

GOVERNANCE & AUDIT & STANDARDS COMMITTEE

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

(NB These minutes should be read in conjunction with the agenda for the meeting which can be found at www.portsmouth.gov.uk.)

Present

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

Officers

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

Also present: Mark Justesen - external auditor

66. Apologies for Absence (AI 1)

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

67. Declarations of Members' Interests (AI 2)

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

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

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

68. Minutes - 26 September 2013 (AI 3)

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

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

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

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

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

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

He drew Members' attention to the following:

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

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

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

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

In response to questions the following matters were clarified:

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

RESOLVED that the update from the External Auditor be received.

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

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

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

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

In response to queries the following matters were clarified:

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

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

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

(TAKE IN REPORT)

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

In response to questions the following matters were clarified:

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

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

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

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

(TAKE IN REPORT)

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

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

In response to questions the following matters were clarified:

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

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

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

RESOLVED

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

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

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

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

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

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

75. Appointment of Independent Persons. (AI 10)

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

RESOLVED that the Governance & Audit & Standards Committee -

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

76. Exclusion of Press and Public (AI 13)

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

RESOLVED

“That, under the provisions of Section 100A of the Local Government Act, 1972 as amended by the Local Government (Access to Information) Act, 1985, the press and public be excluded for the consideration of the remaining items on the grounds that the report(s) contain information defined as exempt in Part 1 of Schedule 12A to the Local Government Act, 1972”.

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

(TAKE IN REPORT)

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

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

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

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

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

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

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

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

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

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

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

Councillor Terry Hall

Chair