

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

MINUTES OF THE MEETING of the Governance & Audit & Standards Committee held on Friday, 30 January 2015 at 2.30 pm in 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 Leo Madden

Councillor Hugh Mason

Councillor Steve Hastings (deputising for Cllr Galloway)

### **Officers**

Michael Lawther, City Solicitor

Jon Bell, Head of HR, Legal & Performance

Lyn Graham, Chief Internal Auditor

Elizabeth Goodwin, Deputy Chief Internal Auditor

Liz Aplin, Learning & Development

Michael Lloyd, Directorate Finance Manager (Technical & Financial Planning)

Paul Somerset, Principal Auditor

Ed Woodhouse, Head of Revenues and Benefits

Stephen Kitchman, Head of Children's Social Care & Safeguarding, SSC

Paddy May, Corporate Strategy Manager

### **External Auditors**

Kate Handy, External Auditor

Mark Justesen, External Auditor (Ernst & Young)

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

Apologies for absence were received from Councillor Eleanor Scott and from Councillor Colin Galloway.

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

There were no declarations of members' interests.

#### **3. Minutes of the Meeting held on 7 November 2014 (AI 3)**

**RESOLVED that the minutes of the meeting held on 7 November 2014 be confirmed and signed by the chair as a correct record.**

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

The City Solicitor advised that a further reminder had been sent to former councillor Mike Hancock seeking repayment of the sum agreed by council. To date no reply had been received.

With regard to safeguarding, the City Solicitor advised that he had produced a briefing note for circulation to the committee. This concluded that the council had followed its safeguarding practices that were in force at the time. The chair requested that the outcomes should be embodied in a report to come to the next scheduled meeting of this committee. The City Solicitor agreed and suggested that it may also be useful to provide a note to full council.

With regard to minute 70, the City Solicitor advised that although a resolution had been passed at the last meeting requesting a report to be brought to the January meeting of this committee with suggested changes to the constitution, in view of the notice of motion passed at the council meeting on 20 January this report had not been prepared.

Councillor Hugh Mason said that he had concerns about the tight timescale to bring in a shadow committee system from May. The City Solicitor confirmed that recommendations from Governance & Audit & Standards Committee following a report on a shadow committee system would be made straight to full council and not via Cabinet.

The City Solicitor confirmed that three weeks were needed in order for the report to be drafted.

Following discussion members agreed that a special meeting should be arranged to consider the report looking at introducing a shadow committee system, followed by a consultation period during which all members would be invited to send their comments to the Senior Local Democracy Officer. These comments to be considered with the report at the Governance & Audit & Standards Committee meeting on 13 March and to be distributed to members in advance of the council meeting on 17 March.

**RESOLVED**

- (1) that a special meeting be arranged on 27 February 2015 to consider proposals for introducing a shadow committee system;**
- (2) that a further report be brought to the scheduled meeting of Governance & Audit & Standards Committee on 13 March following consultation of the proposals.**

**5. External Audit (Ernst & Young) (AI 5)**

(TAKE IN REPORTS)

(1) External Audit Progress Report year ending 31 March 2015

Ms Kate Handy, External Auditor introduced the report and said that the work completed was set out on page 2.

In response to queries the following matters were clarified:

- Harbour accounts audit referred to the Port and it was agreed that in future this would be shown with the title External Port Harbour Accounts.
- In order for auditors to produce their audit plan, there are a number of matters that need to be taken into account such as statutory requirements and the code of audit practice. It also includes other work such as reviewing reports. Once the plan is produced, it is discussed with heads of service and is also brought to the Governance & Audit & Standards Committee if need be.

(2) Certification of Claims and Returns Annual Report 2013/14

Mr Mark Justesen introduced the report and explained to members that this had been reissued to correct the comparative figures from the previous year. He said that certification work is not an audit. Certification work involves executing prescribed tests which are designed to give reasonable assurance that claims and returns are fairly stated and in accordance with specified terms and conditions. Mr Justesen said that four claims and returns had been certified in 2013/14 and the main findings are provided in section 1 of the report.

Mr Justesen said that in the local transport plan major projects there had been no errors and he felt that officers should be commended on the quality of their preparation.

The City Solicitor said that the Tipner project had been put forward for a prize and he undertook to find out more about this and report back to the committee. Councillor Simon Boshier, the chair of the committee said that he would send a letter of congratulations from the Governance & Audit & Standards Committee to the officers concerned.

(3) Local Government Audit Committee Briefing

Mr Justesen advised that this paper was for information and referred members to page 8 of the report - Key Questions for the Audit Committee. These were

- Do we have clear lines of responsibility for contract management?
- Have we considered whether use of outcome based contracts could mitigate our buyers' risk?

- Have we responded to the questions raised in Appendix 2 of the latest NFI report?
- How effective is our whistleblowing policy?

In response to queries the following matters were clarified:

- The City Solicitor advised that a report would be going to Cabinet with a proposal on contracts management and a contract review was currently taking place. This report would cover questions 1 and 2 above and Greg Povey would also present the report to the March meeting of Governance & Audit & Standards Committee.
- With regard to question 3 above Lyn Graham, Chief Internal Auditor explained that the NFI report was run by the Cabinet Office. It commissioned data from all local authorities so that central matching could take place which assisted investigation. The report was very large and had not been brought to this committee. It was agreed that Appendix 2 referred to in the questions would be circulated to members of the committee.
- It was agreed that a report about this would be useful and this was likely to be included as part of the next anti-fraud, bribery and corruption and investigations update.

(4) Audit Scale Fee - Late Variation

Ms Kate Handy advised that the Audit Commission has recently consulted on a supplement to the 2014/15 audit scale fees. In that consultation, the Audit Commission applied a permanent variation of £1,070 to the base scale fee. This applies equally to 2013/14 and the Audit Commission has asked external auditors to agree a scale fee variation of £1,070 to the 2013/14 audit fee with PCC.

**6. BACS Issue - HB payments due 05/01/2015 (AI 6)**

(TAKE IN REPORT)

The Head of Revenues & Benefits, Mr Woodhouse introduced the report which explained that a BACS payment process that should have been completed on 30 December 2014 with payment due into bank accounts on 5 January 2015 had not been completed due to human error which meant that the file was not transmitted to BACS. This resulted in a delay of two days in the payment reaching bank accounts. Paragraph 4 of the report explained the chronology of events and section 5 outlines remedial actions taken. It also advises that Information Services has developed a plan to review all manual processes across PCC with a view to developing automated fail safes and back-up measures.

Members were pleased with the prompt action taken to respond to the issue and unanimously accepted the recommendations. It was agreed that in view of the notice of motion on this issue at the council meeting on 20 January, the

City Solicitor would arrange for all members to receive a copy of the report with this committee's endorsement of the recommendations.

**RESOLVED that**

- (1) the committee notes the contents of the report;**
- (2) the committee endorses the controls put in place to avoid a recurrence of this or a similar problem.**

**7. Audit Performance Status Report to 22 December 2014 (AI 7)**

The Deputy Chief Internal Auditor introduced the report which updates the Governance & Audit & Standards Committee on the internal audit performance for 2014/15 to 22 December 2014 against the annual audit plan, highlights areas of concern and areas where assurance can be given on the internal control framework and contains the proposed audit strategy for the 2015/16 audit plan.

She explained that one new critical risk exception has been highlighted in the report. A further three audits have resulted in "no assurance" being given. Further details are given under section 6 of the report.

She went on to explain that since the last meeting three full audits have been added to the 2014/15 audit plan whilst nine have been removed. Details of the audits can be found in section 5 of the report.

She advised that Appendix A showed completed audits from the 2014/15 audit plan, Appendix B showed completed follow-up audits from the 2014/15 plan and Appendix C showed the 2015/16 audit strategy.

In response to questions the following matters were clarified:

- With regard to PAT testing, it was confirmed that this is not a legal requirement but that legislation states equipment needs to be maintained to prevent danger.
- With regard to the critical risk exception raised in August 2014, concerning disclosure and barring service (DBS) checks, it was confirmed that the agreed action had now been implemented. Stephen Kitchman confirmed that where posts required DBS checks, a person would not start in post until a valid DBS check had been undertaken. If this was not clear then it would go to Stephen Kitchman. Mr Kitchman confirmed that in-house foster carers had to comply with a schedule of timescales for renewal of DBS checks in line with statutory guidelines.
- With regard to looked after children's funds, Mr Kitchman explained that with regard to 6.4.6 of the report, a framework agreement is in place that ensures that savings rates are monitored and there is a move to incorporate savings rate expectations into new placement contracts. Contracts also confirm DBS requirements.

**RESOLVED that members**

- (1) noted the audit performance for 2014/15 to 22 December 2014;**
- (2) noted the highlighted areas of control weakness for the 2014/15 audit plan;**
- (3) approved the proposed audit strategy for the use of audit resources for 2015/16.**

**8. Treasury Management Monitoring Report for the Third Quarter of 2014/15 (AI 8)**

(TAKE IN REPORT)

Mr Michael Lloyd, Directorate Finance Manager (Technical & Financial Planning) introduced the report which informs members and the wider community of the council's treasury management position at 31 December 2014 and of the risks attached to that position.

With regard to the investment that exceeded the 364 day duration limit for unrated building societies, he explained that this is considered to be a low risk given the inherent nature of building societies. He explained that consideration is being given to increasing the duration limit for unrated building societies in the 2015/16 treasury management policy.

In response to questions the following matters were clarified:

- Increasing the duration limit for unrated building societies was considered by Mr Lloyd to be prudent, but this would be for the Section 151 Officer to recommend and for Cabinet to approve. Such a decision would also go through Governance & Audit & Standards Committee for scrutiny.
- In order to achieve rated status, it is necessary to apply and the process of applying for and maintaining a credit rating is administratively cumbersome. In addition there are fees to pay in order to both apply for, and maintain a credit rating. This meant that larger building societies tended to be rated whereas smaller building societies did not.

**RESOLVED**

**(1) that the actual treasury management indicators for the first three quarters of 2014/15 set out in paragraph 2 1)(a) to (e) of the report be noted;**

**(2) the committee noted that an investment was placed with Furness Building Society with a maturity of two years and two days that exceeded the 364 day duration limit for unrated building societies. This is considered to be a low risk given the inherent nature of building societies and consideration is being given to increasing the duration limit**

**for unrated building societies in the 2015/16 treasury management policy.**

**9. Project Plan for Implementation for the Code of Practice on Transport Infrastructure Assets (AI 9)**

(TAKE IN REPORT)

Mr Michael Lloyd introduced the report explaining that its purpose was to disclose the project plan for the implementation of the code contained in the appendix. He explained that the Chartered Institute of Public Finance and Accountancy code of practice on transport infrastructure assets is concerned with changing the valuation basis for highways assets from depreciated historic cost to depreciated replacement cost for the 2016/17 financial statements. The council is required by statute to have regard to the code of practice on transport infrastructure assets. He said that whilst there will be a significant increase in the balance sheet value of the council's assets, and a corresponding significant increase in the cost of the council's services, these increases will not affect the council's overall budget and financial position.

However implementing the code of practice will amount to a major project over three years and will require input from the Transport & Environment service and the council's highways private finance initiative contractor in addition to financial services.

In response to queries the following matters were clarified:

- It was confirmed that resources would need to be put into this, however it is too early to say at this stage what the costs will be.
- A possible background reason for this code of practice being introduced may be to bring it in line with whole of government accounts. Depreciated replacement cost may be a fairer measure than depreciated historic cost.

Members were concerned about the work involved in this exercise and what it would take precedence over. The external auditor commented that Portsmouth City Council is responding to this more quickly than councils elsewhere. Members considered that a report on how much work would be involved and details of the work that would need to take lower priority would be useful.

**RESOLVED that the project plan for the implementation of the code of practice on transport infrastructure assets contained in Appendix A be noted.**

**10. Performance Management Update Qtr 2 (AI 10)**

(TAKE IN REPORT)

Mr Paddy May introduced the report which informed members of performance issues arising in the first quarter of the 2014/15 reporting period. Mr May

explained that the report is part of the regular series of quarterly reports highlighting significant performance issues across the organisation. It was agreed at a previous meeting of this 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 those issues would attend to provide updates to the committee on development. The three issues that will be considered this quarter are

- (1) The governance partnership and management arrangements for Portsmouth Youth Offending Team (YOT) were judged to be "ineffective" by Her Majesty's Inspectorate of Probation. Mr Kitchman said that since the inspection significant energy had been invested in the development and implementation of two key documents:
  - a) YOT Post-Inspection Improvement Plan
  - b) YOT Performance Management Framework

He said there were five governance Issues and outlined these to the Committee and provided a handout which would be published with the minutes which captured the salient points.

- (2) Work undertaken by the Building Control Surveyor is not checked.

Lyn Graham, Chief Internal Auditor provided an update advising that Internal Audit is now satisfied that measures are being taken to remedy this situation.

- (3) Member training and political development is "not systematic or sufficiently championed and would benefit from more robust succession planning."

Liz Aplin, Operational Training Manager provided a short update to the committee to set the scene for a full report that would be included on the agenda for the March meeting. She advised that internal feedback had not produced a massive response concerning member training but that the following matters had been identified:

- Access
- Discussing what members' needs are
- A requirement for training in presentation skills and media training

She explained that the induction programme delivered after elections had been run in a number of different ways but deficiencies had been identified and there was no systematic evaluation of the programme. There was also some compulsory training that members were required to do before sitting on certain committees such as Licensing and Planning as well as some less formal training. It was noted that only one member was compliant with the health and safety training. In addition ongoing professional development for members was ad hoc. Internal Audit had identified risks involved with the lack of member training and a further audit was planned. A number of events were



available for members such as media training. Enhanced skills/new councillors' training had been arranged for next week. The intention was that this event would be used for consultation and to gain some feedback. She explained that a new induction programme was being planned by Learning & Development and Democratic Services and this was intended to be more robust. The City Solicitor would be providing a report to this committee at its March meeting to outline the change of approach.

During discussion the following matters were raised:

- Members were concerned that training sessions should be arranged at times suitable for members to attend. Some members worked full time and could only attend sessions in the evening or at weekends.
- A suggestion was made that training could all take place on one day so that members working full time would only have to take one day's leave in order to attend.
- One member said that safeguarding training had been arranged for one evening but only four members attended.
- Members felt that providing officer contact details for new members was very important so they would be able to contact relevant people to answer any queries.
- Perhaps training should be arranged at PCC for other local authorities' members to attend in order to provide an income stream.
- It was suggested that the involvement of group leaders was important to provide an impetus for members to attend training.
- Members felt that it would be useful to reiterate training that is mandatory, and training that is not. During discussion the City Solicitor mentioned the members' handbook that is provided to all new members. He said that this could be extended to all members and that it could be sent electronically if that would be helpful. The members' handbook could include whatever information members wanted.

Members requested clarification on mandatory training - in particular whether if you were a standing deputy on Planning or Licensing you would need to have training before you could deputise for somebody. The City Solicitor agreed to provide that information.

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

- (1) noted the report and**
- (2) commented on the performance issues highlighted in Section 4, including agreeing if any further action is required.**
- (3) Requested that the City Solicitor provides a report to the Committee at its March meeting.**

## **11. Members' Complaints Report - statistics (AI 11)**

(TAKE IN REPORT)

The City Solicitor introduced the report which updated members of the committee on current progress in relation to complaints which alleged that councillors may have breached the code of conduct. He said that most complaints do not go very far and that the usual outcome is that he enters into correspondence with complainants. He advised members that there was not a huge number of complaints and there were no particular trends in the types of complaints made. The City Solicitor said that it may be appropriate for the committee to look at amending the complaints process as it could be made less laborious and could be streamlined. In particular he felt that some method of filtering complaints would be appropriate but stressed that he did not wish to do this himself. There was also an issue over many complaints being submitted against one person using identical wording. Members asked the City Solicitor to bring an options report to a future meeting.

**RESOLVED that members of the committee**

- (1) noted the report;**
- (2) requested a report from the City Solicitor to come to a future meeting of the committee.**

## **12. Whistle-blowing Report (AI 12)**

(TAKE IN REPORT)

The City Solicitor introduced the report which updated members of the committee on the nature and handling of any whistle-blowing concerns which have been raised in the past year.

Members noted that there had been very few of these. The City Solicitor explained that one could not be pursued because the whistle-blower remained anonymous. The Deputy Chief Internal Auditor provided more details about the first item on the list in Appendix A at the request of a member.

The Deputy Chief Internal Auditor confirmed that a note of the time taken dealing with these matters was kept.

**RESOLVED that members of the committee**

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

## **13. Exclusion of Press and Public (AI 13)**

It was proposed by Councillor Simon Boshier and seconded by Councillor Steve Hastings that in view of the contents of the following item on the agenda the committee moves into exempt session. This was agreed.

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**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 item on the grounds that the report contains information defined as exempt in Part 1 of Schedule 12A to the Local Government Act, 1972.**

**14. Procurement Management Information Report (AI 14)**

(TAKE IN REPORT)

Mr Greg Povey introduced the report which was to update members on steps being taken to demonstrate that PCC is achieving value for money from its contracts for goods and services. He mentioned that in October 2014 there was £372,126 value of administrative errors that were compliant with contract procedure rules but not registered correctly on the e-sourcing system In-Tend. He explained that had these contracts been entered correctly, the conformance figure would have been 99%. He said that category business partners from Procurement are working in partnership with services to implement solutions to resolve non-conformance and reduce administration issues. He said that an explanation of those service areas where conformance requires improvement is detailed in exempt Appendix 2.

Mr Povey also explained that there are four contracts where the suppliers are performing to an unsatisfactory level and remedial action is taking place. These are detailed in exempt Appendix 3.

Mr Povey explained all the entries in Appendix 2.

Mr Povey then provided details of the four contracts where the suppliers are performing to an unsatisfactory level as set out in Appendix 3.

The chair commented that the report and appendices were very comprehensive and robust.

**RESOLVED that members**

- (1) noted we have surpassed the target of 95% conformance and achieved 97% for October 2014;**
- (2) noted the performance of our supplies and contractors and action in progress to address poor performance.**

The meeting concluded at 5.30 pm.

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Councillor Simon Boshier  
Chair