
Annual Governance Statement 2016-17

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What is the annual governance statement?

Legislation¹ requires local authorities to prepare and publish an Annual Governance Statement, in order to report publically on the effectiveness of the Council's governance arrangements. The statement provides an overview of the current governance framework and a summary of the review on the effectiveness of Portsmouth City Council's governance framework for 2016/17 (which coincides with the annual statement of accounts). The statement openly communicates significant governance issues that have been identified during the review and sets out how the authority will secure continuous improvement in these areas during over the coming year.

What do we mean by governance?

By governance, we mean the arrangements that are put in place to ensure the intended outcomes for local people are defined and achieved. It comprises the systems and processes, cultures and values, by which local government bodies are directed and controlled. Good governance is about making sure the Council does the right things, in the right way for the right people, in a timely inclusive, open, honest and accountable manner.

Scope of responsibility

Portsmouth City Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for and used economically, efficiently and effectively. It also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness. In discharging this overall responsibility, Portsmouth City Council is responsible for putting in place proper arrangements for the governance of its affairs, and facilitating the effective exercise of its functions, which includes arrangements for the management of risk.

About the Council

Portsmouth's Council comprises of 42 Councillors (19 Conservative, 15 Liberal Democrat Councillors, 4 UKIP Councillors, 2 Labour Councillors and 2 non-aligned Independent Councillors) who represent 14 wards across the City. It operates a minority administration under a Leader (Cllr Donna Jones, Conservative) and Cabinet structure with Cabinet Members responsible for individual portfolios.

The Council employs around 3,600 members of staff and provides an extensive range of services to residents, businesses and visitors in the City, including: city development and cultural services, regulatory business and standards services, transport and environmental services, housing and property services, children's and adult's social care and safeguarding, education services, revenues and benefits and health and welfare services. The Chief Executive and Head of the Paid Service is David Williams.

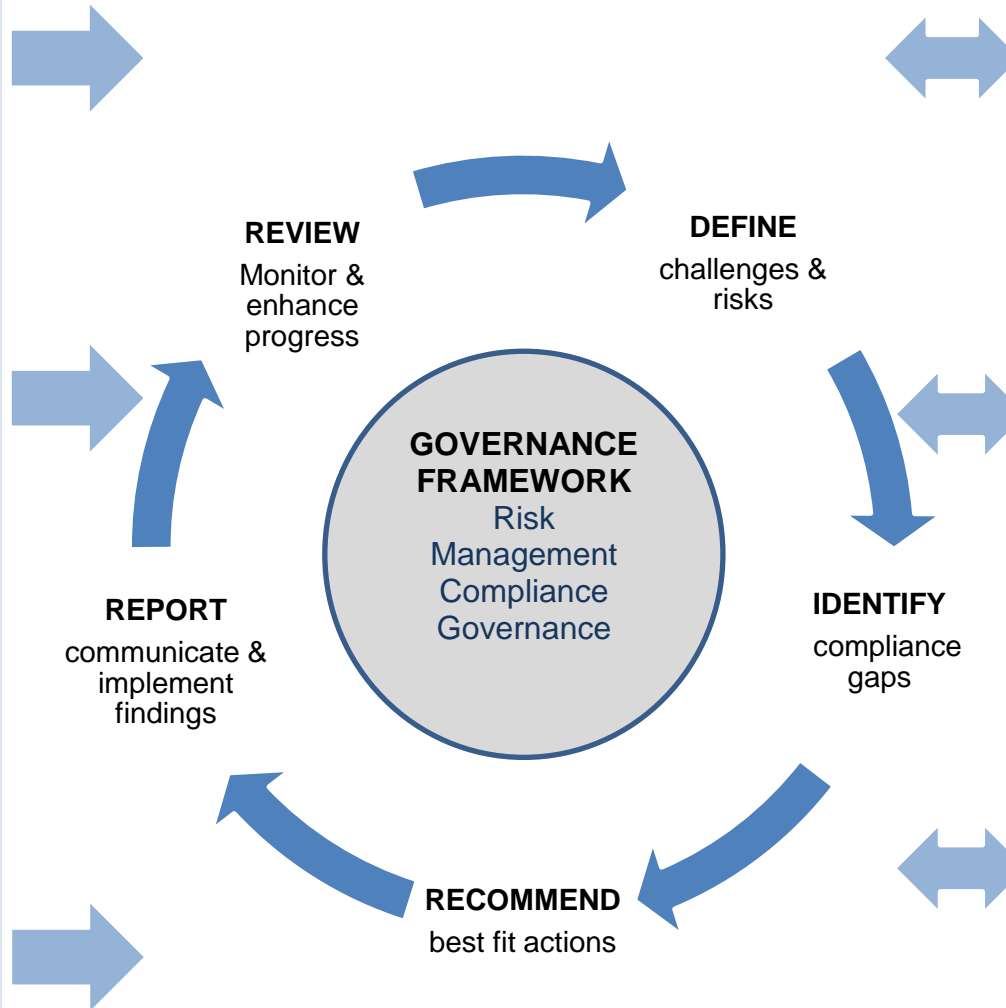
¹ Accounts and Audit (England) Regulations 2011, regulation 4(3)

GOVERNANCE PRINCIPLES

- Focusing on the purpose of the Authority, and on outcomes for the community; and creating and implementing a vision for the local area.
- Members and officers working together to achieve a common purpose with clearly defined functions and roles.
- Promoting the values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour
- Taking informed and transparent decisions which are subject to effective scrutiny and managing risk
- Developing the capacity and capability of members and officers to be effective
- Engage with local people and other stakeholders to ensure robust public accountability

INTERNAL CONTROLS

- Leadership, Culture and Planning**
Organisational goals and priorities
Strategic and operational plans
Performance management
Medium term financial strategy
- Statutory Officers & Decision Making**
The Constitution
The Monitoring Officer
Section 151 Officer
- Policies & Procedures**
Codes of conduct
Ways of working
Anti-fraud, Bribery and Corruption Policy
Whistleblowing Policy
HR Policies and procedures
- People, Knowledge, Finance, Assets**
Robust HR practices
Information governance
Performance monitoring and improvement
Financial management and reporting
Ethical & legal practices
- Scrutiny and Transparency**
Freedom of Information requests
Complaints procedure
Reports considered by legal and finance experts
Equality impact assessments
Corporate risk directory
Transparency duty publication
- Partnership Working**
Community engagement statement
'Have your say'
Consultations
Terms of reference for partnerships



CIPFA/SOLACE Good governance principles and the local code of governance

In 2007 CIPFA/SOLACE issued best practice guidance for 'Delivering Good Governance in Local Government'². The framework sets out six principles that should underpin the governance of each Local Authority. Portsmouth City Council has approved and adopted a local code of governance, which is consistent with the CIPFA/SOLACE good governance principles. The code summarises the Council's internal arrangements that have been put in place to ensure effective governance and includes hyperlinks to supporting documentation. A copy of the authority's code can be obtained from the Council. The following sections look at how the Council is held to account for these six principles.

1-Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area.

Organisational goal and aspirations for the City



Portsmouth City Council; working together to shape the great waterfront city

Portsmouth City Council has a shared organisational goal (above), which is designed to be simple, reflecting the fact that although we are a diverse organisation, everything the council does is designed to make the city a better place and improve life for our residents. All of us are working together to shape Portsmouth, a great waterfront city that:

- Has a **sustainable economy** that delivers **regeneration** and **inward investment**, creates opportunities and **drives prosperity** for our residents
- Has **high quality homes**
- Is a **great place to live** that makes best use of our natural assets and supports a **vibrant and diverse culture**
- Offers **excellent education** and training so all our residents can achieve their full potential and businesses have the skills to grow
- **Protects and supports vulnerable residents**, encourages independence and enables them to achieve their full potential
- Keeps residents **healthy** and the city **safe**.

We have set clear priorities about the way we will work and what we be trying to achieve. We will:

- Be entrepreneurial and efficient - so we can meet our financial challenges and continue to deliver services that meet our customers' needs
- Provide excellent customer service - Our customers deserve **excellent service** and even though they may not have a choice to use our services, we must do all we can to help them as best we can.
- Raise education standards - education is the stepping stone for children to **achieve success** in later life.
Encourage regeneration and investment - **regenerating** and **encouraging investment** is key to creating aspirations and opportunities that all our residents can benefit from and enhancing Portsmouth as a great place to live
- Empower residents to be healthy and independent - for residents to be able to make the most of their opportunities and live independently they must be **safe and healthy**

² <http://www.cipfa.org/policy-and-guidance/publications/d/delivering-good-governance-in-local-government-framework>

Planning and monitoring

In order to secure these outcomes for residents and service users, the Council needs to respond to some tough challenges. Over the past 6 years (since 2011/12), Central Government funding to Portsmouth City Council has reduced by over £68m (amounting to a funding reduction of 44%). Taken together with other financial pressures, total savings over the period of £86m have been made by the Council, representing circa 42% of the Council's controllable spending. The Government published the provisional Local Government Finance Settlement 2017/18 in December 2016. In overall terms, the Settlement includes a further reduction in Government Funding over the three year period 2017/18 to 2019/20 of £16.5m representing a further 36% funding reduction.

This means that it is important that, whilst we focus on achieving the organisational goal and priorities, we plan services in detail on an annual basis, focusing on challenges over the coming year but also considering the medium term horizon.

Medium Term Financial Strategy

The Council's stated Medium Term Financial Strategy seeks to balance achievement of the organisational aspirations whilst delivering the necessary savings.

The overall aim of the strategy is to ensure that "in year" expenditure matches "in year" income over the medium term whilst continuing the drive towards regeneration of the city, being entrepreneurial and protecting the most important and valued services. There are four strands to the strategy:

- **1 - Transforming to an Entrepreneurial Council:** income generation; maximise the return on property and assets; invest for commercial gain; develop and establish commercial entities to sell services profitably; capital investment for jobs and business growth; establishing strategic partnerships/shared service arrangements to reduce costs and increase resilience
- **2 - Reduce the extent to which the population needs Council services:** re-direction of resources towards preventative services; design fees and charges policies to distinguish between want and need; capital investment towards jobs and skills to raise prosperity
- **3 - Increase the efficiency and effectiveness of the council's activity:** contract reviews; rationalisation of operational buildings; support to the voluntary sector; targeted efficiency reviews in resource hungry services; capital investment for on-going savings or costs avoidance
- **4 - Withdraw or offer minimal provision of low impact services:** strong focus on needs, priorities and outcomes; use the insights of councillors to inform priorities; use the results of public consultation to inform priorities.

2-Members and officers working together to achieve a common purpose with clearly defined functions and roles.

The Constitution

The constitution³ sets out the how the Council operates; the roles and responsibilities of members, officers and the scrutiny and review functions; how decisions are made; and the procedures that are followed to ensure that these are efficient, transparent and accountable to local people. Although there is no longer a statutory requirement, Portsmouth City Council has taken the decision to continue with this arrangement internally and is in the process of updating the constitution to ensure it reflects current practice. As well as working together as a single organisation, it is important that

³ A copy of the constitution can be found at <https://www.portsmouth.gov.uk/ext/the-council/policies-and-strategies/constitution.aspx>

members and officers continue improve their working relations with other organisations too, both locally and sub-nationally, to achieve a common purpose of improved efficiency and effectiveness.

The Monitoring Officer

The Monitoring Officer is a statutory function and ensures that the Council, its officers, and its elected members, maintain the highest standards of conduct in all they do. The Monitoring Officer is assisted when required by appointed deputies. The Monitoring Officer ensures that the Council is compliant with laws and regulations, as well as internal policies and procedures. He is also responsible for matters relating to the conduct of Councillors and Officers, and for monitoring and reviewing the operation of the Council's Constitution. In PCC, the monitoring officer is Michael Lawther, the Deputy Chief Executive.

Section 151 Officer

Whilst all Council Members and Officers have a general financial responsibility, the s151 of the Local Government Act 1972 specifies that one Officer in particular must be responsible for the financial administration of the organisation and that this Officer must be CCAB qualified. This is typically the highest ranking qualified finance officer and in Portsmouth City Council this is Chris Ward, who is also the Director of Finance and Information Services.

3-Promoting the values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behavior.

Codes of conduct

On joining the Council, members and officers are provided with a contract outlining the terms and conditions of their appointment. All staff must sign a code of conduct and declare any financial interests, gifts or hospitality on a public register. Additionally, members are expected to declare any interests at the start of every meeting that they attend in accordance with Standing Orders. Members and officers are required to comply with approved policies. The Council uses a system called Policyhub that enables effective dissemination of general and job-specific policies, and has the built in functionality to measure compliance i.e. that a member of staff has read and agreed to the policy.

Financial management

The s151 Officer is responsible for leading the promotion and delivery of good financial management so that public money is safeguarded at all times, ensuring that budgets are agreed in advance and are robust, that value for money is provided by our services, and that the finance function is fit for purpose. He advises on financial matters to both the Cabinet and full Council and is actively involved in ensuring that the authority's strategic objectives are delivered sustainably in line with long term financial goals. The s151 Officer together with finance staff ensure that new policies or service proposals are accompanied by a full financial appraisal which is properly costed, fully funded and identifies the key assumptions and financial risks that face the council.

Financial Rules were revised in 2013/14 by the s151 Officer so that Portsmouth City Council can meet all of its responsibilities under various laws, and continue to be updated on a rolling basis. They set the framework on how we manage our financial dealings and are part of our City Constitution. They also set the financial standards that will ensure consistency of approach and the controls needed to minimise risks. The s151 Officer has a statutory duty to report any unlawful financial activity or failure to set or keep to a balanced budget. He also has a number of statutory powers in order to allow this role to be carried out, such as the right to insist that the local authority makes sufficient financial provision for the cost of internal audit.

The authority's financial management arrangements conform to the government requirements of the CIPFA Statement on "The role of the chief financial officer in local government (2010). The Director of Finance (Chief Financial Officer and s151 Officer) works with the Chief Executive and Deputy Chief Executive, helping to develop and implement strategy and deliver the strategic objectives. The Chief Finance Officer has input into all major decisions, and advises on financial matters to the Cabinet. He is responsible for ensuring that budgets are agreed in advance and that the agreed budget is robust, to ensure value for money is provided by our services, and is responsible for ensuring the finance function is fit for purpose. A protocol for the Chief Financial Officer in Portsmouth was approved in November 2011.

Anti-fraud, bribery and corruption

The Council is committed to protecting any funds and property to which it has been entrusted and expects the highest standards of conduct from Members and Officers regarding the administration of financial affairs. The Council's Anti-Fraud, Bribery and Corruption Policy⁴ (revised in May 2016) conforms to legislative requirements and sets out steps to minimise the risk of fraud, bribery, corruption and dishonesty and procedures for dealing with actual or expected fraud.

Whistleblowing

The Council is committed to achieving the highest possible standards of openness and accountability in all of its practices. The Council's Whistleblowing policy⁵ sets out the options and associated procedures for Council staff to raise concerns about potentially illegal, unethical or immoral practice and summarises expectations around handling the matter. The Policy is kept under review by the Monitoring Officer, and reports (which include concerns raised and their outcomes) are submitted to the Governance and Audit and Standards Committee quarterly.

Governance and Audit and Standards Committee

As its name suggests, the Governance, and Audit and Standards Committee has the responsibility for receiving many reports that deal with issues that are key to good governance. The Committee undertakes the core functions of an Audit Committee identified in CIPFA's practical guidance⁶. The group has an agreed set of terms of reference⁷, which sets out their roles and responsibilities of its members⁸. On an annual basis the Chair of the Committee undertakes a self-assessment, which informs the overall review of effectiveness of the Council's governance arrangements.

4-Taking informed and transparent decisions which are subject to effective scrutiny and managing risk.

Transparency

The Council and its decisions are open and accessible to the community⁹, service users, partners and its staff. The Freedom of Information Act 2000 (FoI) gives anyone the right to ask for any information held by a public authority, which includes Portsmouth City Council, subject only to the need to preserve confidentiality in those specific circumstances where it is proper and appropriate to do so.

⁵ A copy of the whistleblowing policy can be located at :

<http://democracy.portsmouth.gov.uk/Data/Governance%20&%20Audit%20&%20Standards%20Committee/20130314/Agenda/GAS20130314r10.pdf>

⁶ A copy of the guidance can be found at: <http://www.cipfa.org/Policy-and-Guidance/Publications/A/Audit-Committees--Practical-Guidance-for-Local-Authorities>

⁷ The Governance and Audit and Standards Committee Terms of Reference can be found at:

<http://www.portsmouth.gov.uk/media/SC20120716r5app4.pdf>

⁸ Membership can be found at: <http://democracy.portsmouth.gov.uk/mgCommitteeDetails.aspx?ID=148>

⁹ Meetings, agendas and minutes: <http://democracy.portsmouth.gov.uk/uucoverpage.aspx?bcr=1>

All reports requiring a decision are considered by appropriately qualified legal, and finance staff with expertise in the particular function area before they are progressed to the relevant committee/group. Portsmouth City Council wants to ensure that equality considerations are embedded in the decision-making and applied to everything the Council does. To meet this responsibility, equality impact assessments are carried out on all major council services, functions, projects and policies in order to better understand whether they impact on people who are protected under the Equality Act 2010 in order to genuinely influence decision making.

Risk management

The Council has reviewed its approach to managing risks over the last year and approved a revised Risk Management Policy, which seeks to embed a culture of risk awareness within everyday activities. All significant risks (defined as something that may result in failure in service delivery, significant financial loss, non-achievement of key objectives, damage to health, legal action or reputational damage) must be logged on a Corporate Risk Directory, profiled (as high/medium/low), and mitigating measures/assurances must be put in place. The new approach minimises formal processes and unnecessary documentation, whilst ensuring that risk management remains an effective part of the governance framework.

Effective scrutiny

The Council operates five Scrutiny Panels¹⁰, overseen by a Scrutiny Management Panel and governed by their own terms of reference. It is important that Scrutiny Panels act effectively as one of their key tasks is to review and challenge the policy decisions that are taken by Cabinet. Topics that are chosen to be 'scrutinised' are looked at in depth by a cross party panel of Councillors. They assess how the Council is performing and see whether they are providing the best possible, cost effective service for people in the city. The panel's findings are reported to the Cabinet and may result in changes to the way in which services are delivered.

Complaints

There is a clear and transparent procedure¹¹ for dealing with complaints. The Council operates a three-stage complaints procedure and promises to acknowledge complaints within 5 working days and respond fully within 10 working days for first-stage complaints, 15 working days for second-stage complaints and 20 working days for third-stage complaints. If complainants remain dissatisfied they have the right to refer the matter to the Local Government Ombudsman.

5-Developing the capacity and capability of Members and Officers to be effective.

Recruitment and induction

The Council operates a robust interview and selection process to ensure that Officers are only appointed if they have the right levels of skills and experience to effectively fulfil their role. If working with children and/or vulnerable adults they will be subject to an enhanced criminal records check prior to appointment. New Officers must attend an induction day, which provides information about how the organisation works. Newly elected Councillors are required to attend an induction which includes information on: roles and responsibilities; political management and decision-making; financial management and processes; health and safety; information governance; and safeguarding.

¹⁰ Further information on our Scrutiny Panels can be found at: <http://democracy.portsmouth.gov.uk/mgListCommittees.aspx?bcr=1>

¹¹ Complaints procedure: <https://www.portsmouth.gov.uk/ext/the-council/transparency/comment,-compliment-or-complaint.aspx>

Training and development

All Officers are required to complete a number of mandatory e-learning courses including health and safety, equalities and diversity, financial rules, and information governance. Officers and Members have access to a range of IS, technical, soft skills and job specific training courses. Compulsory training is provided for Members who sit on the following committees: Governance and Audit and Standards Committee, Licensing Committee, and the Planning Committee. Other member-led training is available to Councillors through Democratic Services and Learning and Development. The package of support available gives Members the opportunity to build on existing skills and knowledge in order to carry out their roles effectively.

Performance monitoring

All Officers receive regular one to ones with their Manager in order to monitor workload and performance. Opportunities are provided for identifying future training and development needs, and to track progress against objectives. The effectiveness of individual performance monitoring is tracked in a number of ways, including by asking staff about it as part of regular employee opinion surveys.

6-Engaging with local people and other stakeholders to ensure robust public accountability.

Engagement and communication

It is recognised that people need information about what decisions are being taken locally, and how public money is being spent in order to hold the council to account for the services they provide. The views of customers are at the heart of the council's service delivery arrangements. Portsmouth City Council has developed a Community Engagement Statement¹², which reflects the council's ambition to enable and empower communities to shape the places within which they live and work, influence formal decision making and make informed choices around the services they receive. The Community Engagement Statement asserts the following objectives for the council's engagement activity:

- Active citizens and strong communities,
- Clearer links between consultation and decision-making,
- A City that reflects its diversity and improved use of resources and aims to build upon the council's commitment to finding ways to inform,
- Consult and involve local people in all areas of life.

To be effective this process aims to inspire and support a genuine two-way dialogue with all sections of the community and other stakeholders. There are a number of ways people can get involved and connect with the council, many of which are listed on the council webpage¹³. Local people have the option to engage in a dialogue through: social media sites (including Facebook and twitter), petition schemes, neighbourhood forums, Healthwatch Portsmouth, council meetings (open to the public), their local Councillor¹⁴.

Consultations

The council keeps a forward plan of planned consultations. Internally, a consultation toolkit has been developed to guide council staff through the consultation process. The agreed process ensures that engagement activity is relevant, accessible, transparent and responsive. To increase awareness, consultations are proactively promoted.

¹² Community Engagement Statement: <https://www.portsmouth.gov.uk/ext/documents-external/cou-community-engagement-statement.pdf>

¹³ Opportunities to have your say can be found at: <https://www.portsmouth.gov.uk/ext/community-and-environment/community/have-your-say.aspx>

¹⁴ Who are your Councillors, MPs and MEPs: <http://democracy.portsmouth.gov.uk/mqMemberIndex.aspx?bcr=1>

The council issues a free copy of their Flagship magazine to all households keeping them up to date about what's going on in the City. The authority also issues other publications to specific groups, including "Term Times" for schools and "HouseTalk" for tenants.

Portsmouth City Council regularly engages with its employees to ensure they are kept informed about the council and the city. There are communication channels for "off-line" and online employees and a dedicated communications point of contact for staff. Employees are regularly asked to complete opinion surveys so the council can get a better understanding of what's working and what's not. The results are carefully considered and used to address issues.

Partnership working

Partnerships are about the council coming together with right organisations to deliver improved outcomes for local people. Portsmouth City Council is involved in many different partnerships at different levels, each with their own set of terms of reference for effective joint working. There are 4 strategic partnerships in Portsmouth. The Health and Wellbeing Board, the Children's Trust Board, Safer Portsmouth Partnership, which are involved in delivering the city's desired outcomes. Reviews of strategic priorities for each of the partnerships have been aligned in order to better understand shared priorities, reduce duplication and improve commissioning and delivery activity.

The city also maintains a Public Service Board, providing a regular opportunity for key decision-makers to come together and discuss significant issues in the locality.

We are increasingly joining up working at an operational level with partner organisations, notably in respect of multi-agency teams for children and families, and locality teams to deliver Better Care. A range of mechanisms are used to support these arrangements.

Monitoring and evaluating the effectiveness of the governance framework

Portsmouth City Council has the responsibility for conducting at least annually, a review of the effectiveness of its governance framework. The review of effectiveness is informed by the work of:

- The Chief Executive, Deputy Chief Executive and Directors within the Authority who have responsibility for the development and maintenance of the governance environment.
- The Chief Internal Auditor's annual report and opinion, and also by comments made by the external auditors and other review agencies and inspectorates.
- The Chief Financial Officer whose role is performed by the Director of Finance (and who is also Portsmouth City Council's Section 151 Officer) who has statutory responsibility for ensuring the proper management of all Portsmouth's financial affairs.
- The Corporate Governance Group, made up of the Chief Executive, the Deputy Chief Executive (monitoring officer), the Chief Internal Auditor, the Director of Finance (Section 151 Officer) and the Director of HR, Legal and Performance with input from others as relevant. This group meets regularly to discuss corporate governance arrangements and issues, and to reflect on recurring themes and spheres of activity relating to council improvement.
- The Governance and Audit and Standards Committee

There is clear framework for evaluating the effectiveness of internal control, and for 2016/17 this has included:

- An evaluation of progress against previously identified governance issues.
- Reviews of:
 - The effectiveness of Internal and External Audit.
 - External Audit's Annual Plan and opinion.
 - The Annual Internal Audit report and opinion.
 - The Corporate Risk Directory.
 - Issues identified through performance management.
 - Corporate complaints and any complaints regarding Members.
 - Freedom of information requests.
 - Data protection and information governance issues.
 - Employee Opinion and Pulse Survey results.

Significant governance issues for 2017/18

Portsmouth City Council have completed a number of actions over the last year, that have addressed or alleviated significant governance issues identified in the 2015/16 Annual Governance Statement. The following significant governance issues have been identified and further actions have been put in place against each, in order to strengthen the Council's governance arrangements.

Ref	Governance issue	Source	Actions to address the issue	Measures of success	Lead/s	Timescale
1	The Constitution has not been reviewed/formally updated for a number of years.	Highlighted by the Corporate Governance Group	a-Ongoing working group to review the Constitution.	Updated constitution published on Council website	Deputy Chief Executive and City Solicitor	November 2017
2	Disaster recovery - risk management activity has identified that improvements need to be made in our arrangements for recovery in the event of losing key systems.	Highlighted through risk management and business continuity activity	Disaster Recovery capability is under active review with Disaster Recovery as a Service (DRaaS) solutions being implemented.	Capability to restore key IT functions for the authority more quickly than the current 3-5 days.	Deputy Chief Executive and City Solicitor	Ongoing development and review
3	Cyber-security: Increasing risk of incidents leading to disruption of services, due to external threats in the form of "Ransomware" or "malware" and other kinds of malicious and deliberate attack.	Risk management	<ul style="list-style-type: none"> a) Revised guidance to staff "Be Cyber Secure" is part of an ongoing campaign run by Corporate Comms. b) IS Projects underway to implement enhanced technical and procedural measures to protect, defend and respond to cyber attacks. c) Strategic plans to migrate to cloud based services such as Office 365 and Azure will also provide additional protection and assurance. 	Prevention of cyber attacks	Deputy Chief Executive and City Solicitor	Ongoing review

Ref	Governance issue	Source	Actions to address the issue	Measures of success	Lead/s	Timescale
4	The council continues to explore new ways of working, including partnering and alternative service delivery models and taking more commercial approaches	Internal and external audit; performance and risk management activity	<ul style="list-style-type: none"> a) Ensure arrangements for traded services and arms-length organisations are fit for purpose b) Ensure new partnering arrangements have full regard to legal, financial and HR implications 	Ongoing - various structures for different arrangements	Chief Executive and Deputy Chief Executive	Necessary changes reported on a regular basis to Cabinet, Governance, Audit and Standards Committee and Employment Committee.
5	Changes in statutory duties: ongoing changes in the work of local government and the role in relation to other agencies means that the organisation needs to monitor the scope of duties, powers and expectations.	Performance and risk management	Service and resource planning to set out scope of requirements and the needs to fulfil these.	n/a	Chief Executive / Deputy Chief Executive	Ongoing reports to portfolios and committees.
6	Information governance - significant new responsibilities and requirements under the General Data Protection Regulation (fines will increase from March 2018)	Risk Management	Corporate working group to drive preparation for the new responsibilities - the GDPR project will review and update the Information Asset Register and will capture (electronic) data flows into and out of the organisation	Good state of organisational readiness for the change and low risk of sanction.	Deputy Chief Executive	Ongoing progress reporting to portfolio holder and committees.
7	Addressing underlying budget pressures, notably in children's services and adult social care	External audit plan	Ongoing monitoring of progress - transformation strategies developed	Financial gaps closing and eliminated over the medium term	Director of Finance, Director of Children's Services and Director of Adult's	Ongoing quarterly reporting on financial position to Cabinet; updates to

Ref	Governance issue	Source	Actions to address the issue	Measures of success	Lead/s	Timescale
					Services	portfolio holders

Effectiveness of the system of internal audit

Due to the number of critical and high risk exceptions raised under the audits carried out, the Audit opinion for 2016/17 is that only limited assurance on the effectiveness of the control framework can be given.

Whilst this opinion is the same level as the previous years the direction of travel is deteriorating not improving. Four audit opinion levels are now in place as agreed in the 2016/17 Audit and Counter Fraud Strategy and these are: no assurance, limited assurance, reasonable assurance and full assurance. Where there are mainly medium or low risk exceptions the annual audit opinion would be reasonable or full assurance.

There is still a significant level of high risk exceptions raised this year, a number of which are a result of failure by managers to carry out checks either previously performed centrally by support services or where they have differing priorities and capacity issues. In addition the level of investigation involving staff has not subsided, which may be indicative of the reduced resources and control layers, needed following the austerity measures

Internal Audit is concerned that the overall effectiveness of the control framework position is declining and will continue to work with Directors, the Deputy Chief Executive and the Chief Executive to improve on specific areas of control, risk management and governance weaknesses.

Any significant corporate weaknesses and agreed actions will be reflected in the Annual Governance Statement. The impact of the Internal Audit work for 2016/17 may affect that year's work for External Audit. It may also inform their work for 2017/18 and where they consider there are weaknesses in control that could materially affect the accounts they may need to carry out further work to gain the necessary audit assurance required for a true and fair view of the financial position and compliance with professional codes of practice.

Internal Audit has carried out a self-assessment and confirms that they are compliant with the Public Sector Internal Audit Standards (PSIAS).

Summary of significant governance issues for 2017/18

The review of effectiveness has identified significant governance issues within the Council's governance framework. Over the coming year, Portsmouth City Council will take steps to address the issues that have been identified in order to improve the Council's governance arrangements and improve assurance in the areas of most concern. Progress will be monitored and reported to the Governance and Audit and Standards Committee regularly over the next year.

Signed on behalf of Portsmouth City Council

.....
David Williams
Chief Executive

.....
Date

.....
Councillor Donna Jones
Leader of the Council

.....
Date

www.portsmouth.gov.uk

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Email: kelly.nash@portsmouthcc.gov.uk

You can get this
Portsmouth City
Council information
in large print, Braille,
audio or in another
language by calling.



Corporate member of
Plain English Campaign
Committed to clearer communication.

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