREEN	AMBER		✓	Testing highlighted that there was no consistence in payments made to schools for the use of the site as polling stations
<b>City Development and Cultural Services - Stephen Baily</b>	Mountbatten Centre Client Monitoring	0	1	0	0		GREEN	AMBER	GREEN		✓	Testing highlighted that the checks had not been undertaken to ensure that the correct value was being insured.
	Programme/ Project management	0	5	2	0	AMBER	AMBER	GREEN	GREEN		✓	Testing highlighted non compliance with Corporate Projects Methodology. i.e. no project assurance roles. Non compliance with

Service	Function	Exceptions				Assurance					Actions agreed	Summary of areas where no assurance can be given
		Critical	High	Medium	Low	Internal Control Environment	Compliance with Laws, Regs, Rules, Procedures and contract conditions	Safeguarding of assets	Effectiveness of ops	Reliability and Integrity		
<b>HIDS, Community Safety and Licensing- Rachel Dalby</b>	DBS check requirements and Automotive checks and right to work in the UK	0	0	0	0		GREEN				N/A	No exceptions raised
Follow Ups	ASBO	0	0	0	0		GREEN		GREEN		N/A	Testing evidenced that all previously raised exceptions have been implemented as agreed.
<b>PORT</b>	Camber letting- agent collecting Harbour dues	0	2	0	0	GREEN	AMBER		AMBER		✓	Testing highlighted weak controls on work carried out by the Managing agent at the Camber, the previous management checks had not been followed up to ensure agreed actions had been implemented. Non compliance with section 4 of the special conditions of the contract.
<b>Public Health</b>	Transfer of Staff	0	1	1	0	AMBER		AMBER		GREEN	✓	Testing identified that PCC payroll did not have the facility to pay mileage to PCT staff and non compliance with the filling of posts in receiving organisations policy.
	Statement of Grant Usage	0	0	3	0	GREEN	AMBER				✓	Testing highlighted that the grant return is not correct and is understated.
<b>Revs and Bens- Ed Woodhouse</b>	HB and CT Benefits	0	0	0	0	GREEN	GREEN				N/A	No exceptions raised
<b>Transport and Environment- Simon Moon</b>	Carbon Reduction programme	0	0	0	0	GREEN	GREEN			GREEN	N/A	No exceptions raised
	Colas- Clean City	0	0	0	0	GREEN	GREEN		GREEN		N/A	No exceptions raised
	Public Transport retender	0	0	0	0		GREEN				N/A	No exceptions raised
	Hire Cars	0	3	1	0	AMBER	GREEN	GREEN	AMBER		✓	The review highlighted lack of checks on driving licences and hire car request forms, a lack of system to record mileage, damage and fuel consumption. No requirement for a business need for the hire is required. Lack of separation of duties when confirming invoices.
	Fuel purchases	0	2	0	0		AMBER				✓	Testing highlights non retention of VAT receipts and lack of evidence and monitoring that the fuel purchased is proportionate to the business requirement
	Payments for staff parking and fines	0	0	0	0		GREEN				N/A	No exceptions raised
<b>External</b>	Spinnaker Tower	0	1	1	0	GREEN	AMBER		AMBER		✓	Testing highlighted lack of responsibility of debt and discrepancy of income collected due to promotional offers.
	Langstone	0	0	0	0	GREEN	GREEN	GREEN	GREEN	GREEN	N/A	No exceptions raised

Service	Function	Exceptions				Assurance					Actions agreed	Summary of areas where no assurance can be given
		Critical	High	Medium	Low	Internal Control Environment	Compliance with Laws, Regs, Rules, Procedures and contract conditions	Safeguarding of assets	Effectiveness of ops	Reliability and Integrity		
	MMD Transport	3	1	0	0	RED	RED		RED		✓	Testing highlighted that no insurance documents had been obtained for the sub-contractors. The risk of fraud had not been adequately mitigated and assets had not been protected.
	Secondary School	9	9	0	0	RED	RED	RED	RED	RED	In progress	The work carried out highlighted a complete failure by the School to maintain any effective internal control framework over governance, risk management and financial probity.
		15	124	33	7							



**Draft new INTERNAL AUDIT STRATEGY 2014/15**

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**Purpose**

1. The purpose of the Audit Strategy is to set out the strategic approach which allows the Chief Internal Auditor to manage the audit service in a way that will facilitate:
  - A sufficient review of the Authority's functions in order to form an annual opinion on the effectiveness of the control framework. This opinion forms part of the Annual Governance Statement, a statutory requirement and must incorporate a statement on Internal Audits conformance with the Public Sector Internal Audit Standards.
  - An assurance on the organisations governance and control arrangements, including risk management, through the annual audit plan in a way that gives suitable priority to the organisations objectives and risks
  - Improvement of the organisations governance, control and risk management, by highlighting exceptions to line management and agreeing mitigating actions
  - The identification of audit resources and that they are suitably qualified and experienced as required by the Public Sector Internal Audit Standards in the UK
  - Effective co-operation with external auditors
  - Value for money including selling of specialist skills to fee paying customers and joint working/shared arrangements
  - Reactive work such as advice, consultancy services and investigations that add value to the organisation in meeting its objectives and aims to improve governance and risk management
  - Horizon scanning to ensure the inclusion in the audit risk analysis of key areas likely to impact on the organisation
2. The Chief Internal Auditor is required to produce an Annual Plan for each financial year that translates into a schedule of audit assignments. It defines the area and duration of each audit based on each audit's programme, risk assessment, national or local impacts, time spent in previous audits, any problems encountered and level and skill of staff involved.
3. All of these activities assist Services and the Organisation to manage governance, risk and assurance as a contribution to achieving the objective of creating a great waterfront city

**Scope and Responsibilities**

4. The scope and responsibilities relating to Internal Audit are specified in Financial Rules as well as in the Audit Charter and Code of Ethics.

**Audit Opinion**

5. The overall Annual Audit Opinion will be delivered in the Annual Report and will be based on the adequacy and effectiveness of controls tested within the control framework.

**Draft new INTERNAL AUDIT STRATEGY 2014/15**

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- Internal control environment;
  - Reliability and integrity of financial and operational information;
  - Effectiveness and efficiency of operations and programmes;
  - Safeguarding of assets; and
  - Compliance with laws, regulations and rules, policies, procedures and contracts.
6. Evidence for this opinion will be based on the coverage of the Audit Plan and the overall level of critical and high exceptions found on each of the Audits.
7. Critical exceptions are those exceptions seen as “show stoppers” i.e. control failures or weaknesses that could lead to prosecution or the imminent collapse of a system or service that would result in reputational and financial damage These will be reported to Members along with the managers proposed actions or actions that have been taken.
8. High risk exceptions are where action needs to be taken to address significant control weaknesses but over a reasonable timeframe rather than immediately. These issues are not “show stopping” but are still important to ensure that controls can be relied upon for the effective performance of the service or function. If not addressed, they can, over time, become critical. If there are several high risk exceptions in one area Internal Audit will highlight these to Members along with the managers response
9. Depending on the level of critical and high risk exceptions in comparison to the number of reviews carried out then the opinion could range from no assurance through limited assurance to full assurance. The levels and control framework areas of critical and high risk exceptions will also be compared to previous year’s levels to give an indication of improvement, or otherwise, in the effectiveness of the control framework.
10. To widen the assurance scope and maximise resources, Internal Audit will, wherever possible, rely on the assurance work of others. This is only where they have satisfactorily tested documentation, the level of testing and reporting for objectivity, integrity, accuracy and sufficiency. To this end self assessment checks are being promoted in some areas which will be spot checked by Internal Audit for integrity.

**Service Provision**

11. There is an in-house mix of full and part time audit staff totalling 9.0 FTE for the provision of the Internal Audit Service, with a proportion being sold to other local authorities and external organisations. The Public Sector Internal Audit Standards for Internal Audit in the UK requires that staff are suitably qualified and experienced. All staff in Internal Audit either have a relevant qualification (CCAB or MIIA) or are in training to become qualified, in addition senior staff have several years internal audit experience. Staff specialise in specific areas and mentor other staff as successors; for example the Principal Auditor specialising in Contracts and Procurement

**Draft new INTERNAL AUDIT STRATEGY 2014/15**

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- mentors a junior member of staff in that specialism, as part of their development.
12. Audit skills and resources are matched to the areas to be audited and any high risk audits that will not be covered are brought to the attention of the Corporate Governance Group which consists of the Chief Executive, Monitoring Officer, S151 Officer and Head of Legal HR and Performance as well as the Members of the Governance and Audit and Standards and Standards Committee, for them to make a decision on Audit resourcing.
  13. In order to maximise resources between the External Auditors and Internal Audit, the Chief Internal Auditor and the External Audit Manager try to take into account where their resources can be shared. External Audit are allowed to place reliance on Internal Audit work, where they can, in order to form their opinion on the Authority's accounts. It may in some cases be more cost effective for Internal Audit to carry out some of the system work. However, this depends on Internal Audit priorities and resources available at the time. To this end the Audit Plan risk assessment takes into account (amongst other things) the External Audit interest in the Authority's financial systems.
  14. The responsibility for fraud detection and investigation rests with managers. However, investigations have always been part of the audit function because of the independence of the function and the possession of the investigative and evidence gathering skills required and in order to identify weaknesses in control to prevent re-occurrences. Three audit staff are qualified in Internal Investigations, three are qualified in forensic PC investigations and one is an accredited Financial Investigator.
  15. There are some non-audit duties that are carried out because they sit within the audit skill mix and these are RIPA (Regulation of Investigatory Powers Act), and Anti Money Laundering investigations and reporting as well as counter fraud activities.
  16. The Chief Internal Auditor also drives the project for the on-going review of Financial Rules and their cascade to staff under the direction of the S151 Officer.
  17. The Authority no longer has a Corporate Risk Manager, however due to Internal Audit's unique position in the organisation have brought together a new policy and process for the management of risk. The assessment of the Audit Universe is based on this new risk policy.

**Consultation**

18. The Chief Internal Auditor and Deputy Chief Internal Auditor consult with the Chief Executive and Strategic Directors, all the Heads of Services and the Chair of Governance and Audit and Standards prior to the start of the new financial year, requesting any additional items or other comments as well as the Strategy Unit re Partners and Partnerships.

**Draft new INTERNAL AUDIT STRATEGY 2014/15**

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18. In order to preserve the independence of Internal Audit the final risk assessment and inclusion in the Annual Plan rests with the Chief Internal Auditor.

**Assignments**

19. The determination of the audit universe and scope of Internal Audit is defined in the Audit Charter and Code of Ethics. The Annual Audit Plan is derived from the audit universe based on risk however the Plan must also make provision for the following areas regardless of any risk assessment;
- **Data matching exercise** – a compulsory exercise matching records between authorities to identify any fraudulent claims. This is carried out every year with specified mandatory areas carried out bi-annually,
  - **External services** - Gosport and Eastleigh Council, Bournemouth Council. We have an agreement with the aforementioned councils to provide some IT Audit,
  - **Internal services** - MMD and Schools where Internal Audit is purchased under an SLA or contract.
  - **Follow-up Audits** – To ensure that critical and high exceptions have been implemented as agreed,
  - **Reactive work (Advice and unplanned work)** – To allow for; changes in priorities and issues that arise during the year; extensions to reviews where further testing may be required because of control weaknesses; advice on general control issues and Financial Rule Waiver requests,
  - **Investigations** – To provide an independent investigation service on internal irregularities that require investigative and evidence gathering skills. Also to review controls post investigation as part of the core audit function,
  - **Fundamental Financial Systems** – including Payroll, main accounting and others as agreed with the External Auditors,
  - **Audit slippage-** Audits started at the year end will often be completed in the early part of the new financial year.
  - **Deferred Audits-** High risk audits that have been deferred because the activity has been deferred or the programme has slipped for example delayed implementation of new systems etc,
  - **Counter fraud activities** – including proactive anti fraud checks, education and updating of policies,
  - **Spot checks on Governance Arrangements,**
  - **Certification of some grant claims,**
  - **Emerging high risk areas** (These are generally activities that are identified as high risk from another audit review during the year but due to limited audit resources are deemed priority for the following year's audit plan).
  - **Continuous audit on corporate risks as determined by the Strategic Directors Board**
20. The Financial Management Standard in Schools has undergone significant change and is no longer subject to external assessment. As well as this some

**Draft new INTERNAL AUDIT STRATEGY 2014/15**

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schools are no longer under PCC jurisdiction. Therefore, the establishment audits of schools will no longer form part of the Audit Plan unless requested.

**Priority**

21. The Accounts and Audit Regulations require that Internal Audit provide independent assurance on the control framework (the Audit Opinion) for inclusion in the Annual Governance Statement (AGS) therefore, the priority for the Audit Service must be to carry out and achieve the planned work as contained in the Annual Audit Plan.
22. Once the items listed in paragraph 19 have been taken into account all other areas identified as being within the Audit remit will be subject to an Audit Needs Risk Assessment (ANRA).
23. The Audit Needs Risk Assessment takes into account the significant risks facing the organisation and assurance required by organisation which includes the drivers behind activities e.g. financial/ legal/ Government and the threats facing achievement of those objectives as well as tested control assessment. These are weighted by the number of years since a previous audit or mandatory requirement, e.g. as those listed in paragraph 19.
24. The Section is resourced to cover only high-risk audits with an allowance for reactive and investigation work.
25. Reactive work is prioritised and may be carried out in preference to items in the Audit Plan if assessed as immediate priority (by either the Investigation Steering Panel if it is a financial irregularity investigation or by the Chief Internal Auditor if a review needs further Audit work) in accordance with the following criteria;
  - Risks if the work is not carried out,
  - Impact on the Audit Plan,
  - Whether the work can be left until the Plan is reviewed or is immediately required.

**Horizon Scanning**

26. On-going horizon scanning is carried out to identify any new areas of emerging risk that may impact upon the Authority achieving its aims and objectives. The areas of concern identified are:
  - Public Health Duties (Health and Social Care bill) which may bring risks because of differences in such things as, risk and insurance treatment as well as due diligence, commissioning risks and value for money
  - Reduction in inspection and performance regimes resulting in a possible loss of governance and/or increased work pressures for Internal Audit for example on assisting with assurance reports to support the accounts.
  - Recessional difficulties as well as the austerity measures introduced by the Government could impact on the financial stability and contingency arrangements of third parties that contract with the Council,
  - The impact of budget cuts on the whole of the organisation and in particular the care services as this is demand led,

**Draft new INTERNAL AUDIT STRATEGY 2014/15**

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- The risks to property assets in particular landlord responsibilities and maintenance due to budget cuts,
- Welfare reforms and changes in Council Tax collection,
- Budget savings which could impact on existing system controls and adding risk because of loss of experienced staff, removing layers of management, reducing scope for separation of duties, pressures on service delivery etc

**Flexibility**

27. The Audit Plan will be reviewed six monthly to take account of any significant changes in priority that have occurred during the year.

LW Graham

Chief Internal Auditor

*References: Audit Charter and Code of Ethics and Audit Manual;*

*Public Sector Internal Audit Standards in the UK;*

*Accounts and Audit Regulations 2011;*

*Money Laundering Regulations 2006.*



**INTERNAL AUDIT REPORT  
MMD - Transport**

**EX.1 - 1213-138 - MMD Transport - Sub-contractors - CMP**

**Priority Level**

**Critical Risk**

**Exception**

MMD sub-contract haulage journeys to a number of haulage companies.  
The Transport Manager also confirmed that presently there is no process in place to ensure up-to-date copies of insurance documents are obtained for the sub-contractors. A sample of five haulage contractors were selected no current insurance certification could be evidenced for any of those tested.

**Risks and Consequences**

Financial - financial loss due to no/under insurance.

**Agreed Action**

A system has been set up to ensure all subcontractors have their insurance checked annually.

**Person Responsible / Action by Date**

Haulage Manager – March 2013

**EX.2 - 1213-138 - MMD Transport - Process - ICE**
**Priority Level**
**Critical Risk**
**Exception**

A review of the processes in the transport department was carried out to establish whether there are sufficient controls in place to prevent or detect fraud. Changes have been made to the system to improve the controls in place, however the risk of fraud/ error occurring within transport activities is still not adequately mitigated as;

- The system in place puts significant reliance on the Transport Manager to negotiate rates with haulage sub-contractors for journeys undertaken on behalf of MMD and the back load rates with customers as these don't follow the schedule of rates.
- Orders for deliveries of items not from MMD stock e.g. backloads, are reliant upon the Transport Manager or the assistant manually entering the journey details into 'HARM' and then raising a manual invoice request to recover the costs from the customer. There is no compensating control that reduces the risk of error or fraud.
- The system is not efficient with various manual and electronic (system generated) processes. Many of the records used can be altered or in the case of 'HARM' (excel spreadsheet) deleted/ amended, for example to change the price and remove the order from the system.

The Transport Manager has confirmed that there are no written agreements in place with any of the companies, as all orders and agreements are made verbally, including pricing. Therefore the Road Haulage Association conditions of carriage apply to all sub-contracted journeys. There is however no written agreement for the price of the journey until the purchase order is sent to the customer, which normally takes place the day after the journey.

**Risks and Consequences**

Fraud risk - Adequate controls are not in place to prevent/detect fraud.

Operational risk – The system is open to error

Legal/Operational - Dispute resolution may be difficult without agreed written prices in advance of journeys.







**INTERNAL AUDIT REPORT  
MMD - Transport**

<p>tolerances (i.e. +/- 5%) will be investigated by the Financial Controller. Any necessary escalation will be taken to the MMD Board</p> <p>The Transport Manager has control of the customer haulage rates and informs the Directors on a regular basis of his business plan and changes. Directors compare haulage rates with the previous set of haulage rates for any anomalies</p> <p>2.2 Backloads Backloads are now recorded in HARM by the Haulage Manager and his deputy. Trips are raised in Navision by the Haulage Admin Assistant (who records the Trip number in the HARM) and subsequently invoiced in Navision by Finance, so there is a segregation of duties</p> <p>The HARM's structure and static data is a password controlled spreadsheet. The password is only known by Accounts. The HARM is reconciled to Navision invoicing, monthly, to within 1%. The Financial Controller will investigate and escalate accordingly any variances beyond a 1% tolerance</p>	<p>Transport Manager &amp; Directors- Ongoing Financial Controller –Ongoing</p> <p>Completed</p> <p>Financial Controller - on-going</p>
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**EX.3 - 1213-138 - MMD Transport - Asset Utilisation – EOO**
**Priority Level**
**Critical Risk**
**Exception**

Testing was carried out to establish whether the hired units and trailers were being fully utilised, this highlighted that unit usage reviewed via the information in HARM however there is no analysis of the trailer usage. The Transport Manager states that the vehicles are used regularly, but there is no review of the actual day's usage.

A review of the taco readings for all drivers for the period of 17th September 2012 to 14th October 2012 was conducted as this records which unit was used. This highlighted that there were significant periods where the units were not used for example unit registration KYC was only used for 5 days over the entire period.

**Risks and Consequences**

Financial - Not maximising income by fully utilising assets.

Fraud risk – MMD assets are used for non MMD business.

**Agreed Action**

Trailer usage has not been monitored daily.  
 The HARM has now been modified to include trailers, so utilisation can be regularly monitored  
 Unit and trailer usage statistics will be reported to the MMD Board on a monthly basis as part of the Monthly Information Pack

Periodic spot checks to verify that trailers not logged out remain on site

**Person Responsible / Action by Date**

Transport Manager / Financial Controller - Completed 8/3/13

Financial Controller –Ongoing

**EX.4 - 1213-138 - MMD Transport - Drivers – EOO**
**Priority Level**
**High Risk**
**Exception**

Testing was carried out to establish whether the three permanent drivers were being fully utilised in accordance with their contracts of employment.

For one of the drivers the tachograph readings for the period 17th September 2012 to 14th October 2012 showed only three shifts worked, compared to the timesheets for the period showing 18 journeys plus 5 days holiday.

Following consultation with the company that provide the tachographs it was established that the initial report run was not accurate and a correct report was provided which highlighted infringements on the Road Transport (Working Time) Regulations 2005.

The initial report, showing only three journeys, had been checked by the Assistant Transport Manager and signed by the driver.

**Risks and Consequences**

Legal/Financial – Penalty for non-compliance or potential removal of operators licence

Health & Safety of drivers not being adequately monitored.

Fraud Prevention – Inaccurate records being checked and approved as authentic.

**Agreed Action**

MMD drivers are legally entitled to opt out of night time working restrictions, & once this has been recognised, there will be no significant infringements.  
MMD to apply for collective opt out agreement so as not to be restricted to 10 hour night time working.

**Person Responsible / Action by Date**

Transport Manager – March 2013

Finding	Risk and Consequence	Action Proposed, Date by and Responsible Officer/ Person.
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**Value for Money**

<p>1. It was identified during testing that the School had purchased ink and toner cartridges from a supplier that cost, on average, 4 times above the lowest price available as a result of market research.</p> <p>At the beginning of the year it was identified by the Head teacher that an upgrade of IT equipment was required in order to prepare for Ofsted. On the recommendation of the [REDACTED] 25 refurbished HP Pavilion laptops and 25 solid state hard drives (SSD), which were bought to upgrade the laptops on arrival, were purchased. The motivation for the hard drive upgrade was that they would provide increased performance and durability. The unit price for these laptops and SSD was £398.99 exc VAT, where market research shows that the same items could have been purchased for £341.50 exc VAT.</p>	<p>[REDACTED] - (SOA) There has been failure to obtain best value on the purchase of ink and toner cartridges and upgraded IT equipment.</p> <p>This is a breach of the <b>Scheme for Financing Schools - Section 2.6</b> Efficiency and Value for Money which states that 'schools must seek to achieve efficiencies and value for money, to optimise the use of their resources and to invest in teaching and learning, taking into account the Authority's purchasing, tendering and contracting requirements'.</p> <p>The potential overspend and loss of funds for the School, in the first example is estimated at £16k on expenditure of £21k. In the second example the loss is estimated at £1,437 on expenditure of £9,974.</p>	<p>The school are looking to appoint a new member of staff and to review the job description of the [REDACTED]. The school envisage that this will be a two tier process. The first stage being the appointment of a full time temporary [REDACTED] (After interview and skills appraisal an administrative assistant was appointed from the Government Apprentice scheme, who will take up duties from 6<sup>th</sup> January 2014). This member of staff will be responsible for receiving, unpacking and entering new items on the school inventory. This person will also be responsible for implementing and operating a robust and secure stock control system for items such as ink cartridges. The [REDACTED] will be line managed by the [REDACTED] and [REDACTED], and monitored by the [REDACTED].</p> <p>The second phase of the process is the review of the [REDACTED]'s role and responsibilities, which will be undertaken by the Head Teacher, Chair of Governors and Link Governor for ICT. Job description information will be obtained from PCC. Until such an appointment is made all orders for ink cartridges and ICT equipment will be checked by the link governor for ICT.</p> <p>The Finance and Staffing sub-committee</p>
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Finding	Risk and Consequence	Action Proposed, Date by and Responsible Officer/ Person.
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		<p>commissioned the ██████████ to undertake a price survey of ink and toner cartridges from permitted suppliers using criteria of named brand, high quality, stipulating no refills, from approximately six suppliers, including the historical supplier This information to be made available at the next Finance and Staffing sub- committee meeting on the 10<sup>th</sup> December 2013.</p> <p><b>Action point:</b></p> <p>Short term:</p> <ul style="list-style-type: none"> <li>○ Obtain price comparison information.</li> <li>○ All orders for ICT equipment and cartridges to be monitored.</li> <li>○ Appointment of Administrative Assistant.</li> </ul> <p>Medium term:</p> <ul style="list-style-type: none"> <li>○ Stock control system to be implemented.</li> <li>○ The role and responsibilities of the ██████████ to be reviewed using PCC guidelines, by the Head Teacher and a governor from the Finance and Staffing sub-committee, training needs to be identified.</li> </ul> <p>Long term:</p> <ul style="list-style-type: none"> <li>○ Regular stock and inventory checks to be carried out by school staff and monitored by a representative of the Governing body.</li> <li>○ The school to consider developing a resource management role to</li> </ul>
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Short term: By the 31<sup>st</sup> December 2013  
 Medium term: By the 24<sup>th</sup> February 2014  
 Long term: By the 31<sup>st</sup> March 2014

Finding	Risk and Consequence	Action Proposed, Date by and Responsible Officer/ Person.
		include ██████████ role.
<p>2. During a site visit to the School it was established that thirty five monitor screens are being stored in the loft. Following discussions with the ██████████ and the Head teacher it was confirmed that the future use of them is undetermined although they are usable and are in working condition.</p>	<p>High Risk - (SOA) There is an operational and financial risk that storing assets in a remote location will place the ██████████ in a vulnerable position as damage to, or the loss or theft of assets may go undetected. Additionally valuable assets are not being utilised and may become obsolete over time.</p>	<p>A procedure is in place to 'write off' equipment that is old and surplus to requirements. The school have taken advice regarding the disposal of the obsolete items and have agreed to pay to have them removed. <b>Action point:</b> Short term:  <ul style="list-style-type: none"> <li>○ 'Write off' forms are being used to write off equipment that is old or obsolete. These will be signed by the Head Teacher and a representative from the Governing Body, within a reasonable time scale of not more than one working week.</li> </ul>                     Medium term:  <ul style="list-style-type: none"> <li>○ A quote has been obtained; and an order will be raised for the disposal of monitor screens as soon as possible.</li> </ul> </p>
<p>3. During an examination of the Schools server room and class rooms it was identified that 28 (24 Hard Drive Disk (HDD) &amp; 4 Solid State Drive (SSD)) hard drives were situated in carrier bags (with leads and wires) or desk drawers. Hard drives are fragile items of equipment and should be safely secured when not in use.</p>	<p>High Risk - (SOA) The lack of internal control for monitoring and checking assets places all staff, but especially the ██████████, in a vulnerable position as damage to, or the loss or theft of assets may go undetected.</p>	<p>Future purchases of ICT equipment over £1,000 per any single order will be referred to the Finance and Staffing sub-committee. (As per recommendations in the PCC Scheme for Financing Schools) Instructions will be given to the ██████████ to ensure that all equipment is safely, efficiently and tidily stored. The ██████████ has been reminded of</p>

Finding	Risk and Consequence	Action Proposed, Date by and Responsible Officer/ Person.
	<p>Additionally, as above, valuable assets (to the estimated value of £1,332.00) are not being utilised and may become obsolete over time.</p>	<p>the process for 'writing off' and disposing of obsolete equipment and has agreed to record such items appropriately, this to be line managed by the Head Teacher. All items to be disposed of will be recorded on the appropriate pro-forma.</p> <p><b>Action point:</b> Short term:</p> <ul style="list-style-type: none"> <li>○ All orders for ICT equipment/cartridges to be monitored by the link Governor for ICT.</li> <li>○ [redacted] has been reminded of the process for 'writing off' obsolete/old equipment using the appropriate pro-forma.</li> <li>○ A letter has been sent reminding the [redacted] that all equipment should be stored, efficiently, safely and tidily.</li> <li>○ All items with a value of £200 or more and which are portable or attractive will be included on the inventory.</li> </ul>
<b>Stock records</b>		
<p>4. During the period April 2012 to July 2013 £21,416.00 was spent by the School on ink and toner cartridges. There is no evidence that stock control records were kept for the monitor and use of these items.</p>	<p>[redacted] - (SOA) The lack of internal control for monitoring and checking stock or IT equipment places all staff in a vulnerable position as damage to, private use of or the loss or theft of</p>	<p>The control of stock will become part of the job description of the new [redacted] (see item 1) The link Governor for ICT will liaise with the appropriate staff to ensure that purchases reflect and are in line with the Schools ICT Strategic plan.</p>

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 Medium term: By the 24<sup>th</sup> February 2014  
 Long term: By the 31<sup>st</sup> March 2014



Finding	Risk and Consequence	Action Proposed, Date by and Responsible Officer/ Person.
<p>For the same period £38,116.00 was spent by the School on computer supplies which included hardware, software and general items. There is no evidence that stock control records were kept for the monitor and use of those items that do not fit the School's criteria to be recorded on the Inventory. The estimated value for these items is £12,288.00.</p> <p>The job description of the [redacted] stipulates that he is required to maintain an inventory of IT stock.</p>	<p>assets could potentially occur and go undetected.</p> <p>Additionally, there is no evidence that the IT purchases were an efficient use of resources.</p>	<p>The current function of the [redacted] will be reviewed by the Head Teacher, Chair of Governors and the link Governor for ICT (see also item 9) The outcome of which will be discussed at the Finance and Staffing governors sub-committee meeting.</p> <p><b>Action point:</b> Medium term:</p> <ul style="list-style-type: none"> <li>○ The current function of the [redacted] will be reviewed taking into account the changing needs of the school.</li> <li>○ Outcome of review findings to be discussed by the Finance and Staffing governors sub-committee.</li> </ul>
<p><b>Inventory and Safeguarding of Assets</b></p>		
<p>5. During the course of testing it was established that ten of the fifty six promotional items which were sent to the School as a result of bulk purchasing with one company were unaccounted for.</p> <p>In addition, it was also noted that the number of hard drives purchased by the school as identified by relevant invoices (23) did not correlate with the number of drives physically sighted (14).</p> <p><b>Action required:</b> These items must either be located and recorded on the School Inventory or, as</p>	<p>[redacted] - (CMP)</p> <p>As a result of the lack of internal administration and control, damage to, private use of, or the loss or theft of, these items could potentially occur and go undetected.</p> <p><b>PCC Financial Rule G27</b> stipulates that School Governors and Head teachers are required to make arrangements for the care and custody of stocks and stores in their service and to ensure that adequate records are kept and that reasonable levels are maintained which are subject to a regular independent</p>	<p>The [redacted] will keep a register of any promotional/ donations/ gifts that the school receive. This to be an agenda item, every term at the Finance and Staffing governors' sub-committee meeting, where any concerns can be raised.</p> <p>This will not include items below the value of £5 donated for raffles, tombola etc. A policy will be drafted and adopted by the full governing body at their next meeting covering the above.</p> <p>All staff have signed to acknowledge receipt of hard drives. Further investigations will take place to ascertain location of all equipment. Items located will either be added to the Gift register or submitted for the 'write off' procedure.</p>

Finding	Risk and Consequence	Action Proposed, Date by and Responsible Officer/ Person.
<p>the value exceeds £100.00, submitted for write-off to the Authority's Section 151 Officer as per section 2.3.6 of the Scheme for Financing Schools</p>	<p>physical check. All discrepancies should be investigated and pursued to a satisfactory conclusion.</p>	<p><b>Action point:</b> Short term:</p> <ul style="list-style-type: none"> <li>○ Register of promotional/donations/gifts to be implemented.</li> <li>○ Promotional/donations/gifts policy to be adopted by governors.</li> <li>○ Checks to ascertain location of the 23 hard drives have been carried out 22 have been located and 1 was reported as stolen in Summer 2013</li> <li>○ All hard drives have been added to the appropriate register. (see attached document)</li> </ul>
<p>6. As at July 2013 there were 730 items recorded on the School inventory. An initial search by Internal Audit staff of the School and store rooms located 668 items. However, there were also 72 items that were not recorded on the inventory but identified during the search. Following several subsequent searches by either Internal Audit or School staff, 35 items were still not found (Note small items such as keyboards/ blenders and musical instruments were excluded).</p>	<p>██████████ - (SOA) The School has unaccounted assets and therefore no assurances can be given that theft has not occurred.. The <b>Scheme for Financing Schools</b> -2.3.4 Control of assets, stipulates that; schools must maintain an inventory, which as a basic minimum includes all items with a value of over £200, or which are deemed portable and attractive. The information required for inventory items over £1,000 should be consistent with the requirements of Portsmouth City Council's Financial Rules and should be kept up to date.</p>	<p>Monthly inventory checks will be carried out by a representative of the governing body to ensure that all new items have been added to the inventory. Any discrepancies will be reported to the Head Teacher. This will also include small/portable items as recommended by PCC. A copy of the inventory will be sent monthly to: The Authority, the Head Teacher and the ██████████, by the representative of the governing body. Regular, monthly inventory checks will also be carried out by the ██████████.</p> <p><b>Action point:</b> Short term:</p> <ul style="list-style-type: none"> <li>○ Arrangements for monthly inventory checks will be made.</li> <li>○ Copies of inventory to be sent to</li> </ul>

Short term: By the 31<sup>st</sup> December 2013  
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 Long term: By the 31<sup>st</sup> March 2014

Finding	Risk and Consequence	Action Proposed, Date by and Responsible Officer/ Person.
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		<p>PCC, Head Teacher and [REDACTED]</p> <ul style="list-style-type: none"> <li>○ A member of the Finance and Staffing governor's sub-committee to carry out random spot checks.</li> </ul>
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<p>7. Manual disposal sheets are in place to evidence authorisation of asset disposal. The majority of these sheets do not record the reason for disposal and dates indicate that authorisation was obtained after disposal - in some instances up to two months later.</p>	<p>[REDACTED] - (SOA)                  The School's assets are at risk of theft as items may have been used for personal use. There is also a risk that assets have been disposed of whilst still serviceable.  <b>PCC Financial Rule G25(f)</b> states that Head Teachers may write off redundant, obsolete or damaged items in accordance with instructions issued by the Governors in the case of schools.</p>	<p>All staff will be reminded of the 'write off'/disposal procedure for obsolete equipment.                  All items to be disposed of will be recorded on the appropriate pro-forma.                  The signature of two members of staff will be required in order that items are 'written off' the inventory. Copies of the disposal forms to be given to the [REDACTED].  <b>Action point:</b>                  Short term:</p> <ul style="list-style-type: none"> <li>○ All staff will be made aware of the correct procedure for writing off old/obsolete equipment.</li> <li>○ Approved forms for writing off equipment will be used and copies given to the [REDACTED] who will keep and maintain a file.</li> <li>○ Write off' forms will be used to write off equipment that is old or obsolete. These will be signed by the Head Teacher and a representative from the Governing Body, within a reasonable time scale of not more than one working week.</li> </ul>
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**Policies & Procedures**

<p>8. At various stages throughout the Internal</p>	<p>[REDACTED] - (ICEN)</p>	<p>All Governors on the Finance and Staffing</p>
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 Medium term: By the 24<sup>th</sup> February 2014  
 Long term: By the 31<sup>st</sup> March 2014

Finding	Risk and Consequence	Action Proposed, Date by and Responsible Officer/ Person.
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<p>Audit review it became apparent by either individual acknowledgement or evidenced by breaches that a significant number of staff at [redacted] were either:</p> <ul style="list-style-type: none"> <li>• Not fully aware of the requirements of the Scheme for Financing Schools, the Authority's Financial Rules or the School's own policies, i.e. Gifts and Hospitality and Curriculum IT use or had.</li> <li>• Or had failed to adhere to them either due to lack of knowledge or potential deliberate circumvention.</li> </ul>	<p>The School is exposed to the risk of potential financial penalties as a result of non-compliance with HMRC and Data Protection Legislation.</p> <p>The school are unable to evidence that they have obtained value for money in the procurement of goods and services</p> <p>Staff are vulnerable to accusations of theft and fraud.</p>	<p>sub committee and staff with a financial responsibility have been given a copy of PCC's Scheme for Financing Schools. A new policy/procedure for recording gifts and hospitality will be implemented and all staff will be made aware of its contents. (see also point 5)</p> <p><b>Action point:</b> Short term:</p> <ul style="list-style-type: none"> <li>○ All Governors and staff with a financial responsibility have been given a copy of Portsmouth City Council's Scheme for Financing Schools. Staff will be asked to sign to say they have received the information, the [redacted] to hold the record.</li> <li>○ Policy for acceptance and recording of promotional offers/gifts and hospitality will be distributed to all staff. Staff will be asked to sign to say they have received the information, the [redacted] to hold the record.</li> </ul>
<p>9. Although the School has an IT Curriculum Policy there is no IT Strategy or long term vision required to outline the future ICT needs of the school or a maintenance and replacement schedule for the equipment.</p> <p>There is also no disposal policy for the removal of data and safeguarding of</p>	<p>High Risk- (ICEN) Expenditure decisions are based on short terms needs instead of a longer term vision and strategy, resulting in potential spending limitations and a failure to provide adequate and appropriate resources in the future. The School is exposed to financial</p>	<p>A Governor has been identified with a brief for ICT. Regular monthly meetings have been planned with curriculum leaders who will form an ICT Forum. This Forum will make recommendations, based on the ICT Strategic Plan, to the School Improvement Plan. The [redacted] and link governor will be asked to compile a disposal of data and</p>

Finding	Risk and Consequence	Action Proposed, Date by and Responsible Officer/ Person.
<p>information.</p>	<p>penalties if sensitive data and information is not safeguarded. i.e. A Breach of the Data Protection Act (DPA) could result in a maximum £500,000 fine for a serious breach by a public body.</p> <p>Prosecutions could also occur dependent on the severity of any breach.</p>	<p>safeguarding of information policy. Once adopted this will be distributed to staff who will sign to say they have received the information. The [redacted] to hold the record. A review of ICT technical support and services at the school will be carried out by the Head Teacher, Chair of Governors and the link governor. This to take into account the integral part ICT plays in the School Improvement Plan and pupils learning.</p> <p><b>Action point:</b> Medium term:</p> <ul style="list-style-type: none"> <li>○ Safeguarding of information and disposal of data policy/procedure to be drafted, in line with PCC guidelines by [redacted] and link Governor for ICT.</li> <li>○ The job description of the [redacted] will be reviewed taking into account the changing needs of the school.</li> </ul>
<p>10. All Governors, the Head teacher and any members of staff with financial responsibilities must submit an annual declaration of interest and refrain from participating in the appointment of contractors where there is a clear conflict of interest.</p>	<p>High Risk- (ICEN) Non-compliance could result in; a reputational risk as non-declaring of at pecuniary interest could potentially place the School and member of staff in a vulnerable position or a financial risk that the school are unable to evidence that they have obtained value for money in the procurement of goods and services.</p>	<p>The Clerk to the Governors already holds a file where all information regarding the pecuniary interest of Governors and staff with a financial responsibility is held. These are updated on a yearly basis. Pecuniary interest is recorded in the minutes at the start of every governors meeting.</p> <p><b>Action point:</b> Short term:</p> <ul style="list-style-type: none"> <li>○ All staff have now been requested</li> </ul>

Finding	Risk and Consequence	Action Proposed, Date by and Responsible Officer/ Person.
		<p>to complete these forms. ██████████ to hold and maintain a file.</p> <ul style="list-style-type: none"> <li>○ Nature of pecuniary interest to be recorded in minutes of all meetings to avoid any conflict of interest.</li> <li>○ Governors, members of staff declaring pecuniary interest to be excluded from any decision making connected to the interest.</li> </ul>
<b>Budgetary Control</b>		
<p>11. Testing identified that for the financial years 2011/12, 2012/13 and 2013/14 to date, expenditure for the purchase of ink and toner cartridges was found to have been coded to various other budget headings instead of all of it to the correct budget heading i.e. Printer and Ink. No explanation for this action has been provided.</p> <p>In addition to this there is no evidence that the over spend on ink and toner was presented accurately to the Head teacher or the Governing Body.</p> <p><b>One action required:</b> Expenditure must be coded to the correct area and not hidden by means of coding to underspent alternative headings.</p>	<p>██████████ - (R&amp;I)</p> <p>A satisfactory explanation has not been given as to why expenditure has been regularly miscoded and unauthorised by the Head teacher or Governing Body. The School is therefore unable to evidence that they have obtained value for money in the procurement of goods and services</p>	<p><b>Action point:</b> Short term:</p> <ul style="list-style-type: none"> <li>○ The ██████████ will in future ensure all shortfalls in budget planning are addressed through the process of virement. This will support the process of ongoing budget planning being based on actual need/useage and enable the Finance and Staffing sub-committee to monitor budget expenditure more effectively. The Finance and Staffing sub-committee to identify level of virement that is delegated to the Head Teacher.</li> <li>○ The ██████████ will sign an undertaking that under no circumstances will they use the practice of ‘split coding’.</li> <li>○ All budget overspend with detailed explanations to be presented to the governors at the Finance and</li> </ul>

Finding	Risk and Consequence	Action Proposed, Date by and Responsible Officer/ Person.
<p>All proposed individual budget overspends must be reported and if deemed appropriate ratified by the Governing Body or Head teacher (if within delegated spending limits) prior to any further expenditure being incurred.</p>		<p>Staffing sub-committee meetings by the [REDACTED]. Remedial action will be taken to address these variances.</p> <ul style="list-style-type: none"> <li>○ Minutes of meetings will reflect all decisions made.</li> </ul>
<p><b>Contractual Hours &amp; Monitoring of Performance</b></p>		
<p>12. During testing it was identified that the School held no records for the period of the end of January 2013 to July 2013 of the hours worked by the [REDACTED], this was despite concerns raised by the Head teacher in the summer of 2012 where the [REDACTED] was asked to make up contracted hours paid for but not worked.</p> <p>In addition to this the [REDACTED] is accompanied by [REDACTED] each Wednesday, (this individual has no contract of employment with the School). The [REDACTED] confirmed during interview that this individual is and has been left unsupervised when on the School grounds and that there is no record of what work that individual has carried out in relation to the installation of hardware, upgrades or movement of IT equipment.</p>	<p>High Risk - (EOO) Financial risk that the School may be paying for services that they are not actually receiving. The School is therefore unable to evidence that value for money has been obtained in the procurement of services</p>	<p>The [REDACTED] is now accountable for recording and submitting his hours on a weekly basis. This is checked by a [REDACTED] and monitored by the Head Teacher. <b>Action point:</b> Short term:</p> <ul style="list-style-type: none"> <li>○ Hours worked by [REDACTED] to be recorded and approved weekly.</li> <li>○ Status of ICT (volunteer) support worker to be clarified and reviewed.</li> <li>○ All volunteer workers in school to be approved by a member of the Senior Leadership Team and recorded in minutes of their meetings.</li> </ul>

Finding	Risk and Consequence	Action Proposed, Date by and Responsible Officer/ Person.
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**Server Room and Access**

<p>13. Following discussion with both the [redacted] and [redacted], Internal Audit was informed that access to the Server Room is unrestricted and that all members of staff can gain access. Several items located in the server room had been moved between an initial observation and recording of items by Internal Audit and a subsequent visit and examination. The [redacted] also confirmed that items had been moved without his knowledge when in theory only he should be removing items in and out.</p> <p>The Server Room also appear to be being used as a storage room with items of equipment stacked unsafely on top of one another. Most of the items had to be removed in order to physically enter the room and examine the servers and record the items of equipment stored.</p>	<p>High Risk- (EOO) Unauthorised access may lead to accidental or deliberate tampering of the server and School's IT capability resulting in a disruption to teaching, preparation and all other school work.</p> <p>There is a risk of physical injury in accessing the server room, a risk of damage to the equipment stored and a waste of resource in time spent carrying out general maintenance.</p>	<p>The school has a problem with lack of storage space and therefore have to make best use of all space available. <b>Action point:</b> Short term:</p> <ul style="list-style-type: none"> <li>○ The [redacted] will liaise with the [redacted] and ask him to install a digital locking system to the door of the Server Room therefore restricting access to the [redacted] and the Head Teacher only.</li> <li>○ A letter has been sent to the [redacted] to ensure that all equipment is stored safely, efficiently and tidily.</li> <li>○ Regular monthly checks to be made by the Head Teacher.</li> </ul>
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**HMRC and VAT Implications**

<p>14. It was confirmed by the IT [redacted] that he had installed two new hard drives into staff members' personal laptops that are used in the School. This would constitute a 'benefit in kind' and would need to be declared as part of the</p>	<p>High Risk- (CMP) There is a legislative and financial risk that a breach of HMRC regulations may result in a financial penalty to the school.</p>	<p><b>Action point:</b> Short term:</p> <ul style="list-style-type: none"> <li>○ A letter has been written to the [redacted] to inform him that he must no longer carry out personal work for himself or staff members, on the school site.</li> </ul>
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Finding	Risk and Consequence	Action Proposed, Date by and Responsible Officer/ Person.
<p>School's P11d tax return to HMRC or the Authority could receive a substantial fine for incorrectly reclaiming VAT on these purchases and for non-declaration of a benefit in kind.</p>		<ul style="list-style-type: none"> <li>○ The Head Teacher to send letters to the members of staff concerned requesting that they repay to the school 50% of the cost of the equipment and installation.</li> </ul>
<p><b>Promotional Items</b></p>		
<p>15. Fifty six promotional items had been received by the School from one supplier. The promotions appear to be as a result of purchasing various items from that company - potentially as part of a marketing strategy. None of the items had been recorded on the School's Gift's and Hospitality Register and 23 of the items should have been, but were not recorded on the School's inventory.</p> <p><b>Action required:</b> The School must at all times demonstrate that they are obtaining value for money. If this is achieved and a promotional item is received then the item must be registered on the Gifts and Hospitality Register, recorded on the inventory (if appropriate) and at all times used by the School. A full management trail must be in place to demonstrate receipt and use.</p>	<p>High Risk- (SOA) The School has failed to follow agreed policy and is unable to provide assurances that its assets have been safeguarded or that its funds have been used effectively.</p>	<p><b>Action point:</b> Short term:</p> <ul style="list-style-type: none"> <li>○ The school has recently received the PCC Gifts and Hospitality model policy. This policy was adopted at the Finance and Staffing sub-committee meeting on the 10<sup>th</sup> December 2013 and will be ratified by all Governors at their meeting on the 23<sup>rd</sup> January 2014.</li> <li>○ The [redacted] will at all times obtain comparable data from three supplies on the PCC recommended 'Pick List' to demonstrate best value.</li> </ul>

Finding	Risk and Consequence	Action Proposed, Date by and Responsible Officer/ Person.
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16. A television was received at the school during 2012 as part of a promotional offer from a supplier. This was placed in the Schools Summer Fare raffle and was apparently exchanged for Tesco vouchers worth half the value of the television. This arrangement was arranged privately between [redacted] and [redacted]. It was not authorised by either the Head teacher or the Governing Body and was to the detriment of the School.

High Risk- (ICEN)  
The School is unable to provide assurances that staff have acted with integrity or honesty.

**Action point:**  
Short term:

- The school will, with immediate effect implement a register of all promotional/ donations/ gifts that they receive over the value of £5.
- No items will be taken off this register without being recorded, re-allocated and approved by the Governors Finance and Staffing sub-committee.
- A letter will be sent to [redacted] and [redacted] outlining the approved process for disposal of items.
- All staff to be informed of the Gifts and Hospitality policy and the procedure for recording data
- [redacted] has offered, and will repay to the school the difference, based on current values.

**Loft and Storage Room**

17. Whilst performing a physical verification of the Schools assets, Internal Audit were advised of a 'loft' used for storage. The loft was located by means of using a chair to climb out of a second floor window, onto a placed chair on a flat roof, followed by a walk over two further flat roofs to a vertical ladder (five steps) and hatch approximately four foot high. The loft runs

[redacted] - (CMP)  
There is a risk of physical injury and or death.  
  
In relation to the storing of pupil data there is a potential Breach of Data Protection Act Principle 7 'Appropriate technical and organisational measures shall be taken against

This issue will be passed to the Governors of the Premises and Site sub Committee with a request that investigations be carried out into the feasibility of the development of this area.  
Governors have given approval for the 35 flat screen monitors that are approximately six years old and surplus to requirements to be disposed of. As recommended by PCC [redacted] Ltd will be requested to

Short term: By the 31<sup>st</sup> December 2013  
Medium term: By the 24<sup>th</sup> February 2014  
Long term: By the 31<sup>st</sup> March 2014

Finding	Risk and Consequence	Action Proposed, Date by and Responsible Officer/ Person.
<p>the length of the main building and is part boarded. Various items were located in the loft namely;</p> <ul style="list-style-type: none"> <li>• 35 flat screen monitors</li> <li>• Pupil records</li> <li>• Tables</li> <li>• Christmas decorations</li> <li>• Personal possessions</li> </ul> <p>Subsequent to this visit PCC's Fire Safety Advisor has performed an independent risk assessment over the access and use of this loft. The following main issues have been raised and are noted below, however a separate 'Fire Risk Assessment' report will be issued.</p> <ul style="list-style-type: none"> <li>• The access route to the loft is unprotected and dangerous.</li> <li>• The stacking of document filed boxes on wooden joists (i.e. not on the boarded area) is also dangerous.</li> </ul> <p><b>One action required:</b> Due to the height and the loading issues the School must ensure that the loft is subject to an inspection from a structural engineer to determine, if allowed the storage capabilities of this space.</p>	<p>unauthorised or unlawful processing of personal data and against accidental loss or destruction of, or damage to, personal data.'</p> <p>Breach of the DPA can result in a maximum £500,000 fine from the Information commissioner's office for a serious breach by a public body</p>	<p>remove the items at a cost of £2.00 per screen. Plus a licence fee of £20. A second verbal quote had been obtained from another source who had quoted £3.50 per screen.</p> <p><b>Action point:</b> Short term:</p> <ul style="list-style-type: none"> <li>○ The [redacted] to raise purchase order for removal of items.</li> <li>○ The [redacted] will remove pupil records and relocate in a secure cupboard in annex.</li> <li>○ The [redacted] will remove tables and will find suitable alternative accommodation.</li> <li>○ The Christmas decorations will be removed.</li> <li>○ All personal items will be removed as soon as possible.</li> <li>○ The [redacted] will be asked to secure the classroom window.</li> <li>○ The loft area will cease to be used for storage.</li> </ul> <p>Medium term:</p> <ul style="list-style-type: none"> <li>○ The [redacted] has been made aware of the concerns over the access route to the loft and will be obtaining quotes to make safe.</li> <li>○ The boxes of documents will be removed and suitable alternative accommodation found.</li> <li>○ The [redacted] will liaise with the relevant department at PCC</li> </ul>

Finding	Risk and Consequence	Action Proposed, Date by and Responsible Officer/ Person.
		regarding an inspection from a structural engineer. <ul style="list-style-type: none"> <li>The school are in receipt of the Fire Report and will act on all its recommendations.</li> </ul>
18. It is Internal Audits understanding that on some occasion's pupils have assisted in transferring items to and from this loft, yet the access is clearly dangerous for both adults and children.	<p>██████████ - (CMP)</p> <p>This is a breach of the PCC Health &amp; Safety Policy which stipulates that LA schools should implement site-specific policies to ensure the safety and wellbeing of their employees, other employees (including PCC staff) and persons visiting the school (including pupils, members of the public, trespassers, etc.)</p> <p>Such a breach of this policy could result in physical injury and or death.</p>	<p><b>Action point:</b></p> <p>Short term:</p> <ul style="list-style-type: none"> <li>The ██████████ has been informed by the Head Teacher of the dangers of accessing the loft with pupils. This will be confirmed in a letter to the ██████████ by the ██████████ PCC Health and Safety regulations will be adhered to at all times.</li> </ul>

Signed Chair of Governors..... Date.....

Short term: By the 31<sup>st</sup> December 2013  
 Medium term: By the 24<sup>th</sup> February 2014  
 Long term: By the 31<sup>st</sup> March 2014

Finding	Risk and Consequence	Action Proposed, Date by and Responsible Officer/ Person.
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Signed head teacher.....Date.....

Short term: By the 31<sup>st</sup> December 2013  
Medium term: By the 24<sup>th</sup> February 2014  
Long term: By the 31<sup>st</sup> March 2014

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**ISS.1 - File Security**
**Priority Level**

**Risk**
**Exception**

The auditor carried out a security check of the Civic Offices building on Saturday 20th and the evening of Tuesday 22nd July. The following areas of the building were included in the checking (in brackets shown the number of incidents of documents containing personal data not secured): Adult Social Services (4), Children's Social Services (2), Children and Young People Services(3), Human Resources (4), Housing (0), HR (4), Revenues and Benefits (0), 2nd Floor Finance(0), Community Safety (4), Licensing (3 - no clear desk policy), Legal Services (no clear desk policy), Traffic and Environment (0), HIDS/Public Health (0). Overall most services have a clear desk policy and there were isolated incidents where cupboards and drawers had been left unlocked. Heads of Services have been informed about breaches and are taking up actions within their services and keeping internal audit informed.

Two areas were restricted entry. These were the Legal Service mezzanine floor and Children's Services floor 5 core 5. Legal Services do not follow a clear desk policy and as a result, despite the restricted access (which includes cleaning staff, members and building maintenance staff) breaches the Data Protection Act requirements, as steps have not been taken to secure sensitive and personal information against unauthorised access. Children's Services when interviewed said they followed a clear desk policy but the Security checks during the audit found a number of areas where paperwork is being left on desks or in unlocked drawers. Licensing do not have a clear desk policy and Internal Audit recorded 3 examples of documentation not secured due to moving from a secured area and not having suitable lockable cabinets. Action is underway to rectify this.

**Risks and Consequences**

Harm is caused to an individual through unauthorised access to their records, breach of the Data Protection Act results in a fine from the Data Commissioner and reputational damage.

**Agreed Action**

Legal Services - have undertaken to lock items away within the mezzanine and a follow up showed that files are now securely held.  
 Children's Services - took action to inform all staff and to

**Person Responsible / Action by Date**

Internal Audit to carry out a follow up in two months' time.

<p>provide locked drawers and cupboards where needed. A follow up showed still some information is not being locked into drawers at night and further actions taken with individuals and with training and awareness. All other Heads of Services informed of individual circumstances and immediate actions taken by those Heads of Services with individuals concerned.</p>	
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Agenda item:

**Decision maker:** Governance & Audit & Standards Committee

**Subject:** Anti-Fraud, Bribery and Corruption & Investigations Update

**Date of decision:** 30<sup>th</sup> January 2014

**Report by:** City Solicitor, Monitoring Officer & Strategic Director and Head of Finance & S151 Officer

**Wards affected:** All

**Key decision (over £250k):** No

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## 1. Summary

- 1.1 Internal Audit can report on 9 investigations since the last report to this Committee in November 2012.
- 1.2 The updated Anti-Fraud, Bribery and Corruption Action Plan is presented to Members.

## 2. Purpose of report

- 2.1 This report is to update the Governance and Audit and Standards Committee as part of the reporting protocol for Internal Audit on Investigations directed by the 'Investigation Steering Panel' between November 2012 and December 2013 including outcomes and action taken.
- 2.2 To report on the updated Anti-Fraud, Bribery and Corruption Action Plan.

## 3. Background

- 3.1 The Investigation Steering Panel (ISP), in accordance with the City's Constitution, directs all investigations that Internal Audit undertakes. The Panel consists of Michael Lawther, Strategic Director, City Solicitor & Monitoring Officer, Chris Ward, Head of Finance & s151 Officer (as part of their roles within the City Constitution), Jon Bell Head of HR, Legal & Performance Improvement, and Elizabeth Goodwin, Deputy Chief Internal Auditor.
- 3.2 As part of the protocol within the Audit Charter and Code of Ethics all audits where material system weaknesses are found are reported to the Governance and Audit and Standards Committee. With special investigations this is done once all the disciplinary and appeals processes are exhausted and this is the first opportunity to report on the findings following the completion of cases through the Authority's process and procedures.

#### **4. Recommendations**

It is recommended that Members note the:

- 4.1 Contents of the investigations report detailed as Exempt in Appendix A
- 4.2 Anti-Fraud, Bribery and Corruption Action Plan, Appendix B

#### **5. Special Investigations**

- 5.1 Redacted Appendix A gives Members summaries of the 9 completed investigations undertaken by Internal Audit between November 2012 and December 2013, including the background, issues, findings, outcomes & actions taken.
- 5.2 Any investigations that are currently underway or have not yet reached the end of the Authority's processes and procedures will be reported next year.

#### **6. Anti-Fraud, Bribery and Corruption Action Plan**

- 6.1 Appendix B details the agreed actions and proposed timescales along with progress made to date.
- 6.2 These actions have already been agreed by this Committee to ensure that an appropriate anti-fraud, bribery and corruption culture is embedded throughout the Authority. This aids in the prevention of fraud and actions of corruption, raises staff and member awareness in relation to responding and reporting suspected acts of dishonesty.

#### **8. Equality impact assessment (EIA)**

- 8.1 An equality impact assessment has been carried out which has revealed that the contents of this report do not have any relevant equalities impact and therefore a full assessment is not required.

#### **9 City Solicitor comments**

- 9.1 There are no immediate legal implications arising from this report.

#### **10. Head of Finance and s151 Officer comments**

- 10.1 There are no financial implications arising directly from the recommendations contained within this report

.....  
Signed by: City Solicitor & Strategic Director

.....  
Head of Finance & S151 Officer

**Appendices:**

Redacted Appendix A – Completed Investigations between November 2012 & October 2013

Appendix B – Anti-Fraud, Bribery & Corruption Action Plan

**Background list of documents: Section 100D of the Local Government Act 1972**

The following documents disclose facts or matters, which have been relied upon to a material extent by the author in preparing this report:

<b>Title of document</b>	<b>Location</b>
Final reports issued in relation to the investigations performed.	Exempt – secured in Internal Audit
Audit Charter and Code of Ethics	Internal Audit
CIPFA “Managing the Risk of Fraud Red Book and Red Book 2”	Purchase only-Not for general publication copy held in Internal Audit
Audit Commission – Protecting the Public Purse	Internal Audit/Audit Commission <a href="http://www.audit-commission.gov.uk/fraud/protecting-the-public-purse/Pages/default.aspx">http://www.audit-commission.gov.uk/fraud/protecting-the-public-purse/Pages/default.aspx</a>
Fraud Act 2006	UK Legislation <a href="http://www.legislation.gov.uk/ukpga/2006/35/contents">http://www.legislation.gov.uk/ukpga/2006/35/contents</a>
Bribery Act 2010	Ministry of Justice Website.
Public Concern at Work	Public Concern at Work website. <a href="http://www.pcaw.org.uk/">http://www.pcaw.org.uk/</a>

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AREA	PRODUCT	OUTCOME	ACTIONS	ACTIONED/ EXPECTED DELIVERY DATE
Organisational Culture	Revised Policies	Clear links between the policy and operational work.	<ul style="list-style-type: none"> <li>• Revise Anti Fraud and Corruption Policy to incorporate any changes in appropriate legislation and drafted to policy hub format.</li> <li>• Revise Whistle blowing Policy to incorporate changes in FOI and drafted to policy hub format.</li> <li>• Revise Gifts and Hospitality Policy to incorporate Bribery Act 2010 requirements and drafted to policy hub format.</li> <li>• Revise Anti-Money Laundering Policy and procedures and drafted to policy hub format.</li> </ul>	Revised action by March 2014  Actioned November 2012  Revised March 2014  Revised March 2014
	Revised Strategy	Clear identification of potential gaps in the delivery of Corporate counter fraud and their potential impact on the Authority.	<ul style="list-style-type: none"> <li>• Revise Corporate Counter Fraud Strategy in line with recommended best practice.</li> </ul>	Revised June 2014
	Revised Response Plan for Internal Abuse	Proactive, appropriate and consistent action taken is when suspected fraud, corruption or dishonest dealings are identified that relate to internal parties	<ul style="list-style-type: none"> <li>• Identify changes in legislation and areas of best practice. i.e. Bribery Act 2010, RIPA, HR Act, DPA, PACE and PEACE</li> </ul>	<b>On-going</b> Changes in RIPA 1 <sup>st</sup> November 2012
	Awareness Training	Staff and Members are aware of the impact of fraud, bribery, corruption and dishonesty and what actions they should take and when. Mandatory training is provided on induction for new members and staff. Annual training is provided for all current staff and	<ul style="list-style-type: none"> <li>• Revise current anti-fraud training content covering all general topics relating to fraud, corruption and dishonest actions for topical relevance and inclusion of bribery.</li> <li>• Identify specific target groups requiring in-depth training</li> <li>• Draft anti-money laundering training</li> <li>• Identify staff requiring specific anti-</li> </ul>	<b>Revision actioned December 2011 annual revision required, due June 2014</b> <b>Actioned December 2011 actual training to be determined June 2014</b>

AREA	PRODUCT	OUTCOME	ACTIONS	ACTIONED/ EXPECTED DELIVERY DATE
		members.	money laundering training	Revised action date March 2014
	Revised Fraud risk Questionnaire. Bribery risk assessment methodology devised.	Fraud and Bribery risks are fully understood and mitigated as far as possible to reduce the likelihood of materialisation.	<ul style="list-style-type: none"> <li>Identify areas of best practice and high-risk areas for both fraud and bribery.</li> <li>Establish and document individual risks associated with potential fraudulent activities covering both internal and external abuse for inclusion in the service risk registers and corporate registers.</li> <li>Develop risk assessment methodology for bribery risks.</li> </ul>	<p><b>Actioned June 2011</b></p> <p>Revision required June 2014</p> <p><b>Actioned June 2011, revision required, due March 2014</b></p>
	Regular publicity on fraud, corruption and dishonesty.	Raising the profile and awareness of fraudulent activities, Council action and outcomes. Reduce likelihood of fraud, bribery, corruption and dishonesty	<ul style="list-style-type: none"> <li>Regular publications on Intralink.</li> <li>Determine alternative methods of publication.</li> </ul>	<p><b>On-going</b></p> <p><b>Actioned March 2012 costing and publication consideration due March 2014.</b></p> <p>Communications to be revisited in August 2014</p>
Preventative and Detective Measures	Supporting Policies in place linked to Anti-Fraud, Bribery and Corruption Policy	Clear links between relevant policies that support the culture and tolerance of fraud, corruption and dishonest activities within and against the Council.	<ul style="list-style-type: none"> <li>Revise all relevant policies and procedures applicable.</li> </ul>	<b>On-going</b>
	Vetting of staff, contractors	Honest staff are employed from	<ul style="list-style-type: none"> <li>Identify best practice in relation to</li> </ul>	<b>On-going</b>

AREA	PRODUCT	OUTCOME	ACTIONS	ACTIONED/ EXPECTED DELIVERY DATE
	and partners.	the outset. PCC only undertake business with parties that hold the same ethical standards that PCC hold.	staffing checks. <ul style="list-style-type: none"> <li>Identify appropriate agreement framework for partners.</li> <li>Incorporation of Bribery Act 2010 requirements</li> </ul>	Revised date June 2014 (specifically bribery requirements)
	Investigation Procedures	All investigations are performed consistently and in accordance with laws and legislation	<ul style="list-style-type: none"> <li>Identify relevant changes in legislation and best practice incorporate in current procedures manual.</li> </ul>	<b>On-going</b>
Training	Skilled and training members of staff to undertake investigations.	All investigations are carried out to a prescribed standard in accordance with law and legislation. Successful prosecution/ sanction rate increased.	<ul style="list-style-type: none"> <li>Identified officers to undertake training CCIP</li> <li>Officers trained</li> </ul>	<b>Actioned December 2011 Financial Investigator training completed September 2013</b>
Sanctions, redress and Recovery	Citywide sanction policy in place.	Clear sanction options are identified and carried out consistently across the Council	<ul style="list-style-type: none"> <li>Identify options available and legal implications and impact</li> </ul>	Revised date September 2014 <b>SI's reported to G&amp;A annually each case dealt with on merit</b>
	Recovery Policy	Clear recovery options identified including under 'proceeds of crime', freeze injunctions and seizures.	<ul style="list-style-type: none"> <li>Identify options available and legal implications and impact</li> </ul>	Revised date September 2014
Measuring Losses	Register of losses	The Council are able to identify the actual losses incurred and direct resources accordingly at high risk areas.	<ul style="list-style-type: none"> <li>Identify all relevant areas applicable and data required</li> <li>Establish central register and reporting mechanism</li> </ul>	<b>Central register held by Internal Audit. Losses not always able to be determined</b>
Measuring Performance	Data Matching and NFI	Collation, sharing and analysis of intelligence gathered for internal and external incidents	<ul style="list-style-type: none"> <li>Complete current data matching results in timescale determined by Audit Commission.</li> </ul>	<b>On-going</b>

AREA	PRODUCT	OUTCOME	ACTIONS	ACTIONED/ EXPECTED DELIVERY DATE
			<ul style="list-style-type: none"> <li>• Attendance of Hampshire Alliance group sharing of intelligence</li> <li>• Identify areas not currently covered by NFI and risk assess before considering inclusion in future matching</li> </ul>	<b>On-going</b>

Elizabeth Goodwin  
Deputy Chief Internal Auditor  
17<sup>th</sup> December 2013



# Agenda Item 15



Portsmouth  
CITY COUNCIL

Agenda item:

**Title of meeting:** Governance and Audit and Standards Committee

**Date of meeting:** 30<sup>th</sup> January 2014

**Subject:** Procurement Management Information

**Report by:** Head of HR, Legal and Performance

**Wards Affected:** Not Applicable

**Key decision:** No

**Full Council decision:** No

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It is recommended that the attached appendices 2 & 3 be considered as an exempt/confidential matter and that the press and public are excluded for the following reasons:

- Exempt information is defined in section 100A and, by reference, Schedule 12A of the Local Government Act 1972 ("the 1972 Act"). To be exempt, information must fall within one of the categories listed in paragraphs 1 to 7 of Schedule 12A, must not fall within one of the excluded categories in paragraphs 8 and 9 and the public interest in maintaining the exemption must outweigh the public interest in disclosing the information;
- The attached Appendices 2 & 3 contains some information relating to the financial or business affairs of particular companies as well as PCC; and
- Although there is a public interest favouring public access to local authority meetings, given the financial and commercially sensitive information contained in the report the public interest in maintaining the exemption outweighs the public interest in disclosing the (exempt) information.

## 1. Purpose of report

- 1.1. The purpose of the report is to update Members on steps being taken to demonstrate that PCC is achieving value for money from its contracts for goods and services.

## 2. Recommendations

- 2.1 That members note we have surpassed the target of 95% conformance and achieved 98% for October 2013.
- 2.2 That members note the performance of our suppliers and contractors and action in progress to address poor performance.

### **3. Background**

#### **3.1. Conformance Checks**

- 3.2. In September 2010 the Head of Procurement submitted a report to the Governance and Audit Committee outlining steps that are being taken to demonstrate that PCC is achieving value for money for its contracts for goods and services.
- 3.3. Fundamental to this is that the City Council has the ability to demonstrate that we are paying competitive rates by subjecting Procurement to a competitive process (where practical). In addition we need to ensure that we obtain the quality of service that we are paying for.
- 3.4. Members approved a recommendation of a target of 95% conformance with Contract Procedure Rules be achieved by 31/03/2011. This report takes Payments to Contractors from the Oracle System and matches them to contracts held on the Contracts Register. Legal services have commented that whilst this methodology is indicative of good practice, is not definitive as to compliance with legal requirements.
- 3.5. The purpose of this the report is to update members on progress made by services up to the end of October 2013 and to provide Members with a progress report to monitor the situation (see appendix 1 for year to date performance).
- 3.6. An explanation of those service areas where conformance requires improvement is detailed in appendix 2 (Exempt).
- 3.7. Conformance has improved year on year from 97% in Oct 2012 to 98% in Oct 2013 and year to date conformance is 98%.
- 3.8. In October 2013 there was £167,460 value of admin errors that was compliant with Contract Procedure Rules but not registered correctly on the E Sourcing system "InTend", had these contracts been entered correctly the conformance figure would have been 99% .

Category Business Partners from Procurement are working in partnership with services to implement solutions to resolve non-conformance and reduce administration issues.

### **4. Performance of our Suppliers and Contractors**

- 4.1. The following table shows the performance of our suppliers and contractors comparing information from Sept 2010 to October 2013.

4.2. The results of the contracts being monitored are:

	<b>No of Contracts</b>	<b>Gold</b>	<b>Green</b>	<b>Amber</b>	<b>Red</b>
<b>Sept 10</b>	162	19%	57%	22%	2%
<b>Dec 10</b>	294	21%	61%	15%	2%
<b>May 11</b>	306	18%	64%	15%	2%
<b>Aug 11</b>	399	14%	70%	15%	1%
<b>Dec 11</b>	407	20%	65%	14%	1%
<b>April 12</b>	458	19%	64%	16%	1%
<b>August 12</b>	392	17%	71%	11%	1%
<b>April 13</b>	382	14%	72%	12%	2%
<b>Oct 13</b>	353	12%	74%	13%	1%

Gold Flag – Excellent Provider

Green Flag – Performing to Standard

Amber Flag – Some areas of improvement required

Red Flag – Failing to perform

4.3. There are four contracts where the suppliers are performing to an unsatisfactory level and remedial action was taken (see appendix 3 - exempt). Contract Managers inform providers of their red status as they seek improvements / remedies.

## **5. Reasons for recommendations**

5.1. To satisfy the Governance and Audit and Standards Committee reporting requirements.

## **6. Equality impact assessment (EIA)**

6.1. An Equality Impact Assessment is not required as this is not a change to policy or service delivery

## **7. City Solicitor's Comments**

7.1. The comments of the City Solicitor are contained within the body of this report. It is within the powers of the Governance and Audit and Standards Committee under Part 2 section 2 of the Constitution to approve these recommendations.

**8. Head of finance’s comments**

8.1. There are no financial implications directly arising from the recommendations in this report. However, the report has identified issues which could have value for money implications and consequently will need addressing in the short term. It should also be noted that the report on contract compliance is based upon orders raised over £5,000 although orders up to £10,000 do not have to be included on the contracts register.

.....  
Signed by:

**Appendices:**

- Appendix 1 - Year to Date Performance
- Appendix 2 - Conformance required Improvement (Exempt)
- Appendix 3 - Contract Performance (Exempt)

**Background list of documents: Section 100D of the Local Government Act 1972**

The following documents disclose facts or matters, which have been relied upon to a material extent by the author in preparing this report:

<b>Title of document</b>	<b>Location</b>
Contracts on the Contracts Register	Intend System
Payments to Contractors	Oracle System

The recommendation(s) set out above were approved/ approved as amended/ deferred/ rejected by ..... on .....

.....  
Signed by:

Service	Total Year to Date			October 2013		
	Total Non Conforming Value	Total Transaction Value	% Non Compliant	Total Non Conforming Value	Total Transaction Value	% Non Compliant
Chief Executive Service	4,950.00	124,854.17	4%	£0.00	£1,500.00	0%
Corporate Assets, Business & Standards	104,165.30	2,331,034.01	4%	£18,150.52	£450,067.63	4%
HR, Legal and Performance Improvement	193,880.00	1,294,796.04	15%	£44,590.08	£205,610.35	22%
Health Safety and Licensing	23,781.72	823,903.24	3%	£9,848.97	£160,268.27	6%
City Development and Culture Services	58,018.05	1,243,876.97	5%	£15,726.53	£189,778.55	8%
Customer Community and Democratic Services	43,645.85	311,134.58	14%	£38,070.00	£64,521.93	59%
Education & Strategic Commissioning	51,741.23	8,971,398.20	1%	£7,937.50	£1,116,005.51	1%
Financial Services	266,465.12	3,804,250.76	7%	£0.00	£509,536.78	0%
Information Services	310,513.97	1,684,901.55	18%	£6,220.50	£299,356.01	2%
Housing & Property Services	1,025,115.02	30,164,020.92	3%	£65,793.16	£3,475,313.34	2%
Port	124,784.35	2,649,265.55	0%	£0.00	£444,084.87	0%
Revenues and Benefits	0.00	122,852.83	0%	£0.00	£6,016.11	0%
Childrens Social Care & Safeguarding	211,849.90	4,166,579.31	5%	£42,524.57	£554,320.71	8%
Adult Social Care	31,634.12	17,348,808.42	0%	£21,590.72	£2,788,576.94	1%
Swift Interface	0.00	14,748,441.13	0%	£0.00	£3,473,575.62	0%
Transport and Environment	211,933.55	24,739,551.20	1%	£4,407.24	£3,695,797.56	0%
Other (Insurance Accounts)	8,374.00	1,231,603.35	0%	£0.00	£52.73	0%
Agency Staff						
<b>Grand Total</b>	<b>£ 2,670,852.18</b>	<b>£ 115,761,272.23</b>	<b>2%</b>	<b>£274,859.79</b>	<b>£17,434,382.91</b>	<b>2%</b>

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Agenda item:

**Title of meeting: Governance & Audit & Standards Committee**

**Date of meeting: 30 January 2013**

**Subject: Data Security Breach Reporting**

**Report by: Helen Magri - Corporate Information Governance Officer**

**Wards affected: All**

**Key decision:** No

**Full Council decision:** No

**1. Purpose of report**

To inform the Committee of any Data Security Breaches actions agreed/taken since the last meeting.

**2. Recommendations**

It is recommended that Members of the Governance & Audit Committee note the breaches that have arisen and the action determined by the Corporate Information Governance Panel (CIGP).

**3. Background**

In 2011 PCC signed an Undertaking following a reportable data breach to the Information Commissioner's Office (ICO). The ICO followed this with an onsite audit of which one recommendation was to establish a central body for Information Governance. The Corporate Information Governance Panel (CIGP) was formed chaired by Michael Lawther in the role of Senior Information Risk Owner (SIRO).

Administration of this panel is by the Corporate Information Governance team (Peter Harding/Helen Magri) and it has representation from most business areas.

The Terms of Reference (briefly):

- To establish policy and procedures for Information Governance;
- To maintain a log of data breaches and determine onward action.

**4. Reasons for recommendations**

N/A

**5. Equality impact assessment (EIA)**

An equality impact assessment is not required as the recommendation does not have a negative impact on any of the protected characteristics as described in the Equality Act 2010."

**6. Legal Implications**

The Council is required to ensure that it has robust procedures in place to comply with its obligations under the Data Protection Act. Bringing this report to the Committee's attention assists in meeting those requirements.

**7. Finance Comments**

The ICO can issue fines of up to £500,000 for serious breaches of the Data Protection Act and Privacy and Electronic Communications Regulations. The size of any monetary penalty is determined by the Commissioner taking into account the seriousness of the breach and other factors such as the size, financial and other resources of the data controller. Any breaches put the City Council at risk of the unbudgeted cost of a financial penalty which would have to be met from the service responsible for the breach.

.....  
Signed by:

**Appendices: One Exempt Appendix**

**Background list of documents: Section 100D of the Local Government Act 1972**

The following documents disclose facts or matters, which have been relied upon to a material extent by the author in preparing this report:

Title of document	Location
Nil	N/A



# Agenda Item 17



Portsmouth  
CITY COUNCIL

Agenda item:

**Title of meeting:** Governance and Audit and Standards Committee

**Date of meeting:** 30 January 2014

**Subject:** Complaints received into alleged breaches of the Code of conduct by Members of the Council

**Report by:** City Solicitor

**Wards affected:** All

**Key decision:** No

**Full Council decision:** No

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## 1. Purpose of report

- 1.1 To update Members of the Committee on current progress in relation to complaints which allege that Councillors may have breached the Council's Code of Conduct.

## 2. Recommendations

- 2.1 It is recommended that Members of the Committee note the report and consider if any further action is required by them.

## 3. Background

- 3.1 Upon acceptance of office all Councillors undertake to comply with the Code of Conduct. In the event that a Councillor may have failed to comply with the Code of Conduct, a complaint may be made. The City Solicitor, as the council's Monitoring Officer, is appointed to receive such complaints. The complaints are then considered in accordance with the procedure approved by Council on 17<sup>th</sup> July 2012.
- 3.2 The City Solicitor, as requested by the Committee, maintains records on the progress of complaints and annually produces a report to this Committee. This report is attached as "Appendix A".
- 3.4 After having considered "Appendix A", Members are asked to decide whether there are any matters which give them cause for concern or whether any further action is required by the Committee or the City Solicitor.

## 4. Reasons for Recommendations

- 4.1 To make Members of the Committee aware of the current position with regard to complaints and that they ensure appropriate action is taken.

**5. Equality Impact Assessment (EIA)**

5.1 This report does not impact upon any equality group and no equality impact assessment is required.

**6. Head of Finance's comments**

6.1 There are no financial implications arising from this report.

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Signed by:  
City Solicitor

**Appendices:**

Appendix A "Schedule of complaints" EXEMPT

**Background list of documents: Section 100D of the Local Government Act 1972**

The following documents disclose facts or matters, which have been relied upon to a material extent by the author in preparing this report:

Title of document	Location
None	N/a

The recommendation(s) set out above were approved/ approved as amended/ deferred/ rejected by ..... on .....

.....  
Signed by: