

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

MINUTES OF THE MEETING of the Governance & Audit & Standards Committee held on Friday, 1 July 2016 at 2.30 pm at the Conference Room A - Civic Offices

(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 Ian Lyon (in the chair)  
Councillor Scott Harris (Vice-Chair)  
Councillor John Ferrett  
Councillor Frank Jonas  
Councillor Leo Madden  
Councillor Hugh Mason

### **Officers**

Michael Lawther, Deputy Chief Executive and Monitoring Officer  
Jon Bell, Director, HR, Legal & Procurement  
Paul Somerset, Internal Audit Manager  
Chris Ward, Director of Finance & Section 151 Officer  
David Moorman, Contract Management Business Partner  
Kieron Edmunds, EBS Contractor

### **External Auditors**

Adam Swain, Manager, Audit & Assurance

The chair welcomed everyone to the committee and invited each person attending to introduce themselves.

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

There were no apologies for absence.

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

Councillor Frank Jonas made a declaration of interest in agenda item 5 - Notice of Motion referral from Council Meeting held on 9 February 2016 concerning cancellation of meetings - in that he was Lord Mayor at the time when the council meeting being referred to was cancelled.

#### **29. Minutes of the meeting held on 11 March 2016 (AI 3)**

**RESOLVED** that the minutes of the meeting held on 11 March 2016 be confirmed and signed by the Chair as a correct record.

**30. Updates on actions identified in the minutes of the last meeting (AI 4)**

It was confirmed that the Chief Internal Auditor had sent an email to members of the committee concerning the query raised with regard to the Coroner's Office mentioned in the third bullet point of page 14 of the minutes.

**31. Notice of Motion referral from Council Meeting held on 9 February 2016 concerning cancellation of meetings (AI 5)**

Members of the committee discussed this matter during which the following points were raised:

- The cost of holding a meeting should be balanced against potential reputational issues suffered if council cancels meetings.
- A sense of proportion was needed and this notice of motion referral appeared to be specific to one full council meeting being cancelled. Members felt that it was not necessary to amend standing orders but felt that as a matter of good practice all group leaders should be consulted in good time and the cancellation should then be communicated more widely.

Mention was made of the circumstances surrounding the cancellation of the council meeting in January. The chair advised that the next following council meeting was only three weeks away from the cancelled meeting. Members agreed that their recommendation to council would be to reaffirm current standing orders but add a note to say that best practice would be to advise group leaders in good time that a particular council meeting would be cancelled.

**RECOMMENDED to Council that the Standing Order should remain unchanged but that a footnote be added to state that as a matter of best practice, the Lord Mayor should notify all Group Leaders of his/her intention to cancel a full council meeting before formal notice is communicated to all other Members and made known to the general public.**

**32. Items from External Auditor, Ernst & Young - PCC Progress Report - July 2016 final and Audit and Certification Fee Letter 2016 to 2017 (AI 6)**

(TAKE IN THE AUDIT COMMITTEE PROGRESS REPORT AND THE 2016/17 FEE LETTER)

Adam Swain introduced the progress report explaining that the external auditors were partway through their audit. With regard to value for money Mr Swain confirmed that one risk had been identified in relation to their value for money conclusion which related to the ability of the council to deliver the savings required in 2015/16. He explained that the work to review the savings plans is ongoing and at this stage there was nothing that they wished to report. The committee would be updated in due course should anything come to their attention during the audit.

With regard to the scale fee variation, this had now been confirmed for 2014/15 as had the final grant certification fee. A letter confirming the outcome had been attached as an appendix to the report.

The chair confirmed that he approved of the revised format of the report and thanked the external auditors for making the changes requested.

During discussion the following matters were clarified:

- In response to a query about the value for money conclusion, Adam Swain accepted that it could have been made clearer that the risk related to the 2016/17 period which would not be known until the end of 2017.
- Mr Chris Ward said that the accounts for 2015/16 had just been closed subject to audit and showed an underspend of £3.2 million. He advised that in the event of an underspend the money would be transferred to capital. He advised that there were a number of bidding opportunities coming forward with significant regeneration opportunities.
- With regard to the changes to the financial close arrangements referred to on page 19, the external auditor confirmed that they viewed the deadlines to be highly attainable. Mr Chris Ward confirmed that Finance had used this year's accounts as a dry run and although this had highlighted some issues, he felt that these could be resolved. For example there may be a need to put in an estimate but that this would not affect the opinion. It just meant that some items may fall within the new financial year. In essence the detail would be shifted as opposed to being lost.

The chair thanked the external auditors for their report and said he was very pleased with the changes that had been made. The report and the Fee Letter were both noted.

### **33. External Audit Arrangements after 2017/18 (AI 7)**

(TAKE IN REPORT)

Chris Ward introduced the report which explained the latest position in relation to the requirement in the Local Audit and Accountability Act 2014 for the council to eventually appoint its own auditor. He outlined the options that were available and said that section 5 of the report provided details of the options considered and rejected and section 4 of the report outlined the reasons why opting into an arrangement for PSAA (Public Sector Audit Appointments Limited) to appoint the council's auditor had been recommended in the report.

During discussion the following matters were raised:

- The chair expressed surprise that the Section 151 Officer being the Finance Officer who is being audited makes the decision on the choice

of external auditor. The Deputy Chief Executive advised that the Section 151 Officer had a higher public responsibility and was not just representing the city council.

- It was confirmed that the likely term of office of the external auditor for the 2018/19 and subsequent accounts would be for three to five years as it was important that whoever was appointed developed experience in dealing with this particular council.
- It was confirmed that currently there was no idea of the potential costs involved.
- Adam Swain said that contracts would be likely to have break clauses included to deal with changes in external auditor.
- Mr Chris Ward reminded members that opting into an approved collective procurement arrangement such as with a group of other local authorities would require ministerial approval.

The chair said that the current report was seeking in principle support to the proposal and requested that a further report come back to Governance & Audit & Standards Committee by March 2017.

**RESOLVED (1) that the committee supports in principle the proposal that we ask Public Sector Audit Appointments Ltd (PSAA) to assist with the appointment of an external auditor for the 2018/19 and subsequent accounts;**

**(2) requests a further report to be brought to this committee by March 2017.**

**34. Consideration of the Appointment of an Additional Independent Person (AI 8)**

(TAKE IN REPORT)

The City Solicitor introduced the report which was to consider the issues and procedure for the appointment of an additional independent person, pursuant to the provisions of section 28 of the Localism Act 2011. He further explained that recommendation (1) was for the committee to recommend to council the provisions contained in (i) and (ii) but that Governance & Audit & Standards Committee should decide on the matters contained in recommendation (2)(i), (ii) and (iii).

During discussion the following matters were raised:

- With regard to paying an allowance to each independent person the City Solicitor advised that the cost of this would have to come from members' allowances and resources would be needed to fund the payments. Following discussion members felt that on balance if there was not a problem in recruiting independent persons to the role, the current practice of just paying expenses should be continued. This could be reviewed if it proved difficult to recruit on this basis.
- With regard to the term of office, the Deputy Chief Executive said that it was important that the independent persons did not become too

familiar with the role as it required those carrying out the role to maintain their independence. He advised that the role was not particularly onerous as there were not huge numbers of complaints.

- Councillor Madden asked that it be recorded in the minutes that he did not believe that elected members should sit on the interviewing panel and that he did not wish to participate in an interview process.

It was proposed by Councillor Leo Madden and seconded by Councillor Hugh Mason to delete recommendation 2(ii). Upon being put to the vote this was LOST.

## **RESOLVED**

- (1) that Governance & Audit & Standards Committee recommend that Council**
  - (i) Re-appoints the existing Independent Persons for two years until May 2018**
  - (ii) Agrees to increase the number of Independent Persons who can be appointed from 3 to 4**
  - (iii) Agrees that the term of office for new appointees be for up to four years.**
- (2) That Governance & Audit & Standards Committee agreed that**
  - (i) Portsmouth City Council advertise for suitable applicants to fill the role/s of an Independent Person/s**
  - (ii) An interviewing panel comprising three cross party group members of Governance & Audit & Standards Committee refer the appointments of the successful candidates to Council for approval (through the Committee)**

## **35. Political Balance Rules (AI 9)**

(TAKE IN REPORT)

The City Solicitor introduced the report which was to consider the political balance rules in relation to the constitution of sub-committees considering complaints against members. He explained that the committee agreed on 26 June 2015 to disapply the political balance rules in respect of sub-committees of Governance & Audit & Standards sub-committees when dealing with complaints. This meant the sub-committees' membership would 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. It was also agreed that the same rule would apply to the make-up of the initial filtering panel which is not a formal sub-committee of Governance & Audit & Standards.

Members commented on the arrangements generally and one member felt that members should not sit in judgement on other members. However the

purpose of the report was to recommend disapplying the political balance rules in respect of Governance & Audit & Standards sub-committees and the initial filtering panel membership. The committee agreed the recommendation.

**RESOLVED that the political balance rules are disappplied in respect of Governance and Audit and Standards sub-committees which are considering complaints against Members and also the same arrangement should apply in respect of Initial Filtering Panel membership.**

### **36. Directorate performance baselines report (AI 10)**

(TAKE IN REPORT)

Jon Bell introduced the report which was to present a summary of directorate functions, activities, measures, projects and risks to Governance & Audit & Standards Committee as the basis for ongoing monitoring throughout 2016/17. He explained that plans had been submitted by all directorates bar two - Housing & Property and Adult Social Care.

The chair commented that the content of the report was far more impressive than a similar report that was brought this time last year. Whilst he understood that as Adult Social Care directorate was currently being restructured, making it difficult to submit a report he wanted it placed on record that it was not acceptable for any directorate not to provide a report. He said he wished to invite directors who did not supply reports to an informal meeting to explain reasons why a report had not been made. The chair further commented that directors should supply details of projects where costs were involved to this committee as this was what mattered to the council as a whole and that directors should not have a choice in what should and should not be included in the reports. He gave an example in that he felt that the director report in respect of IT had not captured some of the major issues being faced by that directorate.

During discussion the following points were made:

- Members agreed that the current report provided better information than previously had been the case, however there was still room for improvement in that directorates appeared to omit items that members would have expected to have been included. An example of this was that there did not appear to be anything about Ofsted's scathing letter about the low level of educational attainment in Portsmouth. In addition, with regard to public health, big changes were expected and members would have expected there to have been capacity issues raised within that report.
- Members commented that the measure of achievement column did not contain the correct information in many of the reports.
- Members requested additional information with regard to Children's Services in that they required more information about what was meant by the words "robustly challenge".

- Members felt that the directorate reports should be taken to Cabinet Member decision meetings as a matter of course so that each Cabinet Member was aware of the reports on services they looked after going to Governance & Audit & Standards Committee.

Members agreed that Kelly Nash be given the appropriate authority to ask for reports from the directors to be given to her in good time for the appropriate Governance & Audit & Standards Committee meetings.

**RESOLVED that the Committee**

- (1) Noted the report and attached summaries at Appendix 1;**
- (2) Agreed to receive quarterly updates based on these baseline position statements, with a focus on exception items;**
- (3) Gave the Committee's authority to the officer concerned with producing the report to obtain the baseline position statements from directors in good time to produce the report.**

**37. Annual Internal Audit Report for the 2015/16 Financial Year (AI 11)**

(TAKE IN REPORT AND APPENDICES)

Jon Bell and Paul Somerset introduced the report. They advised that in 2015/16 Internal Audit raised one critical risk exception which has since been resolved. A further four audits have been given no assurance since the last meeting and are detailed in section 6. This brings a total of 11 no assurance audit opinions for 2015/16. The final audit plan contained 78 full audits and 39 follow up audits. 100% of the revised 2015/16 audit plan has been completed. Jon Bell said that 5.4 of the report showed the number of exceptions within each category and said that there continues to be a large number of high risk exceptions.

The chair thanked the Chief Internal Auditor and her team for their work in preparing the report. With regard to a query on what happened after an exception is found, Mr Bell said that an agreed action plan would be drawn up and would be followed up in a timescale that was dependent on the seriousness of the exception. The chair asked that more detail be provided to the committee on what happened next as although Appendix B showed what happened in some cases, it was important also to know what happened in respect of all of the exceptions. The Deputy Chief Executive said that the reports were not passive reports and that he and Chris Ward read all of the reports and looked to make improvements and ensure they were implemented. He said he would follow up questions raised by the chair with the Chief Internal Auditor following the meeting.

- A specific query was raised in relation to 6.8.1 on page 3 of Appendix A concerning market distribution. This had been raised in the 13/14, 14/15 and 15/16 reports and members wished to know what had been done to address this. Chris Ward said that there are a number of

matters that were very difficult to resolve and this particular problem was down to the system itself not being able to provide information that is needed. He said that it was difficult to find another system to act as a comparator. It had not been possible to find out whether the whole system needed to be changed or whether it was a matter of a problem between two organisations' systems not being compatible. He said that there was a need to quantify the risk in order to decide whether or not it was an acceptable risk to take. Members said that if the same issue is raised repeatedly then more information is required to be brought to this committee in order for it properly to know what is happening.

Paul Somerset said that MMD had appeared several times but that it was not the same exception. It had come up as a result of different audits. Often the exception could not be quantified because it may be a matter of reputation and not financial aspects for example if personal details had been inadvertently leaked. Mr Chris Ward said that there was a need to state the management response to the risk identified and that needed to be stated in the report.

The chair agreed that context and financial risk should be included in the report.

- Members said that 7.4 seemed to note a decline rather than an improvement and asked why this should be. Ways needed to be found to improve this. Jon Bell said that the reason for this could be around capacity as there were fewer employees and perhaps there was also a loss of expertise over the years. As a result there is less external regulation in place. The chair generally felt that there should be more benchmarking.

**RESOLVED that Members**

- (1) Noted the Audit and Counter Fraud Performance for 2015/16;**
  - (2) Noted the highlighted areas of control weakness from the 2015/16 Audit Plan;**
  - (3) Noted the Annual Audit Opinion on the effectiveness of the system of internal control for 2015/16;**
  - (4) Endorsed the Audit Plan for 2016/17;**
  - (5) Considered any additional actions to be taken in response to matters raised within this report relating to the reviews undertaken.**
- 38. Proposed amendments to the Arrangements for the Assessment, Consideration and Investigation of Complaints against Councillors (AI 12)**

The City Solicitor introduced the report which asked that the committee considers and recommends to council amendments to the arrangements for the consideration and investigation of complaints against members. The City Solicitor drew members' attention to paragraph 4.4 on page 2 of Appendix 1. He said that although it was unlikely that there would be a situation where at an initial filtering panel the Monitoring Officer would take a decision that the members of the initial filtering panel disagreed with, he wanted to specifically draw this to members' attention. Members felt that where the Monitoring Officer disagreed with councillors it would be the Monitoring Officer's decision anyway and therefore little would be added to the process if the additional wording were to be included.

- Members asked that the document be amended throughout to make it gender neutral and this was agreed.
- Members referred to the wording of item 3.1 and asked that all the wording should be deleted except for "the Monitoring Officer shall provide the councillor with a copy of the complaint."

Members agreed all of the changes other than the few exceptions already mentioned. The committee also asked that the arrangements should be reviewed by this committee at the first meeting in the new municipal year.

**RESOLVED that the Committee recommends Council to**

- (1) Agree that all members of Council may be asked to sit on Sub-Committees of Governance and Audit and Standards Committee and the Initial Filtering Panel when they are considering complaints that members have breached the Code of Conduct.**
- (2) Approve the amended Arrangements for Assessment, Investigation and Determination of Complaints attached at Appendix 1 to the report, subject to the following additional changes**
  - (i) to be gender neutral,**
  - (ii) to delete all the words after "complaint" in paragraph 3.1 and**
  - (iii) to delete all the words in the second sentence of paragraph 4.4 after the word "decision".**
- (3) Approve the amended Complaint Form attached at Appendix 2 to the report.**
- (4) Agree that these arrangements be reviewed at the first Governance & Audit & Standards meeting of the new municipal year.**

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

The appendices to the Procurement Management Information report are exempt and as members wished to refer to these, it was proposed by

Councillor Ian Lyon and seconded by Councillor Scott Harris 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 item on the grounds that the appendices contain information defined as exempt in Part 1 of Schedule 12A to the Local Government Act 1972".

This was agreed.

#### **40. Procurement Management Information Report (AI 14)**

The chair invited David Moorman to introduce his report and advised that as much as possible of the discussion would be held in open session. Mr Moorman advised that the purpose of this quarterly report is to update the committee on steps being taken to demonstrate that PCC is achieving value for money from its contracts for goods and services. Mr Moorman explained that with regard to supplier performance in table 2 of the report there is one contract where the supplier is performing to an unsatisfactory level and remedial action is taking place. Details are included in exempt Appendix 2. Table 6 provides a summary of waivers approved since 29 January 2016 and details are included in exempt Appendix 3. Mr Moorman advised that the Strategic Contract Management Board met in April and received reports from contract managers on four strategic contracts and a number of other matters. A summary of actions arising from the board are detailed in exempt Appendix 4.

Members raised queries relating to some of the exempt appendices.

It was agreed that in relation to a query about how expensive home to school transport was, that Mr Moorman would find out how many children and accompanying adults were involved and would provide more detailed information on the cost of cars etc. Members said that if the budget was constantly being exceeded then the budget itself should be looked at again.

- In response to a query it was confirmed that only amounts over £4,000 appeared in section 3.
- In response to a query about a tender for IS, it was confirmed that the tender went out to five organisations but only two responses were received. This was likely to be because it was a very detailed and specific brief and was for a very complicated project. The feedback from suppliers was that they were put off from tendering owing to the council's procurement process. The chair of the committee expressed his view that the tender document should say that it had not been possible to find more than two bids for the contract.

The committee moved back into open session.

With regard to the supplementary document circulated at the meeting, the Chair felt that key financial information had not been included. He said that

he would like the total cost to be quantified in terms of how the figure had been arrived at and how many quotes had been received. In addition the chair requested that a report comes to the next meeting specifically on Oracle. The Chair also requested that a full report with more detail should be prepared and that the committee were given early sight of this.

The meeting concluded at 5.10 pm.

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Councillor Ian Lyon  
Chair