

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

MINUTES OF THE MEETING of the Governance & Audit & Standards Committee held on Friday, 13 March 2015 at 2.30 pm at the Conference Room A - Civic Offices

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

### **Present**

Councillor Simon Boshier (in the chair)

Councillor John Ferrett  
Councillor Steve Hastings  
Councillor Leo Madden  
Councillor Hugh Mason

### **Officers**

Michael Lawther, City Solicitor  
Lyn Graham, Chief Internal Auditor  
Michael Lloyd, Directorate Finance Manager (Technical & Financial Planning)  
Matt Gummerson, Principal Strategy Adviser  
Roland Bryant, Learning and Development Business Partner  
Greg Povey, Procurement Manager  
Paddy May, Corporate Strategy Manager

### **External Auditor**

Mark Justesen, External Auditor (Ernst & Young)

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

Apologies for absence were received on behalf of Kate Handy, External Auditor and from Councillor Eleanor Scott. The City Solicitor sent apologies for lateness.

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

There were no declarations of interests.

The chair of the committee said that the order of items as advertised on the agenda would be varied to accommodate the City Solicitor who was unavoidably delayed owing to other council business.

#### **21. Minutes - 30 January 2015 (AI 3)**

**RESOLVED that the minutes of the meeting held on 30 January 2015 be confirmed and signed by the chair as a correct record subject to the addition of Councillor Steve Hastings in the list of those attending.**

**22. Updates on actions identified in the minutes (AI 4)**

There were no updates on actions.

**23. External Audit - Audit Plan Year Ending 31 March 2015 (AI 5)**

(TAKE IN REPORT)

Mr Justesen advised that the plan summarises the external auditor's initial assessment of the key risks driving the development of an effective audit for the council and outlines their planned audit strategy in response to those risks. He advised that an overview of the report was set out on page 2.

Mr Justesen advised that the financial statement risks were set out on page 5 of the report and included risk of management override and asset valuation and accounting. Pages 7 and 8 of the audit plan includes a table that provides a high level summary of the external auditor's value for money risk assessment and their proposed response to those risks. Although no significant risks had been identified they will be monitoring the council's progress on the specific risk areas set out in that table. He said that the external auditors would keep their risk assessment under review throughout their audit and would communicate to the Governance & Audit & Standards Committee any revisions to the specific risks identified in the plan and any additional local risk based work external auditors may need to undertake as a result.

Mr Justesen also said that Kate Handy is now in her sixth year as leader of the engagement team with Portsmouth City Council. The Audit Commission is required to give explicit approval for an individual to continue in this role beyond five years. This approval has been given by the Audit Commission. Members confirmed they were assured of her on-going independence.

With regard to fees Mr Justesen said that these would be in accordance with the scale fee for all authorities. The indicative fee scale for the audit of Portsmouth City Council is £199,250. This may need to be varied if correspondence increases.

In response to questions, the following matter was clarified:

- Mr Justesen confirmed that the Audit Commission make available value for money profiles that can be used to benchmark Portsmouth City Council against its nearest statistical neighbours. This showed the Council as within the highest 33% for spend on management and support (back-office) services as a proportion of total service spend. Mr Justesen noted that there may be inconsistencies in the way different councils classify expenditure as front-line or back-office.

The chair thanked Mr Justesen for the audit plan.

**RESOLVED that the audit plan be received and noted.**

**24. Performance Management update, Quarter 3, 2014-15 (AI 14)**

(TAKE IN REPORT)

Mr Paddy May introduced the report which was to inform members of performance issues arising in the third quarter of the 2014/15 reporting period. He advised that the reports are based on the quarterly highlighted reports prepared by heads of service which are in turn based on the priorities for their services identified by strategic directors. He advised that Appendix 1 contained a full summary of the quarterly responses provided by heads of service against the service priorities. Although there are some service specific issues there are also common themes that may be worth considering and these are set out in 4.2 of the report. Examples of these issues are set out in 4.3 of the report.

Mr May explained that it was agreed at a previous meeting of the Governance & Audit & Standards Committee that significant governance issues arising from the most recent annual governance statement would also be considered alongside the quarterly performance report and that lead officers for the issues would attend to provide updates to the committee on development. The three issues that are being considered this quarter are

- Mandatory training
- Non-completion of financial rules training resulting in non-compliance with financial rules
- Report on action points following Ofsted inspection in July 2014.

Mr Roland Bryant, HR Learning and Development Business Partner, advised that with regard to training, a new one-day induction training day was being implemented for new starters. During this there will be an assessment to check that staff have understood key messages and at the end of their first year all staff will be expected to have completed training. In addition PDRs would now include statements of application of key knowledge and most of these would be service specific.

With regard to financial rules training, this was delivered through MLE and a major review had taken place in 2013. Parts 1 and 2 need to be completed. Parts 3 and 4 are being updated as they cover Procurement Rules. With regard to the Ofsted inspection in July 2014, Appendix 2 gives details of the performance improvement plan which means there is now considerable governance. Mr Bryant advised that two papers had been taken to Employment Committee recently concerning PDRs with a view to making them more meaningful and tailored.

In response to questions the following matters were clarified:

- Training courses that were mandatory could be delivered either by online training or face to face.
- There was no plan to include all training online. It was intended to provide different options to allow for different learning styles and to accommodate different access to IT.
- With regard to comments made about updating, for example financial materials, Mr May said that a review was currently being undertaken concerning contract procedure rules.
- With regard to procurement, local authorities set different levels of expenditure before certain actions have to be taken so local differences mean it is not possible to combine training across different authorities.
- The Chief Internal Auditor said that financial rules do not cover Procurement Rules.

During discussion the following matters were raised:

- Members were concerned that if PDRs themselves were not mandatory then training attached to them could not be mandatory. If a person had not received a PDR then the learning requirement could not be included in it. Members felt that this inconsistency ought to be dealt with.

**RESOLVED that the Governance & Audit & Standards Committee**

- (1) noted the report;**
- (2) commented on the performance issues highlighted in section 4, including agreeing if any further action is required;**
- (3) requested that the Head of HR, Legal and Performance be asked to consider how to resolve the conflict between the PDR itself not being compulsory but the training identified as a need in the PDR being compulsory.**

## **25. Contract Management Review (AI 15)**

(TAKE IN PRESENTATION)

Mr Greg Povey went through the slides providing a brief explanation of each to members of the committee.

During discussion Mr Povey explained that much is being done to ensure that the council is getting the best possible deal in relation to contracts. For example contracts let some time ago were now being looked at again as the environment has now changed.

The chair thanked Mr Povey for his presentation and noted that an update report would be brought to the November meeting of this committee.

## **26. Health and Wellbeing Board's Constitution (AI 13)**

(TAKE IN REPORT)

Mr Matt Gummerson introduced the report which concerned changes to the constitution for the Health and Wellbeing Board. Support for the consequent constitutional changes was being sought from this committee prior to it going to full council for approval. Mr Gummerson explained that the changes sought to broaden the members of the Health and Wellbeing Board to allow a wider voice to shape policy. He said that the specific changes proposed were set out in paragraph 4 of the report and confirmed that the Portsmouth Clinical Commissioning Group fully support the changes.

During discussion concern was expressed by one member that 2.3 of Appendix A limits the voting on Part B items to two members (or their nominated representatives) being the Leader of the Council and the leader of the largest opposition group which would mean that not all groups represented in the council would be entitled to vote.

**RESOLVED that**

- (1) Governance & Audit & Standards Committee recommended to full council that it approves the changes to the constitution for the Health and Wellbeing Board set out in the report; and**
- (2) Governance & Audit & Standards Committee supported the consequent constitutional change and gave authority to the City Solicitor to include wording in the standing orders to allow appropriate appointments to the Health and Wellbeing Board to be made at annual council.**

## **27. Review of Members' Code of Conduct and Committee Arrangements for Assessment, Investigation and Determination of Complaints (AI 6)**

(TAKE IN REPORT)

The City Solicitor introduced the report and said that at the meeting on 30 January 2015 it was resolved that the City Solicitor produce a report concerning the options for amending and bringing up to date the members' code of conduct and arrangements for assessment, investigation and determination of complaints. He explained that the procedure which the council adopted for complaints consideration substantially mirrored the approach taken under the old Standards regime. However, experience since the adoption of these procedures has suggested that some enhancements could be made.

During discussion the following points were raised:

- Members were uncomfortable about the proposed filtering system. This could in effect mean that one member from one party would be taking a decision about whether or not a complaint proceeded to the

Assessment Sub-Committee stage. Other members felt uncomfortable about being involved in the complaints process at all.

- A member queried whether the word "must" in Part 2 of Appendix 1 paragraph 1.1 should be changed to "you should".
- With regard to the complaint form, members requested that under 3 the words "or someone appointed by him" be changed to "or someone appointed by the City Solicitor."
- In item 5 the words "if possible" should be deleted from the third bullet point.
- In Appendix C paragraph 4, all references should be to chair rather than some being chair, some being chairman.
- In 5.2 of Appendix C, members queried whether the word "shall" should in fact be "should" and this was dependent upon whether the meeting can continue if only two members turn up rather than three.
- Members requested that where a complaint was made before the decision being complained of had been made, then these complaints would not be taken forward.

Members felt that in view of the many revisions to the report and appendices, it would be helpful to see exactly what the revisions were by comparison to the previous version. In addition, members felt that a decision should be deferred to allow time for concerns raised at this meeting to be further considered and for the report to be revised to take account of these. The City Solicitor agreed to bring a revised report and appendices to a special meeting of this committee to be held in time for the report to go to the annual council meeting on 19 May.

**RESOLVED that members of the committee**

- (1) request a revised report and appendices to be brought to a special meeting of this committee;**
- (2) that the meeting be arranged to enable revisions to be recommended to council for approval at the annual council meeting in May.**

**28. Review of Adult Safeguarding Practice (AI 7)**

(TAKE IN REPORT)

The City Solicitor introduced the report and said that a point had been raised by Councillor Eleanor Scott about whether there was a conflict in that the report had been written by Julian Wooster who was Director of Adult Social Care. The City Solicitor advised that Mr Wooster had not been the director at the time when the incident referred to had taken place and that his report had been based on his view and his policies. He further advised that things had moved on now and the rules were different. In similar circumstances an advocate would be appointed to assist the complainant.

During discussion members commented that the report was very short considering the subject matter.

The City Solicitor said that the report was as a result of a deputation made by a member of the public at full council .

The City Solicitor said he would send a letter to all members about the situation concerning the appointment of an advocate which would include information about the selection procedure for such advocates.

Members thanked Mr Wooster for his report.

**RESOLVED that members of the committee**

- (1) noted the report;**
- (2) considered whether any further action is required by them.**

**29. Councillor Training and Development (AI 8)**

(TAKE IN REPORT)

The City Solicitor introduced the report advising that its purpose was to update members on the review of the councillor training programme and make recommendations based on the findings.

During discussion the following matters were raised:

- Members felt that training should be rolled out to everyone and not just the new members.
- Members felt that whatever training is offered be offered at several different times and dates in order to provide maximum opportunity for attendance.
- Members were concerned about the mandatory aspect of training saying that they felt it should be available but that it would be up to members as to whether or not they take up the training.
- Members felt that it would be good to receive more formal information and training and this was especially important for new members.

The City Solicitor advised that this committee in the past had agreed that Licensing and Planning training should be compulsory although it was not mandatory by law. However he advised that decisions taken by members sitting on those particular committees without training could lead to PCC being challenged. To date there had not been any challenges but at the moment there is a requirement for training to take place. However, there are no sanctions in place if training is not undertaken before sitting on the committees.

- One Member commented that the public may find it strange if a member is suspended for not attending training.
- Members wanted a directory specifying officers in key roles throughout the council, to be available immediately after the elections, particularly

for new members so they would know who to contact on a particular subject to enable them to deal with residents' queries

In general members felt that the report should be more detailed particularly in setting out a training programme for councillors (including new members). This should include protocols for members on how to deal with members of the public.

The City Solicitor said he would look at whether it would be possible to include on the internal Outlook photographs of individuals so members could identify them.

Members felt that the revised report should change recommendation (1) so that it did not apply only for new members but to which all members of council would be invited and that it should take place within a month of the Election. Members felt that at the annual meeting (when Members would know who had been allocated to Planning and Licensing) an announcement should be made at that time about the training offered.

**RESOLVED that the City Solicitor bring back a revised report dealing with all the matters raised at this meeting to a special meeting of the committee and in particular to include a detailed training programme for members.**

### **30. Exclusion of Press and Public (AI 9)**

It was proposed by Councillor Boshier, seconded by Councillor Madden that in view of the contents of the following item on the agenda the meeting moves into exempt session. This was 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 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.**

### **31. Data Breaches (AI 10)**

(TAKE IN REPORT)

The City Solicitor introduced the report which informed the committee of any data security breaches and actions agreed/taken since the last meeting. He advised that heavy fines could be imposed for data breaches and that the city council is constantly trying to improve procedures to avoid data breaches from occurring. He advised that dismissal would always be considered for any wilful data breaches. In response to questions the following matters were clarified:

- The City Solicitor confirmed that the outcome of reporting data breaches to the Information Commissioner's Office could take up to a year although more serious breaches would be processed much more quickly.



**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).**

Following this item, the meeting resumed in open session.

### **32. Treasury Management Policy for 2015/16 (AI 11)**

(TAKE IN REPORT)

Michael Lloyd introduced the report advising that it was before this committee for information only and would also go via Cabinet to full council for approval. He advised that the Treasury Management Policy statement includes

- Annual minimum revenue provision for debt repayment statement and annual investment strategy

During discussion the following matters were clarified:

- The security of unrated building societies was assessed by virtue of a database being prepared each year by the Building Societies' Association and if the building society concerned was below the average by a certain amount, it would be excluded from the list.
- With regard to risk appetite, the key parameters are that the investments have to be reasonably secure and for that reason investments where there was a great deal of price volatility would not be made. The City Solicitor said that ultimately Chris Ward would give his advice as part of his duties as Section 151 Officer.

### **33. Audit Performance Status Report (AI 12)**

(TAKE IN REPORT)

The Chief Internal Auditor introduced the report saying that its purpose was to update the committee on the internal audit performance for 2014/15 to 6 February 2015 against the annual audit plan, highlight areas of concern and areas where assurance can be given on the internal control framework.

She advised that there had been two new critical risk exceptions, a further three audits resulting in no assurance being given and that further details could be found under section 6 of this report.

The Chief Internal Auditor advised that a breakdown of the assurance levels on completed audits is contained in Appendix A.

In response to queries the following matters were clarified:

- With regard to item 6.4.3 it was confirmed that actions had been agreed with the whole governing body of the school concerned and would be followed up as part of the 2015/16 audit plan.

- With regard to item 6.3.2, this related to a breach of PCC financial rules which had been mentioned already in this meeting. The Chief Internal Auditor confirmed that the names of all those who have completed financial rules training had been sent to managers and that this would be done on a six monthly basis.

**RESOLVED that members**

- (1) note the audit performance for 2014/15 to 6 February 2015; and**
- (2) note the highlighted areas of control weakness for the 2014/15 audit plan.**

The chair requested that a special meeting be arranged to consider the two reports from the City Solicitor deferred from decision at today's meeting

- (1) on the Review of Members' Code of Conduct and committee arrangements for assessment, investigation and determination of complaints and
- (2) Councillor training and development.

This was agreed.

The meeting concluded at 5.05 pm.

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Councillor Simon Boshier  
Chair