

GOVERNANCE & AUDIT & STANDARDS COMMITTEE

MINUTES OF A MEETING of the Governance & Audit & Standards Committee held on Friday 27 June 2014 at 3.00 pm in Conference Room B, Civic Offices, Portsmouth.

(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 Simon Boshier (in the Chair)
Councillor Eleanor Scott (Vice-Chair)
Councillor John Ferrett
Councillor Leo Madden
Councillor Hugh Mason

Officers Present

Jon Bell, Head of HR, Legal & Performance
Chris Ward, Head of Finance and Section 151 Officer
Michael Lawther, City Solicitor and Monitoring Officer
James Sandy, Community Engagement Manager
Lyn Graham, Chief Internal Auditor
Elizabeth Goodwin, Deputy Chief Internal Auditor
Megan Barnard, Strategy Adviser
Stewart Agland, Local Democracy Manager
Greg Povey,
NB Councillor Phil Smith as Standing Deputy attended as an observer

External Auditors

Mark Justesen, External Auditor

30 Apologies for Absence (AI 1)

Apologies for absence were received from Councillor Colin Galloway.

31 Declarations of Members' Interests (AI 2)

There were no declarations of members' interests.

32 Minutes of the meeting held on 13 March 2014 (AI 3)

RESOLVED that the minutes of the meeting held on 13 March 2014 be confirmed and signed by the chair as a correct record.

33 Updates on Actions identified in the Minutes (AI 4)

Although there were no actions identified in the minutes there was a discussion about ensuring that business going on to Governance and Audit and Standards does not encroach on work that properly belongs to the Employment Committee. The City Solicitor said that he would try to ensure that unnecessary duplication does not occur.

34 External Audit (1) Sector Update and (2) Progress Report - Ernst and Young (AI 5)

(TAKE IN REPORT)

(1) **Sector Update** - Mr Mark Justesen introduced the sector update and said that page 11 sets out the key questions for the committee.

During discussion, the following matters were clarified:

- The City Solicitor confirmed that it was not incumbent upon this committee to do anything about the new regulations covering consultation in respect of setting up new Town or Parish Councils as this is not relevant at present.
- With regard to page 12 of the update report and the link on that page to the Single Fraud Investigation Service, it was confirmed that there is a relatively small number of staff who might be affected by this. Mr Bell confirmed that he is doing all he can to retain skilled individuals within the city council. The areas being transferred cover council tax fraud but not housing benefit fraud. The City Solicitor agreed to bring an update report to Governance & Audit & Standards on this issue.

(2) **Audit Progress Reports to June 2014** - Mr Justesen introduced the progress report and confirmed that no serious issues had been identified to report to members. However, it was noted that the move to Oracle EBS R.12 has involved a number of complications that have required system workaround. He advised that a timetable had been drawn up - the Audit Committee Timeline - which is shown at item 2 of the report for information.

The following matters were clarified:

- In relation to the Harbour accounts, Chris Ward said that there is a requirement to prepare accounts but currently there is no deadline for this work to be completed.
- With regard to the proposed transfer of estate into the HRA, a discussion took place concerning how this would be done and whether the sums transferred would be appropriate. Mr Ward said that there was not a threshold - the transfer was either legal (i.e. it was appropriate) or it was not.

RESOLVED that

- (1) the sector update be noted.**
- (2) the audit progress report to June 2014 be noted.**

35 Update on the Council's Compliance with its Equality Duty and Equality Impact Assessment Process (AI 6)

(TAKE IN REPORT)

James Sandy, Community Engagement Manager, introduced the update report and said that for the first time all services are now 100% compliant. He said that the council has a well-established Equality Impact Assessment (EIA) process which assists compliance with the Equality Duty. As part of the council's EIA process, council services are required to undertake review EIAs on the major services, policies and functions of the council that have been identified by the management and the Equality and Diversity team as having a potential present or future disproportionately negative impact on people possessing any of the "protected characteristics". The monitoring of this by this committee has proved beneficial in improving the services' compliance with the EIA process.

RESOLVED

- (1) that the committee notes the contents of the report;**
- (2) that the committee continues to monitor the compliance of the council's services with the Equality Duty and the Equality Impact Assessment process adopted by the council, on a quarterly basis;**
- (3) that the City Solicitor continues to report on such compliance to the committee on a quarterly basis.**

36 Update on the Annual Governance Statement (AI 7)

(TAKE IN REPORT)

Megan Barnard, Strategy Adviser, introduced the report which provides an update on progress made in addressing the significant governance issues reported in the 2012/13 Annual Governance Statement and to outline steps taken to develop the Annual Governance Statement for 2013/14. She advised that Appendix A showed progress on actions and Appendix B sets out the draft Governance Statement 2013/2014. She said that taking into consideration the findings from the review of effectiveness, the table on pages 12 to 15 of the draft Annual Governance Statement sets out the proposed list of significant governance issues that need to be tackled over the coming year. She advised that the final draft of the 2012/13 Annual Governance Statement and a copy of the updated Local Code of Corporate Governance will be brought to the September Governance & Audit & Standards Committee for approval, alongside the annual accounts. Following approval, they will be published on the council's website.

During discussion the following matters were raised:

- With regard to management training, a discussion took place about whether this should be mandatory. Jon Bell said that there were time constraints in attending training and also some senior managers felt that it was not appropriate for their group of managers. He advised that in some services, training was already being given to managers tailored to their individual needs. He advised that a follow-up to the LAMP programme is being developed. This will be a combination of soft and hard skills.
Councillor Boshier said that this was an issue for the Employment Committee with regard to training managers but a Governance & Audit & Standards Committee issue in relation to the effectiveness of the training.
The City Solicitor said that he felt this should be sent back to the Employment Committee for action, particularly in relation to the time that would be needed to complete training.
- With regard to the comment in 4 on page 3 of Appendix A relating to "Business Continuity Plans could be strengthened", the City Solicitor confirmed that all plans are in place but that they need to be tested for robustness. The City Solicitor said that he would be reporting back to Strategic Directors next month and that the plans would be reviewed and retested. He said that key services have carried out exercises but that the situation needed to be kept under review. Councillor Hugh Mason requested that the City Solicitor drives this through the Strategic Directors Board and reports back on progress to this committee specifically.
- With regard to item 5 on page 3, the figures had not been included in the update on progress column. In addition the document refers to "early Spring 2014" so an update on whether this has been concluded is also required. Megan Barnard confirmed that she would advise what these figures should be so that the minutes could reflect the information.

The City Solicitor said that a decision needed to be taken on whether training for Equalities was necessary and also whether it should be mandatory.

It was suggested that the project management issue referred to in number 9 on page 4 should be an Employment Committee issue.

The City Solicitor said that some projects that had been done by the internal team in terms of project management had been very good - for example the Tipner Scheme.

- With regard to reference 11 page 5, a query was raised as to whether the reference to "new compact in place" was the same as "the revised compact will be launched in July and arrangements are in place for the action plan to support its implementation." It was suggested that an email should be sent to Mandy Lindley to gain clarification on this matter. [Following the meeting Mandy Lindley confirmed that the words in inverted commas refer to the same thing]
- With regard to Member training, the City Solicitor said that it was very difficult to get members engaged in training and that this was not just a local issue but was the case also nationally.
A comment was made that many councillors especially those who are younger or who are in employment do not feel that any of the training is useful to include on their CVs.
Perhaps training is best attended when, unless it is undertaken, members are not permitted to sit on certain committees, for example Planning or Licensing.

Members asked that the City Solicitor reports back to this committee on the result of his conversations about re-launching member training.

The Chief Internal Auditor said that it was important that this committee has oversight of matters appearing in the annual Governance Statement.

- Councillor Boshier raised concerns about Legionella testing and in particular the comment that there are public buildings that do not come under the auspices of the council to undertake Legionella testing. The Chief Internal Auditor said that extensive audits had been carried out and asked whether this should be fed back to all members. Councillor Boshier said that he wanted confirmation that everything had been tested and Councillor Eleanor Scott said that in relation to schools can we be specific about which schools we are responsible for regarding testing for Legionella.
- A request was made that all jargon and acronyms currently appearing in the Governance Statement should be fully explained.

RESOLVED that the Governance & Audit & Standards Committee

(1) note the work that has been undertaken to address the significant Governance issues reported in the 2012/13 Annual Governance Statement and confirm if the committee is satisfied that they have received adequate assurance on mitigating measures taken to resolve the issues identified; and

(2) note the progress followed to develop the draft 2013/14 annual Governance Statement and provide feedback on the contents.

37 Performance Management Update - Quarter 4, 2013/14 (AI 8)

(TAKE IN REPORT)

Jon Bell introduced the report which is for quarter 4 up to the end of March. He explained that the Appendix shows a summary of service performance issues as collected from the Heads of Service. He explained that as a process this is still being evolved. The chair of the panel said that the column headed 'what needs to be improved' is not something that can be actioned by this committee and suggested that an extra column be added headed 'what is the action required'. Councillor Hugh Mason also suggested that it would be useful to know who was responsible for delivering the objectives.

Councillor Boshier commented that the new website mentioned under the heading 'Customer Community and Democratic Services' that it looked like the website had been designed from an experts point of view. He said that he could not easily find Democracy or the part of the web dedicated to meetings. The City Solicitor said that work is still being done on the website and said he would be happy to receive emailed examples of where members felt improvements should be made.

RESOLVED that the Governance & Audit & Standards Committee:

- (1) noted the report; and**
- (2) commented on the performance issues highlighted in section 4.**

38 Arrangements for Assessment, Investigation and Determination of a complaint that a Member has failed to comply with the Members' Code of Conduct (AI 9)

(TAKE IN REPORT)

The City Solicitor introduced the report explaining that following Council's consideration of a Notice of Motion on 13 February 2014, council referred the matter set out in 1.1 of the report to the Governance & Audit & Standards Committee. The City Solicitor explained that if the committee is content to make this amendment to the present arrangements, that decision will be required to be approved by council.

Following discussion members felt that the recommendation set out in paragraph 4 of the report was fair.

RESOLVED that

Council is recommended to note that the committee resolved that for the reasons outlined in the report the investigation report is not published in whole, or in part, but that the council's procedure for the assessment investigation and determination of complaints is amended to allow a redacted copy of the investigators report to be provided to the complainant at the same time that it is provided to the councillor who is the subject of the complaint.

39 Filming, Photographing and Recording of a Public Meeting of the Council (AI 10)

(TAKE IN REPORT)

Stewart Agland, Local Democracy Manager, explained that the purpose of the report is to provide information to the council on how best to ensure compliance with the new legislative requirements under the Local Audit and Accountability Act 2014. This requires councils (once the necessary secondary legislation is in place) to allow the filming, photographing, and recording of all meetings of the council to which the public are admitted.

RESOLVED that Governance & Audit & Standards Committee recommend:

- (1) that the council agree the proposed rules for governing the filming, photographing and recording of council meetings to which the public are entitled to attend (see Appendix A attached to this report) which will form part of the Constitution, subject to any revisions that may be necessary once the Secondary legislation is published.**
- (2) that Standing Order 36 (c) relating to public conduct be deleted and replaced by the following -**
 - The public and broadcasters are permitted to film or record meetings to which they are allowed access so long as they do so from areas specifically allocated to them and in a manner which does not disrupt the running of the meeting**
 - The use of digital and social media recording and communication tools including Twitter, Blogging or audio recording will be allowed so long as it does not interfere with the running of the meeting.**
 - The filming or recording of members of the public is prohibited in circumstances where they are not making representations to the meeting. Where a member of the public who is addressing the meeting does actively object to being filmed, they should also not be filmed.**
 - The Chair of the meeting or anyone designated by the Chair shall stop the meeting and take appropriate action if anyone breaches the rules governing the filming, photographing and recording of Council meetings (appendix A refers)**
- (3) that Standing order 34 (a) (iii) relating to conduct of Councillors and members of the public in meetings, be deleted**

(4) it is not considered necessary to make any material changes to the facilities currently afforded to the press and public in the meeting chamber and rooms currently used by the Council, however this may need to be reviewed once the detail of the Secondary legislation is known and if additional facilities are required to be provided; if such a review is required, it be undertaken through a Member/officer working group comprising representatives of all Groups on the Council.

40 Composition of Sub-Committees considering complaints against members (AI 11)

(TAKE IN REPORT)

The City Solicitor introduced the report and said that under Section 17(2) of the Local Government and Housing Act 1989 it was provided that any decision not to apply the political balance rules shall come to an end if there is any change in the make-up of a committee where they have been applied. In January 2013, the committee membership changed and therefore the council was required to once again apply the political balance rules. From that date all sub-committees of this committee were made up of two Liberal Democrat members and one Conservative member in accordance with the political balance rules. The committee further considered the question on 30 January 2014 and decided not to suspend the political balance rules.

The City Solicitor explained that as there has again been a change in the political make-up of the council, members have asked to reconsider the matter. If the decision is made to dis-apply the political balance rules then they shall be applied only until the end of this council year in May 2015 when the matter would again have to be reconsidered. The City Solicitor explained that the decision is one which this committee can make without further reference to council but it must be made without any of the members present voting against. If the political balance rules in respect of the sub-committee which is considering complaints against members are dis-applied, this would mean that the three member panel shall (wherever possible) consist of members not belonging to the same political group as one another.

During discussion members made the following points:

- Members preferred the old system when the Standards Board for England was in place whereby independent members chaired the sub-committees and had voting rights. However, the City Solicitor said this is no longer possible and the new procedure involves independent persons only in an advisory capacity and independent persons are not members of the committee or sub-committee. Members wished to change the procedure to ensure that an independent person was always in attendance at sub-committee meetings. In addition members said that when a decision is taken by a sub-committee to take further action, a new panel should be appointed.
- Members wanted the sub-committee membership to be on a rotation basis as far as possible, subject to availability.

The City Solicitor confirmed that membership of sub-committees of the Governance & Audit & Standards Committee can be drawn from all members of the committee including standing deputies. Following further discussion it was

RESOLVED that

- (1) Members agree to dis-apply the political balance rules in respect of its sub-committees when considering complaints against members**
- (2) An independent person be in attendance in an advisory role at all meetings of sub-committees**
- (3) A new sub-committee be appointed in the event that an assessment sub-committee decides that a complaint is taken forward.**

41 Annual Internal Audit Report for the 2013/14 Financial Year (AI 12)
(TAKE IN REPORT)

The Deputy Chief Internal Auditor, Elizabeth Goodwin, introduced the report and said that its purpose was to give the annual audit opinion on the effectiveness of the control framework, based on the internal audit findings for 2013/14 and highlight areas of concern and to advise members of the audit plan for 2014/15. The Deputy Chief Internal Auditor explained that currently there are only three audit opinions to match the exception risk levels and these are no assurance, limited assurance and full assurance.

Due to the number of critical and high risk exceptions, the audit opinion for 2013/14 is that only limited assurance on the effectiveness of the control framework can be given with the areas of most concern highlighted in section 6 and Appendix A and B of the report.

The Deputy Chief Internal Auditor explained internal audit is concerned with the overall effectiveness of the control framework and is working with Heads of Service, Strategic Directors and the Chief Executive to improve on specific areas of control and risk management weaknesses. Any significant corporate weaknesses and agreed actions will be reflected in the annual Governance Statement. Internal Audit has carried out a self-assessment and confirms that they are compliant with the Public Sector Internal Audit Standards (PSIAS).

Ms Goodwin explained that the 2014/15 audit plan is attached as Appendix C to this report. There are currently 137 audits and 45 follow-up audits identified although this will be reviewed quarterly to take account of changing risks and priorities which will be reported to this committee. Ms Goodwin said that the chair of this committee, Councillor Boshier, had met with audit and had agreed the format of the audit reports.

Councillor Boshier had also requested that if internal audit felt it would be useful, Heads of Service could be invited to this committee to explain any delays in improving on specific areas of control and risk management weaknesses.

During discussion the following matters were raised:

- The process for deciding what will or will not be audited was explained by the Deputy Chief Internal Auditor. She said that all departments and all activities were looked at with regard to threats and a risk rating was given. There followed consultation with the Head of Finance and Section 151 Officer and the audit strategy was brought to the Governance & Audit & Standards Committee each year for comment and approval. The Chief Internal Auditor explained that it was not possible to benchmark PCC against other Local Authorities as there are significant variations in how authorities carry out internal audit.
- In response to a query as to why waste collection and waste disposal has been given the same code, Ms Goodwin said that she would email the specific SCOPE to committee members.
- It was confirmed that a significant number (86) of the high risk exceptions relate to schools. One particular school had a high number of critical exceptions and much work has now been done at that school with a view to improving the situation.
- It was confirmed that an update would be brought to the next meeting.

RESOLVED that,

- (1) Members note the audit performance for 2013/14;**
- (2) The highlighted areas of control weakness for the 2013/14 audit plan are noted by members and actions being taken to remedy those weaknesses are endorsed;**
- (3) Members note the annual audit opinion on the effectiveness of the system of internal control for 2013/14; and**
- (4) Members endorse the audit plan for 2014/15.**

42 Service Charges Housing (AI 13)

(TAKE IN REPORT)

The report was introduced by the Chief Internal Auditor who said that the purpose of the report was to advise members of the outcome of an Audit Investigation carried out at the request of the City Solicitor and Monitoring Officer on the complaints made by private owners of ex-Council flats on some of their service charges - the internal audit report on housing service charges is attached as Appendix A to this report. The background to the report also explains that since the enlistment of a project officer in 2011/12 to review the way how leasehold service charges are recorded and recharged, a new system of analysing works and costs data was introduced and charges more accurately accounted for. This has resulted in more costs being recovered from leaseholders. Details of the process are set out in paragraph 3 of the report. The specific objective of the review are set out in 3. 8 of the report.

The Chief Internal Auditor said that there were no really serious issues found as a result of the review but that some areas have been highlighted as perhaps needing review by the service as outlined in 4.4 of the report.

RESOLVED that, members note the outcome of the investigation namely

(1) A service review to be undertaken of changes in mark-up percentages on jobs and of the 12.5% professional fee; and

(2) Internal Audit to undertake a review of the benchmarking of repair charges as well as trend analysis and analytical reviews of performance data.

43 Procurement Management Information (AI 14)
(TAKE IN REPORT)

A query was raised as to why appendices 2 and 3 have been marked exempt and the City Solicitor explained that the market sensitive information that is contained in the exempt appendices may lead to price increases and the information would be meaningless if all the companies involved were made anonymous.

It was proposed by Councillor Simon Boshier and seconded by Councillor Eleanor Scott that in view of the contents of the remaining items on the agenda the committee moved into exempt session. This was carried.

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 following items on the grounds that the reports contain information defined as exempt in Part 1 of Schedule 12A to the Local Government Act, 1972.

Mr Greg Povey introduced the report and explained that its purpose is to update members on steps being taken to demonstrate that PCC is achieving value for money from its contracts for goods and services.

A discussion took place in exempt session on the contents of Appendix 3 which for the first time in three years only had one item in it.

Jon Bell said that the target of 95% conformance has been surpassed and 98% conformance has been achieved for March 2014. He said that in the overall context, this was a very good result.

RESOLVED that, members note we have surpassed the target of 95% conformance and achieved 98% for March 2014 to the performance of our suppliers and contractors and action in progress to address poor performance.

44 Data Security Breach Reporting (AI 15)

(TAKE IN REPORT)

The City Solicitor introduced the report and said that its purpose was to inform the committee of any data security breaches and actions agreed or taken since the last meeting. He said that owing to the seriousness of data breaches, a message has been included in this month's team brief reminding staff that inappropriate access to customer records is a criminal offence.

During discussion, queries were raised about methods of discovering those people who do access data inappropriately and how those incidents are dealt with. The City Solicitor said he would email members the message that goes to staff on this issue.

RESOLVED that, members of the Governance & Audit & Standards Committee note the breaches (by reference to Exempt Appendix A) that have arisen and the action determined by the Corporate Information Governance Panel (CIGP).

The meeting concluded at 6.15 pm.

Chair