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## APPENDIX C - Annual Governance Statement 2012/13

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## ANNUAL GOVERNANCE STATEMENT 2012/2013

### 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 and properly accounted for and used economically, efficiently and effectively. Portsmouth City Council 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.

Portsmouth City Council has adopted a Local Code of Conduct which outlines the organisation's governance arrangements for ensuring effectiveness in line with the six core governance principles set out in the Society of Local Authority Chief Executives and Senior Managers (SOLACE) and the Chartered Institute of Public Finance and Accountancy (CIPFA) 2007 Framework "*Delivering Good Governance in Local Government*"<sup>1</sup>. The code demonstrates how the Council achieves good corporate governance and provides hyperlinks to supporting documentation. A copy of local code can be found on the Portsmouth City Council website<sup>2</sup>.

This Annual Governance Statement explains how Portsmouth City Council has complied with the code and also meets the requirements of Accounts and Audit (England) Regulations 2011, regulation 4(3), which requires all relevant bodies to prepare an annual governance statement.

### THE PURPOSE OF THE GOVERNANCE FRAMEWORK

The Governance Framework urges local authorities to prepare an annual governance statement in order to report publicly on the extent to which they comply with their own code of governance on an annual basis, including how they have monitored and evaluated the effectiveness of their governance arrangements in the year, and on any planned changes in the coming period. The process of preparing the governance statement adds value to the effectiveness of the corporate governance and internal control framework.

The governance framework comprises the systems and processes, culture and values by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads its communities. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate services and value for money.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness.

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<sup>1</sup> A new addendum to support the annual governance statement for 2012/13 onwards has now been published on the CIPFA website - <http://www.cipfa.org/Services/Networks/Better-Governance-Forum/Corporate-Governance-Documentation/New-addendum-for-Annual-Governance-Statements>

<sup>2</sup> Need to add link to Local Code once approved and uploaded onto the PCC website.

The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of Portsmouth City Council's policies, aims and objectives; to evaluate the likelihood and potential impact of those risks being realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at Portsmouth City Council for the year ended 31<sup>st</sup> March 2013 and up to the date of approval of the annual report and statement of accounts.

## THE GOVERNANCE FRAMEWORK

Portsmouth City Council's Local Code of Governance reflects the six principles and standards set out in the Delivering Good Governance in Local Government Framework, issued by CIPFA/SOLACE:

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

The following sections look at how the Council is held to account for these six principles.

***We focus on the purpose of the authority and on outcomes for the community and implementing a vision for the local area.***

Portsmouth City Council has a simple, collective organisational goal that tells employees what they are here to achieve:



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

The goal is based on the premise that everything the council does should improve life for our residents and make the city a better place. Portsmouth City Council's Guiding Principles (see next page) set out how the vision will be achieved.

-  **put customers first**
-  **provide value for money**
-  **be ambitious**
-  **use evidence to shape services**
-  **simplify, strengthen and share processes**
-  **get it right first time**
-  **support councillors as strategic leaders**
-  **value and support staff**
-  **listen and learn**

The council's Transformation Programme operates underneath this goal and is about working better together, as one council. The programme, consisting of 5 workstreams, was initiated in 2011 to deliver efficiencies and new ways of working<sup>3</sup> in order to contribute to the ongoing savings targets. Within each workstream there may be a number of areas being progressed at any one time, and this work will typically be managed as a project until acceptance as Business as Usual. The Corporate Transformation Board (which includes Strategic Directors and Heads of Service) takes collective responsibility for the transformation programme and meets regularly to review the programme, discuss any issues and make decisions about how the work moves forwards. Staff are kept informed of key developments in the Transformation Programme through communication briefings.

All services are required to complete business plans that fit with what they are trying to achieve as an organisation. In 2011, Strategic Directors agreed that business plans should be the foundation of corporate planning and the bedrock on which performance management arrangements for the organisation are built. It has been necessary to change performance management arrangements in order to keep pace with national developments but also to reflect the council's changed ways of working and organisational objectives. Portsmouth City Council is now working to arrangements with a stronger focus on accountability at Head of Service level for service performance, and concentration on cross-cutting issues at the level of corporate management.

Specifically, services are asked to outline the way in which they contribute to shaping the great waterfront city; the 5 critical things the service will achieve in the coming year; the desired levels of achievement; and the key measures of success. As part of the business planning process, services are asked to review the relationship between service expenditure and performance and participate in benchmarking exercises to ensure best use of resources and value for money. The plans are designed to be medium term documents which are updated on an annual basis and must be formally agreed by the respective portfolio holders. Business plans are monitored on a quarterly basis by Strategic Directors, with further reports progressed to the Governance and Audit and Standards Committee and Cabinet.

<sup>3</sup> Further information about our Ways of Working can be found on Page 6.

## ***Members and officers work together to achieve a common purpose with clearly defined functions and roles***

All Portsmouth City Council employees contribute to the achievement of the authority's objectives, whether they are directly involved in service delivery to the customer, or in supporting other services.

The roles and responsibilities of the Executive, non-Executive, Scrutiny and officer functions are defined and documented in the City Constitution<sup>4</sup>, with clear delegations and protocols for effective communication. The Constitution sets out how the council operates, how decisions are made and the procedures that are followed to ensure that these are efficient, transparent and accountable to local people. Although this is no longer a statutory requirement, Portsmouth City Council has taken the decision to continue with this arrangement internally.

Portsmouth City Council has Codes of Conduct for Members and Officers, and Officers are required to declare any interests, gifts and hospitality on a public register. Members are expected to declare any interests at the start of every meeting that they attend in accordance with Standing Orders. The recording of interests are regularly reviewed and there are no current issues with the declaration, or recording of such interests.

It is important that members and officers work with other organisations locally and sub-nationally to achieve a common purpose of improved efficiency and effectiveness. As the Council transforms the way it works and prioritises its use of limited resources, it will remain vital that the Council's budgetary decisions are appropriately linked with the governance frameworks agreed with partners.

The Monitoring Officer is a statutory function and ensures that the Council, its Officers, and its Elected Councillors, maintain the highest standards of conduct in all they do. The Monitoring Officer is assisted when required by appointed deputies. The role of the Monitoring Officer is set out in 12.4 of Portsmouth City Council's Constitution. The Monitoring Officer's legal basis is found in Section 5 of the Local Government and Housing Act 1989, as amended by Schedule 5 paragraph 24 of the Local Government Act 2000. 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 to ensure that its aims and principles are given full effect.

Section 151 of the Local Government Act 1972 requires every local authority to make arrangements for the proper administration of their financial affairs and requires one officer to be nominated to take responsibility for the administration of those affairs. The s151 Officer has a number of statutory duties, including the duty to report any unlawful financial activity involving the authority (past, present or proposed) or failure to set or keep to a balanced budget. The s151 officer 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 s151 Officer together with finance staff ensures that new policies or service proposals are accompanied by a full financial appraisal which is properly costed, fully financed and identifies the key assumptions and financial risks that face the council. The s151 may deputise his duties to another officer, it may not, however, be to the head of paid service or the monitoring officer who are not allowed to hold the s151 officer role.

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<sup>4</sup> A copy of the constitution can be found at: <http://www.portsmouth.gov.uk/yourcouncil/8955.html>

*We promote values for the authority and demonstrate the values of good governance through upholding high standards of conducts and behaviour.*

Portsmouth City Council has developed “ways of working” as a tool to help staff manage themselves and others, evaluate their performance and recruit new staff. These include:



**We focus on  
what's important**



**We take pride  
in our work**



**We value  
others**



**We make a  
positive difference**

Employees and Members will be regularly monitored on their standards of conduct and behaviour. All managers are required to hold annual Personal Development Reviews with their staff and their managers are responsible for ensuring quality and compliance. As part of the PDR process a discussion on ways of working will take place.

The Council's Governance and Audit and Standards Committee undertakes the core functions of an audit committee as identified in CIPFA's "Audit Committees - Practical Guidance for Local Authorities"<sup>5</sup>. The group has an agreed set of terms of reference<sup>6</sup>, which sets out their roles and responsibilities.

The Council has a Whistleblowing policy<sup>7</sup> and procedures are in place for receiving and investigating internal complaints, as well as investigating complaints from the public. This Policy is kept under review by the Monitoring Officer, and performance reports (which include concerns raised and their outcomes) are submitted to the Governance and Audit and Standards Committee.

The Authority's Anti-Fraud, Bribery and Corruption Policy<sup>8</sup> conforms to the legislative requirements and is monitored annually. The Policy outlines steps taken to minimise risks of fraud, bribery, corruption and dishonesty and summarises the responsibilities of the S151 officer, City Solicitor, Managers, Audit, Councillors and employees in implementing and maintaining the Policy. All employees are required to complete a code of conduct return which includes a duty to report any suspected cases of fraud or corruption or dishonesty as an essential part of the process of protection the council, its property and reputation.

The Authority's financial management arrangements conform to the legislative and professional requirements of the CIPFA Statement on "The role of the Chief Financial Officer in local government" (2010)<sup>9</sup>. The Chief Finance Officer (who is also the Authorities s151 Officer) is a key member of the Strategic Director's Board, helping to develop and implement strategy and resource and deliver the authority's strategic objectives sustainably and in the public interest. He is actively involved in ensuring all immediate and longer term risks and opportunities are considered and strategic objectives of the authority are aligned to the longer-term financial requirements.

<sup>5</sup> 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>

<sup>6</sup> The Governance and Audit and Standards Committee Terms of Reference can be found at: <http://www.portsmouth.gov.uk/media/SC20120716r5app4.pdf>

<sup>7</sup> The Whistleblowing Policy can found at: <http://www.portsmouth.gov.uk/media/GAS20130314r10.pdf>

<sup>8</sup> The Policy can be found at: [http://intranetlink/Media/Whistle\\_blowing\\_Policy.pdf](http://intranetlink/Media/Whistle_blowing_Policy.pdf)

<sup>9</sup> More information can be found at: <http://www.cipfa.org/Policy-and-Guidance/Reports/The-Role-of-the-Chief-Financial-Officer-in-Local-Government>

The Chief Finance Officer is involved in all major decisions, and advises on financial matters to both the Cabinet and full Council. All reports 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. He is responsible for leading the promotion and delivery by the whole authority 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. A protocol<sup>10</sup> for the Chief Financial Officer at Portsmouth was approved in November 2011.

### ***We take informed and transparent decisions, which are subject to effective scrutiny and managing risk***

Following a formal process, the City Constitution including Standing Orders, Contract Procurement and Financial Rules have been revised and it is an accepted principle of Portsmouth City Council that they are constantly under review to meet the requirements of the organisation. Financial Rules are currently being reviewed in their entirety and are to be rolled out together with staff training in 2013. These rules clearly define how decisions are taken, as well as the processes and controls required to manage risks. Training on Financial Rules is embedded as part of the induction process, and all staff are expected to undertake this training. To this end a reporting mechanism has been developed as part of the review to enable managers to determine the level of training required.

Following a review of the council's approach to managing risks, Portsmouth City Council has agreed a Corporate Risk Management Policy<sup>11</sup>, which is supported by a set of procedures. The Council is committed to embedding a culture of risk awareness within everyday activities. The new approach minimises formal processes and unnecessary documentation, whilst ensuring that risk management remains an effective part of the governance framework.

### ***We develop the capacity and capability of members and officers to be effective***

All new Members receive an induction which includes information on: roles and responsibilities; political management and decision-making (including the constitution); financial management and our processes; health and safety; information governance, and safeguarding. Additionally, compulsory training is provided for those members who sit on the following committees: Governance and Audit and Standards Committee, Licensing Committee, and the Planning Committee. Informal training on scrutiny is provided by members of the Democratic Services team. Management training is also provided on request through the Local Government Leadership academy course.

Although training is Member led, development needs are supported by appropriate training organised and facilitated by the council's learning and development team. Officer support is also available to Members on request. The package of support helps elected Members to effectively carry out their roles and responsibilities to a high standard by building on existing skills, competencies and knowledge.

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<sup>10</sup> The Protocol for the Chief Financial Officer can be found here:

<http://www.portsmouth.gov.uk/media/Stan20111031r7appA.pdf>

<sup>11</sup> Risk Management Policy: <http://www.portsmouth.gov.uk/media/gas20130627r12.pdf>



All new officers are given an induction programme, which provides information about how the organisation works and its services, the role of Councillors, the history of the Council and vision for the future. All new members of staff are required to complete a number of mandatory e-learning courses including health and safety, equalities and diversity, financial rules, and information governance. Officer training needs are identified through the annual performance development review process. Managers are asked to attend a leadership and management course to ensure a better performing workforce.

### ***We engage with local people and other stakeholders to ensure robust public accountability***

The views of customers are at the heart of the council's service delivery arrangements. Portsmouth City Council has developed a Community Engagement Statement<sup>12</sup>, 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.

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. To be effective this process aims to inspire and support a genuine two-way dialogue with all sections of the community and other stakeholders. 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. These objectives build upon the council's commitment to finding ways to inform, consult and involve local people in all areas of life.

Portsmouth City Council acknowledges the need for a constantly evolving community engagement process targeted to the needs and aspirations of the audience. Clearly, effective engagement is dependent on clear communication channels with all local people and stakeholders to ensure robust accountability.

There are a number of ways people can connect with the council, many of which are listed on the 'Have your say' council webpage<sup>13</sup>. Local people have the option to engage in a dialogue through: social media sites (including a community engagement blog, facebook and twitter), petition schemes, neighbourhood forums, healthwatch Portsmouth, the rant and rave forum, council meetings (open to the public), their local Councillor<sup>14</sup> and through planned consultations.

The council keeps a forward plan of upcoming 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. A list of current consultations, as well as a list of past consultations explaining how the council has used public feedback is available on the council website. 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.

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<sup>12</sup> A copy of the Community Engagement Statement can be found at:

[http://www.portsmouth.gov.uk/media/Community\\_engagement\\_statement.pdf](http://www.portsmouth.gov.uk/media/Community_engagement_statement.pdf)

<sup>13</sup> Opportunities to have your say can be found at: <http://www.portsmouth.gov.uk/yourcouncil/have-your-say.html>

<sup>14</sup> Who are your Councillors, MPs and MEPSs: <http://www.portsmouth.gov.uk/yourcouncil/23350.html>

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.

The governance arrangements in respect of partnerships and other groups working as identified by the Audit Commission's report "Governing Partnerships: Bridging the Accountability Gap" (2005), are defined in the council's financial rules. Portsmouth City Council is involved in many different partnerships at different levels. The council has agreed appropriate partnership agreements and terms of reference with significant partnerships, where they contribute to the council and partners' shared objectives.

It is important that relevant processes are followed including assessing risks before entering into partnership arrangements, and that terms of reference for all significant partnerships are put in place. This will minimise the risk of reputational damage to the council either from the partnership failing to achieve the agreed shared objectives or from financial loss to the council. Officers must ensure there are proper monitoring arrangements in place and appropriate exit strategies where required. For contractual partnerships, the Monitoring Officer and S151 Officer can exercise their powers to rule against a decision if it is deemed as high risk in order to safeguard the Authority.

The Council operates a robust procurement process for managing the commissioning of contracts, which is underpinned by the Contract Procedure Rules. This ensures that best value is achieved from the process of awarding contracts to third parties.

## **CORPORATE GOVERNANCE CONTROLS**

The Strategic Directors Board (SDB) have agreed nine governance controls that services are expected to monitor and comply with through the corporate governance framework. The controls have been selected on the basis that they cover the CIPFA/SOLACE principles and are deemed most critical to meeting the council's business needs. The Council has agreed that:

1. All services have a business plan that reflects the vision of the authority, is actively managed with the Strategic Director quarterly, and published by 31 March annually.
2. All staff (including volunteers/temporary posts) working with children and vulnerable adults require an enhanced criminal records check prior to appointment in line with PCC's disclosure and barring policy.
3. All staff adhere to clear desk and clear screen practices with regards to sensitive/personal information.
4. All services understand our legal equalities duties, and embed them within service projects and plans.
5. Risk is regularly reviewed and tangible mitigation measures are put in place and tested on a regular basis.
6. All services have business continuity plans that are regularly tested and reviewed.
7. Complaints are dealt with in a timely manner, responded to effectively, and outcomes recorded.
8. 100% of employees are given good quality PDRs, and training needs are identified and sent to HR.
9. 100% of employees complete the code of conduct upon joining the organisation.

## REVIEW OF EFFECTIVENESS

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

- The Strategic Directors and Heads of Services 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 Head 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 Chief Internal Auditor, the Section 151 Officer and Monitoring Officer, and the Head 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

To support the governance framework, there is an agreed formal process to evaluate the effectiveness of internal control, which requires:

- A review of progress against previously identified governance issues.
- Heads of Service to complete an internal control questionnaire to evidence their compliance with the nine internal controls. Any breaches to policies and procedures are also reported, with remedying actions identified.
- A self-assessment review of the Governance and Audit and Standards Committee, which is completed by the Chair.
- A review of the effectiveness of Internal and External Audit
- A review of the internal and external auditor's annual letters
- A review of business risks identified through the business and planning and performance management process.
- A review of corporate complaints and any complaints regarding Members.
- A review of data protection and information governance issues.
- A review of relevant reports from review agencies and inspectorates.
- A review of Employee Opinion and Pulse Survey results.

The Governance and Audit and Standards Committee have given advice on the results of the governance framework effectiveness review, and a plan to address weaknesses and ensure continuous improvement of the system has been put in place.

## SIGNIFICANT GOVERNANCE ISSUES FOR 2012/13

The following table summarises the key governance issues for 2012/13, the source of information by which they have been identified and the actions to address them. Progress will be monitored at least quarterly by the Corporate Governance Group and Governance and Audit and Standards Committee:

Ref	Governance Issue	Source	Actions	Measures of Success	Lead/s	Timescale
1	Possible weaknesses in people management.	Governance issues from 2011/12 and 2012/13 Internal Control Questionnaire results re <i>Control 8 (PDRs)</i>	Commission and promote a new management training programme.	Increased participation	Fiona Morrison	From Oct 2013
			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.	Julie Barratt	October 2013
			Continue to monitor staff opinion survey results regarding staff satisfaction with management and leadership.	Increased satisfaction	Tarnia Goodsell	Ongoing
2	Non-completion of financial rules training, resulting in non-compliance with Financial Rules	Governance issues from 2011/12	Parts A-D of Financial Rules to be uploaded onto PolicyHub	100% of relevant staff have read Parts A-D.	Lyn Graham/ Chris Ward	September 2013
			Parts E-G of Financial Rules to be finalised and uploaded onto PolicyHub	100% of relevant have read Parts E-G.		January 2014
			Training programme on new financial rules to be rolled out.	Relevant staff have attended the training		From April 2014
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	Governance issues from 2011/12	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	Ongoing
			Disclosure and Barring Service Policy to be updated and uploaded onto Intralink/circulated to key staff through Policyhub.	Current guidance available on Intralink		October 2013
4	Business Continuity Plans could be strengthened	Governance issues from 2011/12	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	August 2014

Ref	Governance Issue	Source	Actions	Measures of Success	Lead/s	Timescale
5	The Council's Equality and Diversity Strategy needs to be refreshed and compliance and monitoring of equalities duties could be improved.	Governance issues from 2011/12 and 2012/13 Internal Control Questionnaire results re <i>Control 4 (equalities)</i>	Managers to ensure that all staff complete the equalities healthcheck (needs to be completed every 3 years).	100% of staff to complete	Fiona Morrison	Ongoing
			Set up an equalities project group with a range of service and member representatives to: -Review our current guidance, the council's duties and the national policy context. -Feedback on the findings and recommendations within the recent LGA Peer Review letter. -Consider lessons from recent consultation activities. -Evaluate the previous approach of the FEG (Fairness and Equalities Group) -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. -Review the current EIA (Equalities Impact Assessment) process and how it is monitored and enforced.	New Equality and Diversity Strategy and Single Equalities Scheme in Place		January 2014
			Improve the quality of workforce data.	Review of EIA process complete.		August 2014
6	Not all services are undertaking comprehensive succession planning	Governance issues from 2011/12	A review of workforce planning has recently been developed which will seek to identify and share areas of good practice and encourage the development of robust succession planning across all services.	Better understanding of the diversity of the workforce	Penny Lane	August 2014
7	Not all services are undertaking comprehensive succession planning	Governance issues from 2011/12	A review of workforce planning has recently been 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	August 2014
7	The approach to risk management needs to be fully embedded following the 2013 review.	2012/13 Internal Control Questionnaire results re <i>Control 5 (risk)</i> and Corporate Peer Challenge March 2013	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	December 2013

Ref	Governance Issue	Source	Actions	Measures of Success	Lead/s	Timescale
8	Performance management arrangements need strengthening	2012/13 Internal Control Questionnaire results re <i>Control 1 (business planning)</i> and Corporate Peer Challenge March 2013	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/ Meg Southcott	August 2014
9	The Council's approach to project management could be strengthened	Corporate Peer Challenge March 2013	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	August 2014
10	Member training and political development is not systematic nor sufficiently championed and would benefit from more robust succession planning	Corporate Peer Challenge March 2013	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	November 2013
			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		August 2014
11	There is scope to improve the council's relationship with the Voluntary and Community Sector	Corporate Peer Challenge March 2013	Revisit the compact and use this process to establish rules of engagement both strategically and tactically	New compact in place.	Rob Watt/ Mandy Lindley	August 2014
			Consider a member portfolio for the Voluntary and Community Sector	Considered and implemented if necessary		May 2014

Ref	Governance Issue	Source	Actions	Measures of Success	Lead/s	Timescale
12	There is scope to further develop the Cabinet and Strategic Directors Board as one team, with shared goals and expectations.	Corporate Peer Challenge March 2013	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	August 2014
13	There is scope to improve the articulation of the council's corporate vision	Corporate Peer Challenge March 2013	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	August 2014
14	The Shaping the Future Programme would benefit from more robust programme management arrangements	Corporate Peer Challenge March 2013	Develop a high level programme narrative.	More rigorous programme management.	Kathy Wadsworth	April 2014
			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.			

Ref	Governance Issue	Source	Actions	Measures of Success	Lead/s	Timescale
15	A number of governance issues were raised as a result of the safeguarding peer challenge	Safeguarding Peer Review October 2012	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 completed.	David Hogg	Immediate
16	There is scope to strengthen procedures around data protection.	Information Governance Audit/Data Protection Breaches June 2013	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	Immediate and ongoing
			Services to delete or archive confidential/personal data that is no longer required whilst ensuring that data retention requirements are met			
			Relevant staff to undertake information governance training			
17	The December 2012 budget and performance report forecast a significant overspend on the assisted home to school transport budget.	Annual Internal Audit Report for the 2012/13 Financial Year	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.	Reduced overspend in 2014/15.	Julian Wooster/ Michael Lawther/ Chris Ward	April 2014
			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.			
18	Work undertaken by the Building Control Surveyor is not checked.	Annual Internal Audit Report for the 2012/13 Financial Year	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	Immediate and ongoing



Ref	Governance Issue	Source	Actions	Measures of Success	Lead/s	Timescale
19	The Accounts Receivable Audit revealed errors in the completion of credit note request forms, reducing our control over preventing fraud.	Annual Internal Audit Report for the 2012/13 Financial Year	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	Immediate and ongoing
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	Annual Internal Audit Report for the 2012/13 Financial Year	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	Port Senior Building Surveyor	Immediate and ongoing
			A Corporate Legionella Management Policy will be introduced by the Health and Safety Manager		Frank Regan	Complete
			Letter to go to all schools explaining their responsibilities and for PCC Schools a process to demonstrate compliance.		Mike Stoneham	Complete
			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	October 2013
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.	Audit Report for the 2012/13 Financial Year	The Financial Controller to be removed as an administrator of the Sage Payroll system.	Financial Controller removed as an administrator.	MMD (Shipping Services)	01 July 2013

Ref	Governance Issue	Source	Actions	Measures of Success	Lead/s	Timescale
22	MMD cannot evidence which staff access levels to Navision (a finance and distribution system).	Audit Report for the 2012/13 Financial Year	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		31 July 2013
23	Members of staff at the MMD who have access to Navision have the ability to amend supplier and customer details, including bank details.	Audit Report for the 2012/13 Financial Year	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. 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.	Restricted editing rights.		Complete
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.	Audit Report for the 2011/12 Financial Year	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	Immediate

Ref	Governance Issue	Source	Actions	Measures of Success	Lead/s	Timescale
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.	Annual Audit opinion 2012/13	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	September 2014
26	Surveillance and product details to be recorded at cancellation of Authorisation.	Office of Surveillance Commissioners RIPA Report	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 and application form have been updated has been updated	Policy approved and re-issued	Lyn Graham	June 2013
27	There is scope to strengthen the governance arrangements for the Joint City Deal between Portsmouth and Southampton	Joint City Deal with Southampton City Council 2013	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	November 2013
28	Operating within the new public health arrangements.	National legislation transferring additional responsibilities to local authorities April 2013	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	By December 2013
			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	Ongoing

Ref	Governance Issue	Source	Actions	Measures of Success	Lead/s	Timescale
			Ensure effective relationships are maintained with institutions including providers and commissioning groups that make up the local health system	tbc	Andrew Mortimore/ Julian Wooster	Ongoing
			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	Andrew Mortimore	Ongoing Monitored annually
			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	David Price	Ongoing
			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	Ongoing
29	The Council is letting the Brunel wing of the Civic Offices and as a result will be reconfiguring the Civic Offices. In response to this change and the need to modernise ways of working, the Council will be introducing 'working anywhere' infrastructure to support mobile and flexible working. This new culture will need a different management style.	Transformation Programme - Next Steps	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	Ongoing
			Develop a culture change package to support 'working anywhere' based on a new management style focused on outcomes.		Kelly Nash	October 2013

## EFFECTIVENESS OF THE SYSTEM OF INTERNAL AUDIT

As part of the Council's Internal Audit Protocol, the Head of Service responsible for Internal Audit must continually review the service's effectiveness. This is done using CIPFA's "Characteristics of Effectiveness", which reviews whether or not Internal Audit:

- understands its position in respect of other sources of assurance
- understands the needs and objectives of the organisation and adds value in helping achieve them
- is a catalyst for change, and is involved in improvements and projects as they develop
- is forward looking and proactive
- is innovative and challenging
- has the right resources and skills
- The Head of HR, Legal and Performance has confirmed that he is satisfied that the Internal Audit service does currently fulfil the "Characteristics of Effectiveness".

## INTERNAL AUDIT OPINION AND ISSUES

Due to the number of critical and high risk exceptions the Audit opinion for 2012/13 is that only limited assurance on the effectiveness of the control framework can be given with the areas of most concern.

We propose over the coming years to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness, and will monitor their implementation and operation as part of our next annual review.

Signed on behalf of Portsmouth City Council

.....  
David Williams, Chief Executive

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Date

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Cllr Gerald Vernon Jackson, Leader of the Council

.....  
Date

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