
NOTICE OF MEETING

GOVERNANCE & AUDIT & STANDARDS COMMITTEE

FRIDAY, 7 NOVEMBER 2014 AT 3.30 PM

CONFERENCE ROOM A - CIVIC OFFICES

Telephone enquiries to 023 9283 4058

Email: Vicki.plytas@portsmouthcc.gov.uk

Membership

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

Standing Deputies

Councillor David Fuller
Councillor Phil Smith
Councillor Rob Wood
Councillor Steve Hastings
Councillor Julie Swan
Councillor Alistair Thompson

(NB This Agenda should be retained for future reference with the minutes of this meeting.)

Please note that the agenda, minutes and non-exempt reports are available to view online on the Portsmouth City Council website: www.portsmouth.gov.uk

Deputations by members of the public may be made on any item where a decision is going to be taken. The request should be made in writing to the contact officer (above) by 12 noon of the working day before the meeting, and must include the purpose of the deputation (for example, for or against the recommendations). Email requests are accepted.

A G E N D A

- 1 Apologies for Absence**
- 2 Declarations of Members' Interests**
- 3 Minutes - 26 September 2014 (Pages 1 - 10)**
- 4 Updates on actions identified in the minutes**
- 5 External Audit (Ernst & Young) Annual Audit Letter -- and a verbal update on progress (Pages 11 - 22)**
- 6 Audit Performance Status Report to 6 October 2014 for Audit Plan 2014/15 (Pages 23 - 92)**

The purpose of this report is to update the Governance and Audit and Standards Committee on the Internal Audit Performance for 2014/15 to 6 October 2014 against the Annual Audit Plan, highlight areas of concern and areas where assurance can be given on the internal control framework

RECOMMENDED that Members

- (1) Note the Audit Performance for 2014/15 to 6 October 2014,**
- (2) Note the highlighted areas of control weakness for the 2014/15 Audit Plan**
- (3) Note the changes in the Audit Plan**

- 7 Anti-Fraud, Bribery and Corruption & Investigations Update (Pages 93 - 108)**

The purpose of the report is

- (1) To provide Members with statistical information on fraud as required by the Local Government Transparency Code 2014.**
- (2) To provide Members with an update on the Counter Fraud work currently being undertaken**
- (3) For Internal Audit to report on 3 investigations since the last report to this Committee in January 2014**
- (4) To present to Members the updated Anti-Fraud, Bribery and Corruption Action Plan**

RECOMMENDED that Members

- (1) Note and endorse the Counter Fraud work currently being undertaken within the Authority and the future developments as detailed in Section 5**
- (2) Note the contents of the investigations report detailed in Appendix B**
- (3) Note and endorse the Anti-Fraud, Bribery and Corruption Action Plan in Appendix C**

8 Treasury Management Mid-Year Review for 2014/15 (Pages 109 - 132)

(Information only)

The purpose of the report in Appendix A is to inform members and the wider community of the Council's Treasury Management position at 30 September 2014 and of the risks attached to that position. The report also seeks to vary the investment counter party limits for unrated building societies to reflect the 2014 Building Societies Database published by KPMG in September and to obtain approval to increase the variable interest rate exposure limit to reflect the increased level of short term investments.

RECOMMENDED that the Governance and Audit and Standards Committee notes the recommendations in the report which will go on to Cabinet and Full Council for decision.

9 Annual Governance Statement Monitoring Programme (Pages 133 - 138)

The purpose of the report is to seek approval from the Governance and Audit and Standards Committee for the proposed monitoring programme detailed in Appendix A.

In connection with Appendix A, a verbal update on Equalities Training will be provided at the meeting as part of this item and a verbal update on the Constitution will be provided as a separate item at the meeting.

RECOMMENDED that the Committee approve the governance monitoring programme detailed in Appendix A of the report.

10 Verbal update on the Constitution (in connection with the previous item.)

A verbal update will be provided.

11 Update on the council's compliance with its Equality Duty and Equality Impact Assessment Process (Pages 139 - 146)

The purpose of the report is to update the Committee on the compliance of council services with the Equality Duty and the Equality Impact Assessment process since the last report dated 27 June 2014.

RECOMMENDED

- (1) That the Committee notes the contents of the report;**
- (2) That the Committee continues to monitor the compliance of the council 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.**

12 Local Government Ombudsman Complaints 2013/2014 (Pages 147 - 166)

The purpose of the report is to bring to the attention of the Governance and Audit & Standards Committee the Annual Review by the Local Government Ombudsman dated July 2014 regarding the complaints it has considered against Portsmouth City Council for the year 2013/2014

RECOMMENDED that the report be noted.

13 Compliance with the Gifts and Hospitality Protocol (Pages 167 - 182)

The purpose of the report is to update members on any issues regarding compliance with the Gifts and Hospitality protocol and to advise on remedies.

RECOMMENDED that the report be noted

14 Data Security Breach Reporting (Pages 183 - 184)

(NB Please note that **the appendix to this report is Exempt** and if the Committee wish to refer to this, there is provision to do so following the exclusion of the press and public (see agenda item 15)

The purpose of the report is to inform the Committee of any Data Security Breaches and actions agreed/taken since the last meeting.

RECOMMENDED 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).

15 Exclusion of Press and Public

That in view of the contents of item 14 on the agenda the Committee is RECOMMENDED to adopt the following motion:

“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”.

The public interest in maintaining the exemption must outweigh the public interest in disclosing the information.

Under the Local Authorities (Executive Arrangements) (Meetings and Access to Information) England Regulations 2012, regulation 5, the reasons for exemption of the listed items is shown below.

Members of the public may make representation as to why the item should be held in open session. A statement of the Council's response to representations received will be given at the meeting so that this can be taken into account when members decide whether or not to deal with the item under exempt business.

(NB The exempt/confidential committee papers on the agenda will contain information which is commercially, legally or personally sensitive and should not be divulged to third parties. Members are reminded of standing order restrictions on the disclosure of exempt information and are invited to return their exempt documentation to the Senior Local Democracy Officer at the conclusion of the meeting for shredding.)

<u>Item</u>	<u>Exemption Para No.</u>
<u>14</u> <u>Data Security Breach Reporting -</u> <u>Exempt Appendix 1</u>	<u>1,2 and 3</u>

- 1. Information relating to any individual**
- 2. Information that is likely to reveal the identity of an individual**
- 3. Information relating to the financial or business affairs of any particular person (including the authority holding that information)**

16 Date of Next Meeting

The next meeting is scheduled for 30 January 2015 at 2.30pm in Conference Room A.

Members of the public are now permitted to use both audio visual recording devices and social media during this meeting, on the understanding that it neither disrupts the meeting or records those stating explicitly that they do not wish to be recorded. Guidance on the use of devices at meetings open to the public is available on the Council's website and posters on the wall of the meeting's venue.

This page is intentionally left blank

Agenda Item 3

GOVERNANCE & AUDIT & STANDARDS COMMITTEE

MINUTES OF A MEETING of the Governance & Audit & Standards Committee held on Friday 26 September 2014 at 2.30 pm in Conference Room A, 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

Michael Lawther, City Solicitor & Monitoring Officer
Chris Ward, Head of Finance & Section 151 Officer
Jon Bell, Head of HR, Legal & Performance
Michael Lloyd, Directorate Finance Manager (Technical & Financial Planning)
Ian Fitchett, Electoral Services Manager
Lyn Graham, Chief Internal Auditor
Elizabeth Goodwin, Deputy Chief Internal Auditor
Kelly Nash, Corporate Performance Manager

External Auditors

Mark Justesen
Tom Watkins

45 Apologies for Absence

Apologies for absence were received from Councillor Colin Galloway, David Williams, the Chief Executive of Portsmouth City Council, and Ms Kate Handy, external auditor.

46 Declarations of Members' Interests

There were no declarations of members' interests.

47 Minutes of the Meeting held on 27 June 2014

RESOLVED that the minutes of the meeting held on 27 June 2014 be confirmed and signed by the chair as a correct record.

48 Updates on Actions identified in the Minutes

The City Solicitor said that he would bring a report back to the next meeting of this committee about progress made on re-launching member training.

With regard to legionella testing, the Deputy Chief Internal Auditor said this formed part of the audit performance status report at item 10 of the agenda.

The chair agreed to vary the order of the items on the agenda after consultation with the other members of the committee. It was agreed that items 14 and 15 would be heard first and that item 7 would be heard before item 6.

49 Action arising from Notice of Motion (e) City's Safeguarding Procedure (from the Council Meeting held on 15 July 2014)

The City Solicitor advised that the Director of Children's & Adult Services, Julian Wooster, was preparing a report but that it had not been possible to bring it to this meeting owing to the work involved in its preparation. The City Solicitor undertook to circulate the report to this committee as soon as it is ready rather than waiting until the next scheduled meeting on 7 November. The City Solicitor agreed to speak with Mr Wooster about the request made by the Committee for the report draft to be circulated early. Councillor Bosher asked that any queries following circulation of the report be sent to him. The report was expected to come to this Committee on Friday 7 November and to the full council meeting on 11 November.

50 Notice of Motion (f) from the Council Meeting held on 15 July 2014

The City Solicitor advised that he could only provide a breakdown of costs that had been recorded. Basically this amounted to the external legal fees which he advised amounted to £38,000. He said that he would provide a full breakdown to all members of the city council. The City Solicitor confirmed that all the decisions taken concerning seeking external legal advice were consistent with the investigation of complaints generally. He said that the action he took was under his delegated powers and was consistent with normal practice. He confirmed that the chair of the Governance & Audit & Standards Committee at the time would have known he was seeking external legal advice and Councillor Hugh Mason as former Cabinet Member for Resources confirmed he was aware at the time that money was being spent on obtaining legal advice.

The City Solicitor confirmed that he applied rules that used to be applied under the old Standards Board for England Regulations as he felt that was the most appropriate course of action.

The City Solicitor agreed to provide a chronology of meetings that had been held concerning this particular complaint.

Members of the committee discussed the specific four bullet points on the agenda paper and following discussion decided to ask the City Solicitor to circulate to all members a breakdown of the costs that could be quantified which was basically the figure of £38,000. With regard to item 3, the

committee decided that before a letter could be sent, council should be asked to consider the costs breakdown from the City Solicitor and agree the amount specified. With regard to bullet point 4 on the agenda, the committee agreed that this could not be actioned until council's response to bullet point 3 had been obtained.

RESOLVED

- (1) That the city solicitor be instructed to prepare and circulate to all members of the city council**
 - (i) a detailed breakdown of the full costs of this affair so far as they can be evidenced and**
 - (ii) a chronology of meetings relating to this matter**
- (2) That the specific amount to be sought from the former member be agreed by full council at its October meeting as outlined in the city solicitor's detailed costs breakdown**
- (3) That once council has agreed the amount, this committee**
 - (i) instructs officers to write to the former member to seek repayment of the sum agreed by council**
 - (ii) considers legal action to reclaim these costs if the former member refuses to pay them voluntarily**

51 Annual Governance Statement 2013/14

Kelly Nash introduced the report explaining that its purpose was to seek approval from this committee for the council's finalised annual governance statement for 2013/14 and the proposed framework to be put in place to monitor progress.

During discussion the following matters were clarified:

- With regard to performance development reviews (PDRs) Jon Bell confirmed that he was looking to provide a report to Employment Committee at its first meeting in 2015 as these were currently being reviewed.
- On page 9 of Appendix A the wording under update on progress appears to relate to item 11 rather than item 12 and there does not appear to be any narrative in relation to item 12 under update on progress. Kelly Nash said that this would be amended on the next progress update.
- Members felt that it would be useful to have an additional column headed "completed/not completed."

A discussion took place about the Corporate Programmes Board mentioned at item 9 of Appendix A. Mr Jon Bell said that this had been set up to ensure that projects were well-managed and were known about by group leaders. The board has a small budget to carry out feasibility studies. The City Solicitor said that this is a meeting held by the Chief Executive. The chair of the Governance & Audit & Standards Committee said that if all members

were entitled to attend these meetings, it would be useful to provide members with a link advising them of the time and place when these meetings were due to take place.

- Kelly Nash agreed to email the missing wording from item 11 and would also email round an amendment to item 12.
- With regard to item 16 the City Solicitor explained that the Corporate Information Governance Panel was an internal meeting. He said that in relation to the regular programme of destruction of documents referred to, this concerned the council's retention schedule which needed to be revised. When this revision was completed, it would go to the Cabinet Member for Resources for approval. He added that this was not imminent.
- With regard to the annual governance statement itself, an inaccuracy on page 2 was noted in that it refers to one unaligned Lib Dem councillor whereas in fact it should say one Independent councillor. This would be changed before signature.
- With regard to page 11 under the heading Corporate Governance Controls, the chair of the committee asked for a report back to this committee on item 7 - complaints are responded to within a timely manner, causes addressed and outcomes recorded. The City Solicitor agreed to provide a report on corporate complaints and ombudsman complaints.
- With regard to the number of freedom of information responses that were outside the time limits, the City Solicitor agreed to provide an interim report to this committee on the problems being experienced.
- With regard to Appendix C members noted that there was reference on page 12 to the Chief Executive of the Primary Care Trust whereas the Primary Care Trust no longer exists.

RESOLVED that the Governance & Audit & Standards Committee

- (a) notes the progress made against 2012/13 annual governance issues as set out in Appendix A;**
- (b) approves the Annual Governance Statement 2013/14 for publication as set out in Appendix B subject to the minor amendment on page 2 to change reference to one unaligned Lib Dem councillor to one Independent councillor;**
- (c) approves the 2014 Local Code of Governance for publication as set out in Appendix C subject to the deletion of the words Primary Care Trust; and**
- (d) selects monitoring process (c) as set out in 6.3 of the report to include an extra column**

52 External Audit Annual Results Report 2013/14 - Ernst & Young

Mr Mark Justesen, senior manager explained that the Audit Commission's code of audit practice requires them to report to those charged with governance - the Governance & Audit & Standards Committee - on the work carried out to discharge their statutory audit responsibilities together with any

governance issues identified. He said that the report summarises the findings from 2013/14 audit which is substantially complete. He drew the attention of members of the committee to page 5 of the report which identifies the audit risk identified within their audit plan, the audit procedures performed and the assurance gained and issues arising. Mr Justesen said that page 6 outlines the issues and misstatements arising from the audit.

With regard to the value for money conclusions Mr Justesen said that these were outlined on pages 8 and 9 and briefly summarised criterion 1 - arrangements for securing financial resilience and criterion 2 - arrangements for securing economy, efficiency and effectiveness.

Finally Mr Justesen said that corrected audit misstatements had been included as Appendix 1 to their report for clarity.

The committee accepted the External Audit Annual Results Report 2013/14 and the chair signed the letter of representation that was also signed by Mr Chris Ward, Head of Financial Services.

53 Statement of Accounts 2013/14

(TAKE IN STATEMENT OF ACCOUNTS)

Mr Chris Ward said that the committee had had an opportunity to receive a presentation on the accounts and that this had been circulated together with the full statement of accounts, prior to the meeting. The committee agreed that the accounts could be signed off subject to an amendment on page 67 which currently shows a deficit of £31,000 when in fact that should be a surplus of £31,000.

RESOLVED that the Statement of Accounts 2013/14 be agreed and signed off by the chair and the Head of Finance & Section 151 Officer, Mr Chris Ward.

54 Performance Management Update Quarter 1 2014-15

(TAKE IN REPORT)

Ms Kelly Nash introduced the report and said that its purpose was to inform members of performance issues arising in the first quarter of the 2014/15 reporting period. She said that for this quarter it had also been possible to implement a response to the internal audit report on performance management and carry out a challenge process in advance of consideration of reports by Strategic Directors Board. Ms Nash said that Appendix 1 contains a full summary of the quarterly responses provided by heads of service against the service priorities. She said that in terms of the key themes that can be identified running through many of the reports, there is an issue around capacity in the organisation.

During discussion the following matters were raised:

- Members noted that the shortest reports were made by members of the panel mentioned in 3.3 of the report. The City Solicitor said that he

- would find others to challenge the reports of those sitting on the panel.
- The City Solicitor said that he would take the Committee's comments back to the Chief Executive concerning the office transformation project and in terms of the delay in answering members' queries.
- Members felt that some of the quarterly reports given by services were difficult to understand, for example in Adult Social Care there was simply a list under areas requiring improvement rather than an explanation of exactly what needed to be improved. Ms Nash said that she would try to ensure more consistency and clarity in the reports from services.

RESOLVED that the Governance & Audit & Standards Committee

- (1) noted the report; and**
- (2) commented on the performance issues highlighted in section 4 including agreeing any further action required.**

55 Review of Polling Districts and Polling Places

(TAKE IN REPORT)

Mr Ian Fitchett, Electoral Services Manager, introduced the report and explained that its purpose was to detail the outcomes of the review of polling districts and polling places recently undertaken and to invite members to consider the recommendations made. Mr Fitchett outlined the proposals and said that the detail of the recommendations were set out in 5.2 to 5.11 of the report.

Members thanked Mr Fitchett for the work done in producing the report and noted that the item would be going forward to full Council.

RESOLVED that the committee recommends to council that the changes recommended in paragraphs 5.2 to 5.11 are approved and implemented on publication of the 2015 Register of Electors.

56 Audit Performance Status Report to 26 August 2014 for Audit Plan 2014/15

(TAKE IN REPORT)

The Deputy Chief Internal Auditor, Elizabeth Goodwin, introduced the report and said that there is one new critical exception highlighted in this report for 2014/15 audit plan and two from the 2013/14 audit plan. She explained that Internal Audit will report on the progress of implementing the agreed actions at a later date. Mrs Goodwin also explained that the Annual Audit Plan has been revised to take into account a reduction in audit resource and changes in priorities and risks. The report updates the Governance & Audit & Standards Committee on the internal audit performance for 2014/15 to 26 August 2014 against the Annual Audit Plan, highlights areas of concern and areas where assurance can be given on the internal control framework. Mrs Goodwin explained that a breakdown of the assurance levels on completed audits is contained in Appendix A and a record of completed

follow-up audits is contained in Appendix B. Appendix B also breaks down the number of exceptions followed up for each audit and is separated by risk levels.

The chair of the committee said that it was important that this committee acted to help internal audit obtain the information they needed and that he would invite the managers of the services concerned to come to meetings of this committee to explain the situation where matters did not appear to be progressing.

The Chief Internal Auditor explained that Claire Upton-Brown, City Development Manager, had been invited to attend the meeting today in order to explain the critical exception relating to building control. Ms Upton-Brown explained that there had been several redundancies and three officers were working their flexible retirement. In addition the Head of Planning had left and there had then been a restructure. She said that she was well aware of the situation and that the delay had not been deliberate but had been caused by an accumulation of factors. She explained that work was being progressed and a report was expected to go to the Cabinet Member for Planning, Regeneration & Economic Development at his November or December meeting. She said that it was hoped a building control manager could be recruited by January after which she expected matters to be quickly resolved. It was agreed that Internal Audit would follow this up in January.

Councillor Boshier asked that the regular audit report coming to this committee in January includes an update on how this can best assist audit to ensure that managers deal with critical exceptions in a timely fashion.

During further discussion the following matters were confirmed:

- With regard to actions being taken by services to contain risks, this would be included in reports to this committee going forward. If any member wanted a full report this would be available on request from a member of the audit team.
- With regard to item 6.6 - Foster Carers - it was confirmed that DBS checks were performed in respect of every PCC foster carer. However in respect of foster carers arranged through private agencies DBS checks requirements were written into contracts. With regard to private fostering by families that did not go through any agencies these were not covered by the same checks and Members felt it was important to make this clear in any future report.
- With regard to paragraph 6.8.3 concerning the update on the secondary school reported in January 2014, it was confirmed that the new issues arising would be detailed in the report coming to this Committee in November.

The City Solicitor said that he would consider carefully how much of the report coming back to the committee in November could be in open session.

Mrs Goodwin said that in the previous meeting, the report had been open but had been heavily redacted but that she felt it was important for this committee to receive that version when the papers for the November meeting are circulated.

RESOLVED that members

- (1) note the audit performance for 2014/15 to 26 August 2014; and**
- (2) note the highlighted areas of control weakness for the 2014/15 audit plan.**

57 Risk Register July 2014

(TAKE IN REPORT)

The Chief Internal Auditor, Lyn Graham introduced the report which is to update members of the Governance & Audit & Standards Committee on the current significant risks facing PCC and mitigating action. She said that this was a fast-moving environment and that another significant high risk item had come to light since the report was circulated to the committee. Ms Graham said she would email the details to members of the Governance & Audit & Standards Committee once the mitigation had been confirmed. She said that since the new risk policy had come into force there had been three reviews of significant risks, in November 2013, March 2014 and July 2014. She said that the next review would be in November 2014.

The City Solicitor explained that PCC is trying to make sure that services are picking up risks and managing them appropriately. Ms Graham said that sometimes even though the risks were being managed, they were still high risk and members needed to be aware of them.

RESOLVED that members of the Governance & Audit & Standards Committee note the risks and mitigation.

58 Treasury Management Outturn 2013/14

(TAKE IN REPORT)

Mr Michael Lloyd introduced the report and said that this report also goes to Cabinet and to full council. He said that the Chartered Institute of Public Finance and Accountancy's (CIPFA) prudential code requires local authorities to calculate prudential indicators before the start of and after each financial year. Those indicators that the council is required to calculate at the end of the financial year are contained in Appendix A of the report. The CIPFA code of practice on treasury management also requires the Section 151 Officer to prepare an annual report on the outturn of the previous year. This information is shown in Appendix B of the report.

RESOLVED that the Governance & Audit & Standards Committee receive the report and note the recommendations relating to Appendices A and B as set out in paragraph 2 of the report.

59 Treasury Management Monitoring Report for the First Quarter of 2014/15

(TAKE IN REPORT)

Mr Michael Lloyd introduced the report and said that its purpose in Appendix A is to inform members and the wider community of the council's treasury management position as at 30 June 2014 and of the risks attached to that position. He advised that no new borrowing had been undertaken. He said that investment activity was detailed in paragraph 7 of Appendix A.

The Head of Financial Services & Section 151 Officer, Mr Chris Ward, explained that references to exceeding limits were correct, but explained to the committee that the limits were set by the council itself. By exceeding these limits the council had not done anything wrong. Basically had PCC known with certainty that it would receive the £48.8m City Deal grant, it would have set the limits at different levels.

RESOLVED that the actual treasury management indicators for the first quarter of 2014/15 set out in paragraph 2(a) to (e) of the report be noted.

60 Date of Next Meeting

Members of the committee noted that the next meeting is scheduled for 7 November at 2.30 pm in Conference Room A.

The meeting concluded at 5.10 pm.

Chair

This page is intentionally left blank

Agenda Item 5

Portsmouth City Council

Year ending 31 March 2014

Annual Audit Letter

29 October 2014

Ernst & Young LLP



Building a better
working world

The Members
Portsmouth City Council,
Civic Offices,
Guildhall Walk,
Portsmouth PO1 2AL

29 October 2014

Dear Members,

Annual Audit Letter

The purpose of this Annual Audit Letter is to communicate to the Members of Portsmouth City Council and external stakeholders, including members of the public, the key issues arising from our work, which we consider should be brought to their attention.

We have already reported the detailed findings from our audit work to those charged with governance of Portsmouth City Council in the following reports:

2013/14 Audit results report for Portsmouth City Council

Issued 26 September 2014

The matters reported here are the most significant for the Authority.

I would like to take this opportunity to thank the officers of Portsmouth City Council for their assistance during the course of our work.

Yours faithfully

K.L. Handy
For and behalf of Ernst & Young LLP
Enc

Contents

1. Executive summary	1
2. Key findings	3
3. Control themes and observations.....	6
4. Audit Fees	7

In March 2010 the Audit Commission issued a revised version of the 'Statement of responsibilities of auditors and audited bodies' (Statement of responsibilities). It is available from the Chief Executive of each audited body and via the [Audit Commission's website](#).

The Statement of responsibilities serves as the formal terms of engagement between the Audit Commission's appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The Standing Guidance serves as our terms of appointment as auditors appointed by the Audit Commission. The Standing Guidance sets out additional requirements that auditors must comply with, over and above those set out in the Code of Audit Practice 2010 (the Code) and statute, and covers matters of practice and procedure which are of a recurring nature.

This Audit Results Report is prepared in the context of the Statement of responsibilities. It is addressed to the Members of the audited body, and is prepared for their sole use. We, as appointed auditor, take no responsibility to any third party.

Our Complaints Procedure – If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, you may take the issue up with your usual partner or director contact. If you prefer an alternative route, please contact Steve Varley, our Managing Partner, 1 More London Place, London SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, you may of course take matters up with our professional institute. We can provide further information on how you may contact our professional institute.

1. Executive summary

Our 2013/14 audit work has been undertaken in accordance with the Audit Plan we issued on 13 March 2014 and is conducted in accordance with the Audit Commission's Code of Audit Practice, International Standards on Auditing (UK and Ireland) and other guidance issued by the Audit Commission.

The Authority is responsible for preparing and publishing its Statement of Accounts, accompanied by the Annual Governance Statement. In the Annual Governance Statement, the Authority reports publicly on an annual basis on the extent to which it complies with its own code of governance, including how it has monitored and evaluated the effectiveness of its governance arrangements in the year, and on any planned changes in the coming period. The Authority is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

As auditors we are responsible for:

- ▶ Forming an opinion on the financial statements;
- ▶ Reviewing the Annual Governance Statement;
- ▶ Forming a conclusion on the arrangements that the Authority has in place to secure economy, efficiency and effectiveness in its use of resources; and
- ▶ Undertaking any other work specified by the Audit Commission.

Summarised below are the conclusions from all elements of our work:

Audit the financial statements of Portsmouth City Council for the financial year ended 31 March 2014 in accordance with International Standards on Auditing (UK & Ireland)	On 30 September 2014 we issued an unqualified audit opinion in respect of the Authority.
Form a conclusion on the arrangements the Authority has made for securing economy, efficiency and effectiveness in its use of resources.	On 30 September 2014 we issued an unqualified value for money conclusion.
Issue a report to those charged with governance of the Authority (the Governance and Audit and Standards Committee) communicating significant findings resulting from our audit.	On 26 September 2014 we issued our report in respect of the Authority.
Report to the National Audit Office on the accuracy of the consolidation pack the Authority is required to prepare for the Whole of Government Accounts.	We reported our findings to the National Audit Office on 3 October 2014
Consider the completeness of disclosures in the Authority's Annual Governance Statement, identify any inconsistencies with the other information of which we are aware from our work and consider whether it complies with CIPFA/SOLACE guidance.	No issues to report.

Consider whether, in the public interest, we should make a report on any matter coming to our notice in the course of the audit.	No issues to report.
Determine whether any other action should be taken in relation to our responsibilities under the Audit Commission Act.	No issues to report.
Issue a certificate that we have completed the audit in accordance with the requirements of the Audit Commission Act 1998 and the Code of Practice issued by the Audit Commission.	On 3 October 2014 we issued our audit completion certificate.
Issue a report to those charged with governance of the Authority summarising the certification (of grant claims and returns) work that we have undertaken.	We will issue this report in December 2014.

2. Key findings

2.1 Financial statement audit

We audited the Authority's Statement of Accounts in line with the Audit Commission's Code of Audit Practice, International Standards on Auditing (UK and Ireland) and other guidance issued by the Audit Commission. We issued an unqualified audit report on 30 September 2014.

In our view, the quality of the process for producing the accounts, including the supporting working papers was reasonable. The main issues identified as part of our audit were:

Fraud risk

As identified in ISA (UK & Ireland) 240, management is in a unique position to perpetrate fraud because of their ability to directly or indirectly manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.

We tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements and did not identify any instances that suggested management override.

We reviewed accounting estimates for evidence of management bias and did not identify any examples of management bias.

We evaluated the business rationale for significant unusual transactions, where identified, and did not identify any issues.

Academy schools

A number of schools, including Milton Cross, were expected to achieve academy status in 13/14. We reviewed the accounting for transfers, including any related impairments, and whether they were disclosed correctly.

We concluded the five schools that were transferred on achieving Academy status had been correctly accounted for.

Pooled budgets

This was the first full year of account for the Continuing Healthcare pooled budget, which now represents a material item of account.

We concluded the Council's accounting for its share of the income, expenditure, assets and liabilities of the pooled budgets were materially correct and correctly presented in the accounts.

Non-domestic rates appeals provision

From April 2013, there were changes to the arrangements for business rates that require the Council to make a provision for appeals against rating list valuations.

We concluded the Council had conducted a very thorough exercise and that the provision was accounted for correctly under IAS 37, and was properly disclosed

Pilots National Pension Fund

Following a High Court determination the scheme's actuaries were determining the Council's share of the Pilots National Pension Fund's liabilities.

We concluded that the Council's liability was reasonably calculated and correctly disclosed within the financial statements.

2.2 Value for money conclusion

We are required to carry out sufficient work to conclude on whether the Authority has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

In accordance with guidance issued by the Audit Commission, in 2013/14 our conclusion was based on two criteria:

- ▶ The organisation has proper arrangements in place for securing financial resilience; and
- ▶ The organisation has proper arrangements for challenging how it secures economy, efficiency and effectiveness.

We issued an unqualified value for money conclusion on 30/09/14. We noted the following issues as part of our audit.

Financial Resilience

We did not identify any notable concerns about financial governance and control, but concluded the Council could strengthen its financial planning arrangements.

While corporate processes carefully forecast the medium-term financial position and drive the setting of prudent annual budgets, there is scope to strengthen portfolio and service planning. Developing the 2015/16 budget is testing services and the Council is forecasting real challenges over the medium-term. Therefore identifying further efficiencies to mitigate the need for cuts will only become more challenging in 2016/17 and 2017/18. In this environment, it is clearly critical the Council keeps the focus on how it works, and the potential for transformational change and internal efficiencies..

The Council has reflected on the learning from current corporate transformation projects, and is working to evolve these into an expanded change programme. Delivering this will require considerable corporate and service management capacity, and strong leadership, to ensure proper links are made to service planning. Releasing this capacity will be a major challenge against a background of reducing senior management posts, increasing operational temperature, and the delivery of other major change projects such as the Better Care Fund and the Care Act 2014.

We concluded the Council needs to give proper attention to the longer-term issues and challenges it faces and approach these in a planned and strategic manner.

Securing economy, efficiency and effectiveness

We identified two specific risks:

- ▶ Last year the Council developed a new corporate plan-on-a-page, redeveloped performance and risk management arrangements, and strengthened the corporate expectation that services prepare three year indicative financial plans. We reviewed how corporate arrangements were bedding in by focusing on one service,
- ▶ The aggregation of existing funding streams into the Better Care Fund has transformed and accelerated the integration agenda. The Council and Portsmouth CCG need to agree how to use these funds to achieve better outcomes for patients. We reviewed the two year local plan submitted in February 2014, and assessed progress with the development of the linked five year strategy and plans for the expansion of pooled budgets in April 2015.

Corporate performance and risk management arrangements have strengthened significantly throughout the year, Continual learning led to the creation of a panel to review service performance reports before they go to the Strategic Directors Board, and to triangulate them against other sources of intelligence. This now means the senior management team has a rounded view of progress against its corporate objectives.

We selected Adult Social Care to review, as it covers a significant proportion of the Council's total expenditure, and found local performance management arrangements were still developing. They are rolling-out a new business information tool but need to tailor this to meet local needs, and to track progress against the objectives set out in their business plan; as they are still reliant on pulling a rounded data set together from separate systems. A training and engagement programme will be needed to embed this.

The Better Care Fund plan largely enshrined an existing direction of travel around admissions avoidance, strengthening re-ablement and establishing integrated locality teams.

Implementation has been slower than initially expected and the financial and operational implications have not yet been fully worked through. This remains a key area of development for the Council and CCG, working in partnership with local providers. The Health and Well-being Board needs to drive the delivery of this significant change programme; underpinned by the development of a vision for sustainable integrated care services in Portsmouth.

We also reviewed your arrangements for prioritising resources, and improving efficiency and productivity. We considered these were generally adequate but the Council needs to continue looking outside the organisation to increase its learning from best practice elsewhere, by employing peer reviews and using benchmarking to help identify opportunities for further efficiencies.

2.3 Objections received

We did not receive any objections to the 2013/14 accounts from members of the public.

2.4 Use of other powers

We identified no issues during our audit that would necessitate using powers under the Audit Commission Act 1998, including reporting in the public interest.

2.5 Whole of government accounts

We reported to the National Audit office on 03/10/14 the results of our work performed in relation the accuracy of the consolidation pack the Authority is required to prepare for the whole of government accounts. We did not identify any areas of concern.

2.6 Annual governance statement

We are required to consider the completeness of disclosures in the Authority's Annual Governance Statement, identify any inconsistencies with the other information of which we are aware from our work, and consider whether it complies with CIPFA/SOLACE guidance. We completed this work and agreed a number of amendments with the Council.

2.7 Certification of grants claims and returns

We will issue the Annual Certification Report for 2013/14 in December 2014.

3. Control themes and observations

As part of our audit of the financial statements, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. Although our audit was not designed to express an opinion on the effectiveness of internal control we communicated to those charged with governance at the Authority, as required, significant deficiencies in internal control.

The matters reported are shown below and are limited to those deficiencies that we identified during the audit and that we concluded are of sufficient importance to merit being reported.

- ▶ The Council should conduct a review of the asset register to ensure only assets over its de minimus level are included, that assets are grouped where appropriate, and review its approach to revaluations to enable efficiencies.
- ▶ We understand the DfT has now indicated Harbour Accounts should be submitted within nine months of the balance sheet date, but that this has not been communicated to the Council yet. This would mean the 2012/13 and 2013/14 accounts will need to be prepared and audited to meet this statutory duty.

4. Audit Fees

A breakdown of our fee is shown below.

	Final fee 2013/14 £	Planned fee 2013/14 £	Scale fee 2013/14 £
Total Audit Fee – Code work	198,180	198,180	198,180
Certification of claims and returns ¹		29,065	24,464

Our actual fee is in line with the agreed fee.

We undertook no non-audit work at the Council in 2013/14.

Notes:

¹ Our fee for certification of grants and claims is yet to be finalised for 2013/14. We plan to report this to those charged with governance in January 2015 within our Annual Certification Report for 2013/14. The variance between scale fee and planned fee relates to the two TRA 11 grant claims, for which a scale fee variation of £4,601 was agreed with the Audit Commission

EY | Assurance | Tax | Transactions | Advisory

Ernst & Young LLP

© Ernst & Young LLP. Published in the UK.
All Rights Reserved.

The UK firm Ernst & Young LLP is a limited liability partnership registered in England and Wales with registered number OC300001 and is a member firm of Ernst & Young Global Limited.

Ernst & Young LLP, 1 More London Place, London, SE1 2AF.

[ey.com](https://www.ey.com)

This page is intentionally left blank



Agenda item:

Title of meeting: Governance & Audit & Standards Committee

Date of meeting: 7th November 2014

Subject: Audit Performance Status Report to 6th October 2014 for Audit Plan 2013/14

Report by: Chief Internal Auditor

Wards affected: All

Key decision (over £250k) No

Full Council decision: No

1. Summary

- 1.1 There are two new critical exceptions highlighted in this report for the 2013/14 Audit Plan. Further details are provided under Section 6 of this report.
- 1.2 Since the last meeting one follow up Audit has been added to the 2014/15 Audit Plan. Further details are reported in Section 5.4.
- 1.3 There are now 167 planned Audits for 2014/15 made up of 120 new reviews and 47 follow up audits. Of these 92 (55%) have been completed or are in progress as at 6th October 2014. This represents 43 audits (26%) where the report has been finalised, 5 audits (3%) where the report is in draft form and 44 audits (26%) currently in progress.
- 1.4 In addition to the planned audits there are 12 areas of on-going work and 4 continuous audits which contribute to risk assurance.
- 1.5 Areas of Assurance are shown in Appendix A.
- 1.6 134 days of reactive work have been undertaken to 6th October 2014, with 200 days set aside in the 2014/15 Audit Plan.

2. Purpose of report

- 2.1 This report is to update the Governance and Audit and Standards Committee on the Internal Audit Performance for 2014/15 to 6th October 2014 against the Annual Audit Plan, highlight areas of concern and areas where assurance can be given on the internal control framework.

3. Background

- 3.1 The Annual Audit Plan for 2014/15 has been drawn up in accordance with the agreed Audit Strategy approved by this Committee on 30th January 2014 following consultation with Heads of Services, Strategic Directors and the Chair of this Committee.

4. Recommendations

- 4.1 That Members note the Audit Performance for 2014/15 to 6th October 2014.
- 4.2 That Members note the highlighted areas of control weakness for the 2014/15 Audit Plan.
- 4.3 That Members note the changes in the Audit Plan.

5. Audit Plan Status 2014/15 to 6th October 2014

Percentage of approved plan completed

- 5.1 55% of the annual audit plan has been completed or is in progress as at 6th October 2014, slightly above the equivalent period last year and the Audit Plan should be achieved. However this will be dependent upon the amount of reactive work that is undertaken.
Appendix A shows the completed audits for 2014/15. Appendix B shows the completed follow up audits for 2014/15

The overall percentage figure is made up as follows;

- 27 new reviews (16%) where the report is finalised, 4 (2%) in draft form and 39 (23%) currently in progress.
 - 16 planned follow ups (10%) where the report is finalised, 1 (1%) in draft form and 5 (3%) work in progress.
- 5.2 As requested by Members of the Committee a breakdown of the assurance levels on completed audits is contained in Appendix A. Where specific parts of the control framework have not been tested on an area (because it has been assessed as low risk for example) it is recorded as NAT (No Areas Tested) on the Appendix.
- 5.3 A record of completed follow up audits can be found in Appendix B. This Appendix also breaks down the number of exceptions followed up for each audit and is separated by risk level. An explanation has been provided where agreed actions on high risk exceptions have not yet been completed.

Changes to the Audit Plan

- 5.4 In total there are now 167 Audits in the Plan as opposed to 182 originally. The changes and the reasons for them, were reported to Members at their September meeting.
- 5.5 An additional follow up of Data Quality Checks within HR, Legal and Performance has been added to the 2014/15 Audit Plan.

Reactive Work

5.6 200 days have been allowed for reactive work and investigations in 2014/15 and 134 days have been used to 6th October 2014.

5.7 The 134 reactive days were used for:

- 15 special investigations
- 11 items of advice

As well as the following unplanned reviews:

- Adoption Reform Grant
- Pilots National Pension Fund verification of contributions
- Personal Travel Budgets
- Parking Cash Office

Exceptions

5.8 Of the programmed reviews completed so far this year the number of exceptions in each category have been:

- 3 Critical
- 41 High Risk
- 22 Medium Risk
- 5 Low Risk (improvements)

5.9 The table below is a comparison of the audit status figures, up to October 2014 for this financial year and the previous two years.

	2012/2013	2013/2014	2014/15
% of the audit plan progressed	53%	49%	55%
No. of Critical exceptions	1	2	3
No. of High risk exceptions	48	89	41
No. of reactive days	171	166	134

On-going Areas

5.10 The following 12 areas are on-going areas of work carried out by Internal Audit;

- Regulation of Investigatory Powers Act (RIPA)- authorisations and training
- Anti-Money Laundering review of Policy and training
- Investigations (included in the 200 days of reactive work)
- Financial Rules waivers
- National Fraud Initiative (NFI) to facilitate national data matching carried out by the Audit Commission
- National Anti-Fraud Network (NAFN) bulletins and intelligence follow up

- Counter Fraud Programme
- Policy Hub project to ensure that all Council policies are held in one place and staff are notified of the policies relevant to them
- G&A&S Committee reporting and attendance and Governance,
- Audit Planning and Consultation
- Risk Management
- Compliance with Financial Rules monitoring

Continuous Audit Areas

5.11 The following 4 areas are subject to continuous audit (i.e. regular check to controls) and feed into overall assurance;

- Legionella Management
- Asbestos Management
- Key risks management in services
- Performance Management

6. Areas of Concern

Concerns identified since the last meeting

6.1 There are two new areas of concern (critical risk exceptions) highlighted in finalised reports to services since the previous status report to this Committee from this year's Audit Plan. There is also a further audit where "No assurance" has been given.

6.2 Children's Social Care - Direct Payments Audit 2014/15

6.2.1 The Direct Payments Audit has highlighted two critical risk exceptions.

6.2.2 The first critical risk exception relates to insufficient monitoring being undertaken on whether Direct Payment Returns are being received from parents/guardians. This could result in the Authority failing to recover balances due to it. Further risks include that the Authority cannot currently prevent or protect against fraud as they cannot demonstrate how funds are being spent.

6.2.3 The second critical risk relates to checks undertaken on returns received from 10 Direct Payments clients. Testing identified a number of irregularities within the results including failing to provide returns, overdraft fees being incurred, unsigned invoices and incorrect use of payments.

6.2.4 The risks related to both exceptions are that:

- The Authority is failing to recover balances due to it
- The Authority is unable to prevent or detect fraudulent activity as it cannot demonstrate how funds are being spent by clients
- Without the evidence of how payments are being spent the Authority cannot be sure that the needs of the child are being adequately met

6.3 Agreed Actions

- 6.3.1 For the first exception an action has been agreed whereby Financial Services will now provide a monthly listing of returns received and outstanding to the Children with Disabilities Team who will use the report to take any action deemed necessary.
- 6.3.2 For the second exception the following actions have been agreed with the Team Manager/Group Account (Children with Disabilities):
- A new policy to be introduced whereby payments will be suspended if returns are outstanding for longer than two months. In the interim letters are to be sent to those parents who have not submitted returns for 6 months or more
 - A new process is to be designed in relation to the processing of client returns
 - Clearly defined roles and responsibilities for the processing of payments within each team are to be created
 - Current method of making direct payments to be reviewed

The agreed actions are due to be followed up in January 2015 and will be reported on at the March 2015 meeting.

6.4 Update on Secondary School reported January 2014

- 6.4.1 In July 2013 Internal Audit carried out an investigation into alleged financial irregularities at a Secondary School and as a result of the overall findings the School was issued with a 'Notice of Concern' under the scheme for Financing Schools Section 2.15 jointly by the Section 151 Officer and Director of Children's Services.
- 6.4.2 The Notice of Concern set out specific actions required by the City Council to be implemented by the Governing Body and the School's senior management team to address concerns raised. A second visit has been carried out by Internal Audit the purpose of which was to ascertain the progress made in relation to those actions and to perform a full audit on the remaining financial activities that were not covered during the initial investigation.
- 6.4.3 It was identified during this second visit that the majority of actions agreed in the school's action plan were evidenced as having been resolved by resignation, retirement, or implementation; for example significant progress has been made to resolve the concerns relating to safeguarding of assets, including physical verification and disposal authorisation and obtaining value for money for purchases of IT equipment and general supplies.
- 6.4.4 The full audit has now been completed and the report finalised. 14 high risk and 1 medium risk exception have arisen as a result of this review. Redacted versions of the 2014/15 Audit report and the 2013/14 Investigation report have been included as appendices C & D.
- 6.4.5 Internal Audit intends to return to the school in January 2015 to carry out a follow up at the request of the section 151 officer to track progress against their agreed action plan.

6.5 Independent Fostering Agreements 2013/14 Audit - Follow Up of Critical Exceptions

- 6.5.1 During the 2013/14 Audit of this area two critical risk exceptions were raised in February 2014. Both related to a lack of adequate contract monitoring in ensuring that independent fostering providers had valid Data Barring Service (DBS) checks and the insurance policies detailed as a requirement of their contracts

6.5.2 The agreed action for both exceptions was that more staff capacity was to be made available specifically for confirming compliance in the areas highlighted. The exceptions were followed up by Internal Audit in October 2014. Audit testing has confirmed that the actions have now been implemented as agreed.

7. Comments on Plan 2014/15 to date

7.1 The revised plan is on target to be achieved by 31st March 2015. A total of 5 critical exceptions have been reported to date for this financial year (2 from the 2013/14 Plan and 3 from the 2014/15 Plan) and the number of high risk exceptions found has decreased compared to previous years.

8. Equality impact assessment (EIA)

8.1 The contents of this report do not have any relevant equalities impact and therefore an equalities assessment is not required.

9. Legal Implications

9.1 The City Solicitor has considered the report and is satisfied that the recommendations are in accordance with the Council's legal requirements and the Council is fully empowered to make the decisions in this matter.

9.2 Where system weaknesses have been identified he is satisfied that the appropriate steps are being taken to have these addressed.

10. Finance Comments:

10.1 There are no financial implications arising from the recommendations set out in this report.

10.2 The S151 Officer is content that the progress against the Annual Audit Plan and the agreed actions are sufficient to comply with his statutory obligations to ensure that the Authority maintains an adequate and effective system of internal audit of its accounting records and its system of internal control.

.....
Signed by: Lyn Graham, Chief Internal Auditor

Appendices:

Appendix A – Completed audits from 2014/15 Audit Plan

Appendix B - Completed follow up audits from 2014/15 Plan

Appendix C - Redacted 2014/15 Secondary School Audit Report

Appendix D - Redacted 2013/14 Secondary School Investigation Report

Background list of documents: Section 100D of the Local Government Act 1972

The following documents disclose facts or matters, which have been relied upon to a material extent by the author in preparing this report:

Title of document	Location
1 Accounts and Audit Regulations	http://www.legislation.gov.uk/uksi/2011/817/contents/made
2 Audit Strategy 2014/15	http://democracy.portsmouth.gov.uk/ieListDocuments.aspx?CId=148&MId=2375&Ver=4
3 Previous Audit Performance Status and other Audit Reports	Refer to Governance and Audit and Standard meetings – reports published online http://democracy.portsmouth.gov.uk/ieListMeetings.aspx?Committeeld=148

This page is intentionally left blank

APPENDIX A

2014/15 Completed Full Audits between 1st April - 26th August

Audit Title	Critical Risk	High Risk	Medium Risk	Low Risk - Improvement	Total Exceptions	Internal Control Environment	Compliance	Effectiveness of Operations	Safeguarding of Assets	Reliability & Integrity	Audit Assurance	Summary
Children's Social Care - Stephen Kitchman												
1415-006 CSC - Corporate Parenting	0	0	0	0	0	0	No areas tested (NAT)	0	NAT	NAT	Assurance	#####
1415-010 CSC - Private Foster Carers	1	3	1		5	1	2	2	NAT	NAT	No Assurance	One critical exception was raised in relation to Disclosure and Baring Service checks. Three high risk exceptions were raised which relate to non-compliance with PCC procedures, incomplete 'capacity to care assessments' and a lack of monthly supervision of private fostering cases
1415-013 CSC - Family Support Children in need			1		1	0	1	0	NAT	NAT	Limited Assurance	#####
1415-015 CSC - Social Work Matters	0	0	0	0	0	0	0	0	NAT	NAT	Assurance	No exceptions were raised from this audit. It was found that there is a clear framework within which the project was managed and the programme board was given regular progress updates. The objectives of the project appear to have been met.
HR, Legal & Performance - Jon Bell												
1415-067 HLP - eBay Account		1	1	1	3	1	0	NAT	1	1	Limited Assurance	A high risk exception was raised as passwords for Paypal and eBay were found to be identical and weak in nature, these have now been changed. Medium risk exception raised as whilst procedures are in place they are in need of expansion.
Intergrated Commissioning Unit - Preeti Sheth												
1415-089 ICU - Care homes placements		0	2	2	4	1	2	1	NAT	NAT	Limited Assurance	Two medium risk exceptions were raised, the first is in relation to a lack of communication between Social Workers/ Care Managers and Contract Officers prior to care home reviews. The second is in relation to a lack of evidence of checks of staff turnover and/or financial checks undertaken as part of the monitoring review process.
Transport & Environment - Simon Moon												
1415-111 T&E - Climate Change and Sustainability	0	0	0	0	0	0	0	NAT	NAT	0	Assurance	#####

PAGE 1

APPENDIX A

2014/15 Cont

External												
1415-119 EXT - Gatcombe Park Primary		4	2		6	1	3	1	0	1	Limited Assurance	#####

1415-121 EXT - Northern Parade Primary		1	1		2	0	2	0	0	0	Limited Assurance	#####
1415-132 EXT - Meredith Infant		2	1		3	0	1	0	1	1	Limited Assurance	#####
1415-133 EXT - St Judes Primary		6	2		8	1	7	0	0	0	Limited Assurance	#####
1415-135 EXT - Devonshire Infant & Nursery	0	0	0	0	0	0	0	0	0	0	Assurance	The Full Audit resulted in no exceptions being raised for any of the areas tested. Completion of the Schools Financial Value Standard (SFVS) statement for year ending March 2014 is in line with Internal Audit's judgment.
Grand Total For Period	1	17	11	3	32	5	18	4	2	3		

PAGE 2

APPENDIX A

2014/15 Completed Full Audits
Between 26th August & 6th October

Audit Title	Critical Risk	High Risk	Medium Risk	Low Risk - Improvement	Total Exceptions	Internal Control Environment	Compliance	Effectiveness of Operations	Safeguarding of Assets	Reliability & Integrity	Audit Assurance	Summary
Children's Social Care - Stephen Kitchman												
1415-012 CSC - Direct Payments	2	1	1		4	1	2	1	0	NAT	No assurance	#####
Customer, Community & Democratic Services - Louise Wilders												
1415-038 CCD - FOI		1			1	NAT	1	NAT	NAT	NAT	Limited Assurance	The review found that the Authority is currently not meeting the Information Commissioners Office target of answering Freedom of Information requests within 20 working days
City Development & Cultural Services - Stephen Bailey												
1415-047 CDC - Portsdown Hill & Hilsea Lines Rangers			1	1	2	1	0	NAT	1	NAT	Limited Assurance	Testing has highlighted one medium risk exception in relation to evidencing an annual 'Work Activities' Health & Safety Risk Assessment. One low-risk improvement exception was also raised.

Financial Services - Chris Ward												
1415-064 FIN - Payment of travel and subsistence			2		2	0	1	0	1	NAT	Limited Assurance	#####
Housing & Property Services - Owen Buckwell												
1415-077 H&P - Homelessness & Temporary Accommodation		1	1		2	NAT	1	0	1	NAT	Limited Assurance	Testing found 1 high risk and 1 medium risk exception. One for incorrect payments to suppliers and the other for breach of legislation.
1415-084 H&P - Maintenance Repairs					0	NAT	NAT	0	NAT	NAT	Assurance	No exceptions were raised as a result of this audit. Testing reviewed customer satisfaction measures confirmed how value for money was obtained within the Repairs & Maintenance and Green & Clean services

PAGE 3

APPENDIX A

Information Service - Mel Burns												
1415-097 INS - Vendor Management			1		1	NAT	0	1	NAT	NAT	Limited Assurance	One medium risk exception relating to lack of monitoring on a IS related contract which arose from a lack of clarity from the service as to who was responsible for this monitoring.
Revenues & Benefits - Ed Woodhouse												
1415-103 R&B - Housing & Council Tax benefits					0	NAT	0	0	NAT	NAT	Assurance	#####
Transport & Environment - Simon Moon												
1415-107 T&E - PFI Contract					0	0	NAT	NAT	NAT	NAT	Assurance	Audit have reviewed the negotiation strategy formulated to renegotiate the Highways PFI Modernisation Programme (HPMP), along with the changes made to the insurance cover for the Highways PFI contract and have no comment to make at this time due to the Highways PFI contract being under renegotiation with the contractor Ensign. No further audit work will be undertaken until the renegotiation process has been completed.
1415-108 T&E - PFI Contract Claims					0	0	NAT	NAT	NAT	NAT	Assurance	
External												
1415-120 EXT - Secondary School		14	1		15	2	9	4	0	0	No assurance	#####
1415-125 EXT - Meon Infant		2		1	3	0	1	0	1	1	Limited Assurance	#####
1415-128 EXT - Corpus Christi		3	3		6	1	2	2	0	1	Limited Assurance	#####

PAGE 4
APPENDIX A

1415-130 EXT - St Swithuns Primary		2	1		3	0	1	0	1	1	Limited Assurance	#####
1415-134 EXT - Langstone Harbour Board						0	0	0	0	0	Assurance	External work
Grand Total For Period	2	24	11	2	39	5	18	8	5	3		
Totals for 2014/15	3	41	22	5	71	10	36	12	7	6		

2013/14 Full Audits completed since 26th August

Audit Title	Critical Risk	High Risk	Medium Risk	Low Risk - Improvement	Total Exceptions	Internal Control Environment	Compliance	Effectiveness of Operations	Safeguarding of Assets	Reliability & Integrity	Audit Assurance	Summary
1314-083 CCDS - Equalities & Diversity		1			1	1	0	0	NAT	NAT	Limited Assurance	One high risk exception was raised as it was identified that the current training system for Equalities & Diversity is not fit for purpose

APPENDIX B

2013/14 Followed Up Audits - High Risk Exceptions Audit Title	High Risk Open		High Risk Closed		High Risk Total	Comments
F1314-014 Financial Services - Petty Cash/Imprest Accounts	3	75%	1	25%	4	One high risk exception remains open and two high risk exceptions remain in progress at the time of follow up testing. The open high risk is in relation to updating the petty cash account list to reflect current accounts only. Further testing also identified the children's homes appeared twice and five schools that are now academies are still on the balance sheet. The two high risk that remained in progress were as a result of a reminder to schools highlighting breaches of Financial Rules not being actioned as agreed.
F1314-015 Financial Services - Controlled Stationery	2	100%	0	0%	2	The controlled stationery process is to be reviewed to include guidance on chasing receipt acknowledgement memos that have not been returned and future reports will now be retained. The second high risk exception was for informaion only and reported on in the 2013/14 Performance Development Review and Mandatory Training audit.
F1314-024 Housing Management - Security	1	100%	0	0%	1	Due to a system upgrade the facility to complete the agreed action was not available. Reports are being rebuilt in conjunction with IS and software provider
F1314-031 Housing Management - Sheltered Housing Service	0	0%	2	100%	2	
F1314-035 Housing Management - Sub letting prevention	0	0%	2	100%	2	
F1314-050 Adult Social Care - Residential and Day Centres self assessments	1	50%	1	50%	2	The high risk exception that has not been addressed was due to some purchase orders not being raised in advance. The reason given behind this is that these are usually for spend on repairs and maintenance of items and the units do not have any idea how much these will cost until the company has been out to do the work and have then invoiced PCC. Action agreed is that purchase orders will be raised in advance even if they are with a nominal amount.
F1314-056 HR, Legal & Performance - Gifts and Hospitality	1	100%	0	0%	1	Agreed action to highlight and take action on non compliant gifts was not fully implemented. Process to identify non compliance now working. City Solicitor to keep a log of actions taken from now on.
F1314-072 Children's Social Care & Safeguarding- Youth Offending Team	5	83%	1	17%	6	Four of the open high risk exceptions relate to issues within producing and reviewing asset assessments and intervention plans. These are to be resolved by having every assessment reviewed by the YOT management board on a monthly basis and exception reports being escalated to the Head of Children's Social Care. The final exception relates to a lack of evidence of young people completing self assessment forms. In response the service are going to review the tools used in assessments.
F1314-074 Children's Social Care & Safeguarding - YOT Volunteer Recuirment	0	0%	1	100%	1	

APPENDIX B

F1314-076 Children's Social Care & Safeguarding - Kinship Policy	0	0%	1	100%	1	
F1314-079 Children's Social Care & Safeguarding - Foster Placements and residential care self assessments	1	100%	0	0%	1	The high risk exception that has not been addressed related to Information Governance training. 6 casual staff transferred to permanent in April 2014 and had not as at 28/5/14 carried out this training. Unit Manager agreed that staff will do this training by the end of November 2014.
F1314-080 Children's Social Care & Safeguarding - HR Safer recruitment Childrens Services	2	67%	1	33%	3	One high risk exception that has not been addressed relates to Safer Recruitment Training. Some staff had booked onto the course but had not attended and some staff had not booked onto the course at all. The Team Leader Business Support is responsible for chasing these staff members to ensure that they attend the course. The Head of Children's Social Care set out his expectation that staff should have done this training by the end of June 2014. The other issue related to interview notes not being returned to Human Resources who will chase these but are not always successful in getting them returned by the service.
F1314-113 Transport & Environment - Fuel purchases	1	50%	1	50%	2	There were three agreed actions for the open exception. Two have been completed as agreed, the third relates to a school failing to adequately complete it's mini bus mileage log. The finance officer for the school will now check and evidence the log on a termly basis
F1314-138 Financial Services - External Bailiffs	3	100%	0	0%	3	Due to the implementation of the new contract agreed actions have been delayed. Quarterly contract monitoring to commence in August 2014 and the agendas of the meetings will be retained. A reconciliation of accounts held with company A was undertaken on 4 August 2014. Monthly STATs will be reviewed to ensure that all requested information is provided.
1213-032 Revenues & Benefits - Debt Recovery	0	0%	1	100%	1	
Total	20	63%	12	38%	32	

APPENDIX B

2013/14 Audits Followed Up - Medium Risk Exceptions

Audit Title	Medium Risk Open		Medium Risk Closed		Medium Risk Total
F1314-031 Housing Management - Sheltered Housing Service	0	0%	3	100%	3
F1314-035 Housing Management - Sub letting prevention	0	0%	1	100%	1
F1314-050 Adult Social Care - Residential and Day Centres self assessments	1	100%	0	0%	1
F1314-056 HR, Legal & Performance - Gifts and Hospitality	0	0%	1	100%	1
F1314-061 HR, Legal & Performance - Data Quality checks	0	0%	5	100%	5
F1314-079 Children's Social Care & Safeguarding - Foster Placements and residential care self assessments	0	0%	1	100%	1
F1314-138 Financial Services - External Bailiffs	1	50%	1	50%	2
Total	2	14%	12	86%	14

PAGE 2

2013/14 Audits Followed Up - Low Risk Exceptions

Audit Title	Low Risk Open		Low Risk Closed		Low Risk Total
F1314-031 Housing Management - Sheltered Housing Service	0	0%	1	100%	1
F1314-061 HRLP - Data Quality checks	0	0%	1	100%	1
Total	0	0%	2	100%	2

2013/14 Audits Followed Up - All Exceptions

Audit Title	Original Number of Exceptions	% Open	% Closed
F1314-014 Financial Services - Petty Cash/Imprest Accounts	4	75%	25%
F1314-015 Financial Services - Controlled Stationery	2	100%	0%
F1314-024 Housing Management - Security	1	100%	0%
F1314-031 Housing Management - Sheltered Housing Service	6	0%	100%
F1314-035 Housing Management - Sub letting prevention	3	0%	100%
F1314-050 Adult Social Care - Residential and Day Centres self assessments	3	67%	33%
F1314-056 HR, Legal & Performance - Gifts and Hospitality	2	50%	50%
F1314-061 HR, Legal & Performance - Data Quality checks	6	0%	100%
F1314-072 Children's Social Care & Safeguarding- Youth Offending Team	6	83%	17%
F1314-074 Children's Social Care & Safeguarding - YOT Volunteer Recuirment	1	0%	100%
F1314-076 Children's Social Care & Safeguarding - Kinship Policy	1	0%	100%
F1314-079 Children's Social Care & Safeguarding - Foster Placements and residential care self assessments	2	50%	50%
F1314-080 CSCS - HR Safer recruitment Childrens Services	3	67%	33%
F1314-113 Transport & Environment - Fuel purchases	2	50%	50%
F1314-138 Financial Services - External Bailiffs	5	80%	20%
1213-032 Revenues & Benefits - Debt Recovery	1	0%	100%
Total	48	46%	54%

PAGE 3

This page is intentionally left blank



Portsmouth
CITY COUNCIL

Internal Audit Report

EXTERNAL - [REDACTED]

CONTENTS

Executive Summary

Introduction, Objectives and Scope

Exceptions Table

Author: Karen Gibbs

Version: Final

Dated: 16th September 2014

Recipient: Julian Wooster (Director of Children's Services) - (FINAL only), Julien Kramer (Interim Head of Education - (FINAL only), [REDACTED] Head teacher) and [REDACTED] Chair of Governors)

Approved by Chief Internal Auditor, Lyn Graham:

Executive Summary

In July 2013 Internal Audit carried out an investigation into alleged financial irregularities at [REDACTED] and as a result of the overall findings the School were issued with a 'Notice of Concern' under the scheme for Financing Schools Section 2.15 jointly by the Section 151 Officer and Director of Children's Services.

The Notice of Concern set out specific actions required by the City Council to be implemented by the Governing Body and the School's senior management team to address concerns raised. The purpose of this visit was to ascertain the progress made in relation to those actions and to perform an audit on the remaining financial activities that were not covered during the investigation.

The audit was carried out from 6th to 8th August 2014 and the detailed exceptions arising from the audit are contained within the main body of this report. The majority of actions agreed in the school's action plan were evidenced as having been resolved by resignation, retirement, or implementation; for example significant progress has been made to resolve the concerns relating to safeguarding of assets, including physical verification and disposal authorisation and obtaining value for money for purchases of IT equipment and general supplies. Discussions during the exit meeting confirmed that the interim Head teacher (who is still employed at the School in a support role) and new Chair of Governors were the main instigators for achieving the action plan.

The causes for the original findings were largely down to a lack of financial operational competence compounded by a lack of challenge in this area.

Following on from the full financial audit, which has resulted in an unprecedented 14 high risk exceptions and 1 medium risk exception being raised, the lack of financial management and oversight remains a major cause for concern. Many of the new audit findings detailed in this report indicate that there is a lack of financial competence across the School and Governing Body; this was evidenced from the following:

- Errors were found in the 2014/15 budget preparation where the proposed underspend position moved significantly and changes had to be factored in at a later date, although the supporting minutes were unclear in reflecting this.
- Errors were found in transaction entries and coding, examples of this was found in petty cash and the School Improvement Plan

- Failure to comply with Financial Rules, specifically raising orders in advance of the purchase, representing a false budgetary position for the school.
- Lack of monitoring and challenge by the Finance and Staffing Committee on the information presented, regular meetings between the Chair of Finance and the Bursar had not taken place.
- Lack of monitoring and oversight of the whole budget by the Head teacher, regular meetings between the Head and Bursar had not taken place, other than to verify the purchase card transactions.
- Insufficient communication between the Bursar and those members of staff authorised to spend from the school's budget. The Bursar does not attend the senior management team meetings and was not aware that the school was working on version 8 of the School Improvement Plan. The Bursar's physical location may also be influencing this issue as she is located in a separate building with other non-financial members of staff.
- Failure by the School to identify any skills gaps in relation to financial management and address the issues in a timely manner. Whilst training is proposed for the Bursar in the new term, alternatives have not been considered and no actual skills gaps assessment has been carried out.
- Failure by the School to effectively safeguard individuals with adequate separation of duties, evidenced in the preparation and banking of official income.
- Failure to set financial performance objectives and development for staff.

In addition to this, during the site visit the Internal Audit team was furnished with incorrect documents by the Bursar in relation to Governing Body minutes and School Improvement Plan.

The information presented to the Governors could not be evidenced and neither the Clerk nor Bursar retained the supporting financial documentation making it difficult to establish what had or had not been presented and or agreed.

It is Internal Audit's opinion that the issues identified may be resolved by training and development of key staff and the introduction of monitoring and verification controls, however it is also imperative that the school work cohesively as a team.

In summary, the documentation currently in place and the financial practices followed by the Head teacher, Governing Body and Finance staff does not demonstrate clear reporting lines or understanding of the expected Financial Management Standards for the strategic or operational financial running of the School, therefore no assurance can be given that financial controls are working effectively.

Response from [REDACTED]

The responses to the Internal Audit Report from the Head teacher and Chair of Governors are attached as Appendices 1, 2 and 3.

The role of Internal Audit is to give an opinion on the effectiveness of the Internal Control Framework, specifically, but not exclusively, relating to the financial operations, including preparation, monitoring and oversight. Internal Audit does not make any judgement on the academic side of the school's activities.

Overall, areas of weak financial practices and non-compliance with PCC Financial Rules, Ofsted requirements, the DBS Code of Practice, the Data Protection Act and Keeping Children Safe in Education legislation forms the basis for our overall opinion that, based on audit testing, no assurance can be given on the effectiveness of financial controls.

Objectives and Scope

A Full Internal Audit was carried out at [REDACTED] on 6th, 7th and 8th August 2014 during which time a sample of documentation relating to the following areas was examined to ensure that;

Organisation of Responsibility & Accountability

The School has defined and documented the responsibilities of each person involved in the administration of its finances to avoid the duplication or omission of framework of accountability for Governors and Staff.

- Governing Body Committee timetable for the period September 2013 to July 2014
- Governing Body Terms of Reference
- Governing body Agendas & Minutes for the period September 2013 to date
- Job descriptions for staff with financial responsibilities and the clerk
- SFVS documentation
- Skills matrix for Governors and Finance Staff
- Current Register of Pecuniary Interest
- Single Central Record document
- Whistleblowing Policy

Budget

The School has developed and documented budgetary processes to enable the Governing Body and Head teacher to control expenditure in line with the overall objective of the school and there is a clear, identifiable link between the schools budget and the plan for raising standards and attainment.

- School Improvement / Development / Strategic Plan
- Three year Budget Plan and supporting monitoring evidence
- Budget Planning / Monitoring timetable
- School Budget Share
- BB502 reports
- Staffing Budget
- Bench Marking data

Income

All income due to the School is identified, recorded, receipted and banked promptly and intact. Vat is correctly accounted for.

- Receipt books.
- Record of cash received pads.
- Bank paying - in books.
- M1 forms
- Lettings invoices, agreements and charging policy
- Stock control sheets
- Miscellaneous income records.

Petty Cash

Income and expenditure made through the Petty Cash Account is accurately recorded and authorised. VAT is accounted for correctly and segregation of duties is appropriate

- Bank Statements for the period September 2013 to date
- Petty Cash Vouchers and supporting documentation
- Petty Cash reconciliation reports

Ordering, Receipt and Payment of Goods

All commitments and expenditure are accurately recorded and expenditure is authorised, represents value for money and is for the proper purposes of the School

- Purchase orders and invoices
- Purchase cards, bank statements and receipts
- Hire agreement forms
- Contracts (including compliance with the tendering process)

Business Continuity / Resilience Plan

An appropriate business continuity / disaster recovery plan is in place which complies with the best practice guidance issued by PCC

- Business Continuity Plan
- Documentation relating to the Senior Management Emergency Team membership
- Evidence of Governing Body approval and drills / tests conducted

Inventory

All appropriate assets are recorded, safeguarded and controlled and disposal of equipment is properly administered and controlled

- Inventory sheets
- Loans register

Computer Security

Access to mainframe data is restricted to authorised staff only and adequate controls exist over security of passwords and environmental controls are sound

- Data Protection Registration Certificate
- IT / Internet Policy

Unofficial Fund

There is appropriate control over the operation of unofficial funds and the Audited Statement of Account is authorised by the Governing Body

Mini bus

The use of the minibus is restricted to authorised staff with all journey details being recorded.

- Service History book / receipts
- MOT and Road Tax Certificates
- Midas Training Certificates
- Mini bus log of mileage record

There was also a review of the recommendations made as a result of the investigation which took place during 2013 and resulting action plan.

EX 1 - 1415-120 - [REDACTED] - Computer Security - CCTV Policy

Priority Level

High Risk

Exception

CCTV cameras are in operation on the school premises and signs are positioned around the school to alert the school community and visitors to the site that CCTV cameras are in place.

However, discussions with the Head teacher during the course of the Audit confirm that the Governors have not adopted a CCTV Policy as required by the Information Commissioner's Office (ICO) CCTV Code of Practice.

Risks and Consequences

Legislative and financial risk resulting in non-compliance with the ICO Code of Practice, Regulation of Investigatory Powers Act (RIPA) and the Data Protection Act which could result in a potential fine to the School.

Agreed Action

Model Policy received from Karen Gibbs to be adopted by Full Governing Body.

Person Responsible / Action by Date

Adopted by Full Governing Body Meeting on 16.10.2014

EX 2 - 1415-120 - [REDACTED] Official Income - Keys to safe	
Priority Level High Risk	
Exception <p>During on-site testing it was established that the School have two key operated safes for the retention of official and unofficial income prior to banking. The first safe is located in the Bursar's Office (one key is retained by the Bursar at all times and the second is kept in a key safe in another part of the building) and the second safe is in the Support Manager's Office (it is our understanding that there is only one key to this safe which is retained by the Support Manager at all times).</p> <p>PCC Cash Handling Instructions require that –</p> <p>5.2 - Access to safes must be restricted to as few officers as possible that have relevant responsibility and kept locked when not in use. Keys must be kept securely on the key holder's person, <i>off-site outside of business hours</i> and access restricted to those with the relevant responsibility.</p>	
Risks and Consequences <p>Operational and financial risk as the current practice places;</p> <ul style="list-style-type: none"> • The Bursar in a potentially vulnerable position in the event of loss or theft of money from the safe in her office. • The School in a potentially vulnerable position in the event of the key to the safe in the Support Managers Office being lost. 	
Agreed Action	Person Responsible / Action by Date
Copies of keys to both safes to be held by Head Teacher in a locked drawer during business hours and off-site outside of business hours. New key to be cut for safe in Support Manager's office.	Head Teacher and caretaker – safe key already transferred to Head, new key to be cut by 19.09.2014 Exam safe key has also been moved to Head Teacher's office

EX 3 - 1415-120 - [REDACTED] - Petty Cash - Bank Account overdrawn	
Priority Level High Risk	
Exception <p>Bank statements for the petty cash account were reviewed for the period July 2013 (statement 42) to July 2014 (statement 53) and it was noted that the account was overdrawn on one occasion to the value of £29.91.</p> <p>Discussions with the Bursar during the audit visit confirmed that the situation had partly arisen as a result of her absence from the school during the period tested.</p> <p>Financial rule P2 (g) states that; School Governors and Head teachers are responsible to ensure that a bank account in which an imprest account is held is not permitted to become overdrawn.</p>	
Risks and Consequences <p>Operational and financial risk resulting in a potential bank charge as a result of the bank account becoming overdrawn.</p>	
Agreed Action	Person Responsible / Action by Date
<p>The Chair of Governors has requested an investigation into this issue. The petty cash account has been overdrawn on more than one occasion and during the time the Bursar has had responsibility for the petty cash account. Disciplinary action taken in July 2013 will be re-visited.</p>	<p>Head Teacher with HR intervention – 30.10.2014</p>

EX 4 - 1415-120 - [REDACTED] Petty Cash - Non-compliance with PCC Financial Rules	
Priority Level High Risk	
<p>Exception Petty Cash Reconciliation Vouchers were evidenced for the period September 2013 to July 2014 (12 reconciliations). There was evidence of reconciliation by the Bursar and approval by the interim Head teacher for 2 of the 12 claims, but no evidence for the remaining 10.</p> <p>Petty Cash Transaction number 7046-008 for March 2014 was checked during on-site testing. There were 26 claims in this batch and the checks confirmed that 1 voucher was missing to the value of £8.76 (this item of expenditure was found to have been entered twice and the voucher and receipt were located in the May 2014 paperwork). 1 voucher totalled £10.00 but only £3.00 was entered on the Transaction sheet. Whilst these errors are minor they demonstrate weak controls in the operational process which may have been identified if the claim has been appropriately approved.</p> <p>Petty Cash Transaction number 7046-005 for November 2013 was also checked. There were 11 claims in this batch and all expected controls were in place.</p> <p>During on site testing the Cash total from Schools Petty Cash Transactions report number 7046-011 for July 2014 was reconciled to the cash held on site. The cash totaled £158.16 and the balance should have been £157.64 (Over by 0.52p)</p> <p>Financial rule P2 (i) states that Officers must; Obtain and retain vouchers to support each payment from the imprest account. Where appropriate, an official receipted VAT invoice must be obtained in the name of the City Council and</p> <p>Financial rule P2 (m) states that Officers must; Reconcile and balance the account to the total of the sum advanced, at least monthly; with a copy of the reconciliation sheet signed and retained by the imprest holder.</p>	
<p>Risks and Consequences Operational and financial risk resulting from a lack of internal control as the current practice places the Bursar and School in a potentially vulnerable position in the event of loss or theft of money.</p>	
Agreed Action	Person Responsible / Action by Date
All reconciliations to be approved by Head Teacher or	Head Teacher and Chair of Finance with immediate effect.

Operations Manager.
Monthly balance reconciliation sheet to be shown at the appropriate weekly meeting with Head Teacher.

The Chair of Governors has requested an investigation into this issue. The petty cash account has been overdrawn on more than one occasion and during the time the Bursar has had responsibility for the petty cash account. Disciplinary action taken in July 2013 will be re-visited.

Head Teacher with HR intervention – 30.10.2014

EX 5 - 1415-120 - [REDACTED] - Emergency Plan - Reporting of drills

Priority Level
Medium Risk

Exception

The School has an Emergency / Resilience Plan in place which complies with best practice guidance issued by PCC. This was evidenced during on site testing. The plan was approved by the Full Governing Body (FGB) on 20.05.2014 as part of the Schools Financial Value Standard (SFVS) submission. Contact details of the SMT are evidenced in the plan via a Telephone Tree for Emergency Closure.

The Head teacher confirmed during the audit visit that the plan was put in place during a 'snow day' but the results were not reported back to the FGB to evidence that the drill achieved the expected requirements.

Risks and Consequences

Operational risk that the Governing Body will not be aware of the effectiveness of drills / tests so will not be able to determine if any remedial actions are necessary when monitoring and reviewing the plan on an annual basis.

Agreed Action

Full Governing Body to be informed of 'Snow Day' procedure on 16th October 2014 and effectiveness of the drill. However the previous Chair of Governors was informed of the last time the drill took place on a snow day and the outcome.

Person Responsible / Action by Date

Head Teacher 16.10.2014

EX 6 - 1415-120 - [REDACTED] Official Income - Income trail and separation of duties

Priority Level

High Risk

Exception

The Bursar is responsible for the collation, entering on the EBS Finance System, preparation of all official income for banking and physically banking income but there is no independent check to confirm that;

- The money paid into the bank account equates to the amount collected.
- Income is banked intact
- Income is banked promptly

Risks and Consequences

Operational and financial risk as the lack of internal controls places the Bursar and School in a potentially vulnerable position in the event of loss or theft of money

Agreed Action

These duties to be conducted and checked with another member of clerical staff to be determined by the Head Teacher.

The Chair of Governors has requested an investigation into this issue. Disciplinary action taken in July 2013 will be re-visited.

Person Responsible / Action by Date

Head Teacher reporting to Chair of Governors - 30.10.2014

Head Teacher with HR intervention – 30.10.2014

EX 7 - 1415-120 - [REDACTED] Official Income - Cash Handling Instructions

Priority Level

High Risk

Exception

Discussions with the Head teacher and Bursar during onsite testing confirmed that four members of the finance team are involved in cash collection; however, there was only evidence during testing that two of the team had signed a copy of the PCC Cash Handling instructions. Neither member of staff was clear as to who was responsible for ensuring the Cash Handling instructions are signed.

The Cash Handling Instructions apply to all PCC Staff involved in cash handling as part of their duties. Strong internal controls for cash collection and banking are necessary to prevent mishandling of Council funds and are also designed to safeguard and protect employees from inappropriate charges of mishandling funds by defining their responsibilities in the cash handling process.

Staff are required to sign a copy of the PCC Cash Handling instructions to confirm receipt and understanding of procedures and the consequences of failing to comply with them.

Risks and Consequences

Operational risk if employees are not aware of expected cash handling procedures they may not be protected from inappropriate charges of mishandling funds.

Agreed Action

All staff are potentially involved in cash handling as part of their duties and will be asked to read and sign PCC Cash Handling instructions – place in Staff Handbook as a requirement.

The Chair of Governors has requested an investigation into this issue. Disciplinary action taken in July 2013 will be re-visited.

Person Responsible / Action by Date

Head Teacher reporting to Chair of Governors with immediate effect.

Head Teacher with HR intervention – 30.10.2014

EX 8 - 1415-120 - [REDACTED] - Mini Buses - Security of keys	
Priority Level High Risk	
Exception <p>Discussion with the Caretaker during on site testing confirmed that the keys to the mini buses are kept on the reception desk along with the Log Sheet and instructions for use. Although the reception is manned during business hours external groups of people who use the school premises outside of business hours would have access to the keys.</p> <p>PCC Insurance requirements Section 19 - Special Conditions require that the insured will; (b) take all reasonable steps to safeguard the vehicle from damage.</p>	
Risks and Consequences <p>Operational, financial and reputational risk that a mini bus may be used by an unauthorised driver which could potentially lead to injury and a financial loss to the School as Insurance would be negated if a bus were to be driven by an unauthorised user.</p>	
Agreed Action	Person Responsible / Action by Date
Minibus keys and log books to be kept in Bursar's office at all times, when not in use.	Caretaker: Keys and logs were moved to Bursar's office by 01.09.2014

EX 9 - 1415-120 - [REDACTED] Ordering & Receipting - Purchase Orders

Priority Level

High Risk

Exception

A random sample of 6 purchase orders was selected for testing purposes for the Financial year 2014/2015. All of the expected criteria as per Portsmouth City Council Financial Rules were met for the sample tested except for the fact that all of the purchase orders were raised retrospectively.

Discussions with the Bursar during the on-site visit indicated that she is not always informed when orders for goods and services are made and is therefore unable to raise purchase orders before incurring expenditure in those instances.

Financial Rule R9 states that purchase orders must be raised before incurring expenditure.

Risks and Consequences

Operational and financial risk that raising purchase orders retrospectively results in a failure to commit the expenditure to the budget in advance of procurement and negates internal controls in relation to the ordering of goods and services.

Agreed Action

All staff to be made aware that purchase orders must be placed with Bursar before an invoice is raised – place in staff handbook

The Chair of Governors has requested an investigation into this issue. Disciplinary action taken in July 2013 will be re-visited.

Person Responsible / Action by Date

Head Teacher reporting to Chair of Governors with immediate effect.

Head Teacher with HR intervention – 30.10.2014

EX 10 - 1415-120 - [REDACTED] Register of pecuniary interest - Incomplete

Priority Level

High Risk

Exception

The agendas and minutes for the Full Governing Body (FGB) and Finance & Staffing Committee (F&S) which were reviewed as part of audit testing evidenced that Governors are given the opportunity to declare any pecuniary interests at the beginning of each FGB and F&S meeting.

The Register of Pecuniary Interests (RPI) was compared to the attendee list from the minutes of the FBG meeting which was held on 20th May 2014 and the names of the Governors from the school website. It was noted that all Governors have completed, signed and dated the register except for [REDACTED] and [REDACTED] (both Parent Governors). [REDACTED] (Staff Governor) has signed the register but not declared [REDACTED]

PCC Scheme for Financing Schools - section 2. 9 - states that the Governing Body must maintain a current register which lists for each member of the Governing Body, the Head teacher and any member of staff with financial responsibilities, any business interests, they or any member of their immediate family have. This register should be updated regularly and the entries should be thoroughly reviewed annually. The register should be available for inspection by Governors, Staff and Parents and the Authority.

OFSTED requirements are that "The governing body should establish a register of pecuniary interests for the governors and staff which should be open to inspection. Governors and staff should declare any links they have with local firms from which the school may wish to buy goods or services. It is important for anyone involved in spending public money to demonstrate that they do not benefit personally from decisions that they make. **Indirect pecuniary interest** is if a governor or member of staff has a spouse or is living with another person who has an interest in the contract or matter being discussed, including an appointment to the school staff".

Risks and Consequences

Reputational risk as non-declaring of a pecuniary interest could potentially place the School Finance staff and Governors in a vulnerable position.

Agreed Action

Pecuniary interest to be explained fully at next Full Governing Body and ALL including the 2 absent

Person Responsible / Action by Date

Chair of Governors/Clerk to Governors at Full Governing Body meeting 16.10.2014

governors to complete signing of register.

The Chair of Governors has requested an investigation into this issue. Disciplinary action taken in July 2013 will be re-visited.

Head Teacher with HR intervention – 30.10.2014

EX 11 - 1415-120 [REDACTED] Budget - DBS retention	
Priority Level High Risk	
Exception <p>During onsite testing a random sample of three employees (a Teacher, Teaching Assistant and the Network Manager) was selected from the Single Safeguarding document and PC100 Payroll Report for June 2014.</p> <p>The personnel files for all three employees were checked to evidence that recruitment and vetting checks had been carried out and it was noted that DBS certificates had been retained in all three files.</p> <p>The DBS Code of Practice - section 3. MANAGEMENT AND USE OF DISCLOSURE INFORMATION (part 3) stipulates that copies of the applicant's certificates and associated documents should not be retained longer than is necessary. Generally this is for a period of up to six months, but if exceptional circumstances require the DBS certificates to be retained longer than six months the DBS should be notified.</p> <p>The Data Protection Act (Principle 5) states that 'Personal data processed for any purpose or purposes shall not be kept for longer than is necessary for that purpose or those purposes'.</p>	
Risks and Consequences <p>Legislative and financial risk as non- compliance with the DBS Code of Practice and the Data Protection Act may result in a financial penalty to the school.</p>	
Agreed Action	Person Responsible / Action by Date
<p>All DBS documentation to be held by individual staff.</p> <p>The Chair of Governors has requested an investigation into this issue. Disciplinary action taken in July 2013 will be re-visited.</p>	<p>Head Teacher reporting to Chair of Governors with immediate effect.</p> <p>Head Teacher with HR intervention – 30.10.2014</p>

EX 12 - 1415-120 - [REDACTED] Budget - references

Priority Level

High Risk

Exception

During onsite testing a random sample of three employees (a Teacher, Teaching Assistant and the Network Manager) was selected from the Single Safeguarding document and PC100 Payroll Report for June 2014.

The personnel files for all three employees were checked to evidence that recruitment and vetting checks had been carried out and it was noted that only one reference had been evidenced for two employees and no references had been evidenced for the third employee.

Keeping Children Safe in Education - which is statutory Guidance to Schools requires that;

61. Employers should always ask for written information about previous employment history and check that information is not contradictory or incomplete. If a candidate for a teaching post is not currently employed as a teacher, it is also advisable to check with the school, college or local authority at which they were most recently employed, to confirm details of their employment and their reasons for leaving.

62. The purpose of seeking references is to obtain objective and factual information to support appointment decisions. References should always be obtained, scrutinised and any concerns resolved satisfactorily, before the appointment is confirmed. They should always be requested directly from the referee and employers should not rely on open references, for example in the form of 'to whom it may concern' testimonials.

63. Ideally, references should be sought on all short-listed candidates, including internal ones, before interview, so that any issues of concern they raise can be explored further with the referee, and taken up with the candidate at interview.

Risks and Consequences

Reputational, operational and legislative risk that failure to take up references and obtaining independent verification of a candidate's suitability for the position may result in appointing an employee who does not have the appropriate skills, abilities or qualifications for the job.

Agreed Action	Person Responsible / Action by Date
<p>All references to be fully in place</p> <p>The Chair of Governors has requested an investigation into this issue. Disciplinary action taken in July 2013 will be re-visited.</p>	<p>Head Teacher reporting to Chair of Governors with immediate effect</p> <p>Head Teacher with HR intervention – 30.10.2014</p>

EX 13 - 1415-120 - [REDACTED] Whistleblowing Policy - staff not aware

Priority Level

High Risk

Exception

The SFVS - Q20 – which was completed on behalf of the Governors for the period ending March 2014 - confirms that the standard PCC Whistleblowing Policy has been adopted by the School and is available to all staff. Staff and Governors are given a copy and requested to sign to confirm understanding and acceptance. The register is kept by the Bursar.

No register was available during on-site testing and no explanation was given for its absence. The Bursar stated that a copy of the policy was in the Staff Handbook and on the staff notice Board - but neither was evidenced.

Risks and Consequences

Operational and reputational risk that staff will not be aware of the Whistleblowing Policy and to whom they should report concerns.

Agreed Action

All staff will sign to acknowledge they have read the Whistleblowing policy, copy to be kept in Bursar's Office.

The Chair of Governors has requested an investigation into this issue. Disciplinary action taken in July 2013 will be re-visited.

Person Responsible / Action by Date

Head Teacher reporting to Chair of Governors with immediate effect

Head Teacher with HR intervention – 30.10.2014

EX 14 - 1415-120 - [REDACTED] Budget - Transparency of the span of Budgetary control

Priority Level

High Risk

Exception

Full Governing Body and Finance & Staffing Committee terms of reference and minutes (September 2013 to July 2014), Job descriptions for staff with key financial roles, the PDR review for the Bursar and financial skills matrices for Governing Body and Finance staff were reviewed to ensure that there is a clear definition of the relative financial responsibilities of the Head teacher, Bursar, Governors and staff to ensure that channels of reporting are clearly defined and implemented.

Testing highlighted;

- The draft Terms of Reference for Full Governing Body and Finance & Staffing Committee are not clear from a finance point of view. Reference is made to a Finance Policy which was not made available during on site testing and there is no requirement to approve the revised budget or agreement of the delegated spending limit for the HT.
- A lack of a Financial skills matrix for Finance staff which means that any financial skills gaps have not been identified
- No evidence of budget monitoring from the current Head teacher
- Staff working on different versions of the School Improvement Plan and miscoding's in the School Improvement Plan dated 25.06.2014 (i.e. £20,000.00 computer hardware was coded to 4051 and it should have been 4501)
- Lack of transparency in the Budget monitoring and setting process, it is not clear what paperwork the Governing Body Committees are being presented with and there are anomalies in figures presented to the Governors under some budget headings.
- Lack of financial challenge by the FGB

Risks and Consequences

Reputational, operational and financial risk that;

- The Governing Body will not be able to demonstrate that they have fulfilled their role of challenge and support in the field of budget management
- Weak internal controls could potentially result in the mishandling of Council funds and the failure to safeguard and protect employees from inappropriate charges of mishandling funds.

Agreed Action

- Review of draft terms of reference to include the

Person Responsible / Action by Date

Chair of Governors/Clerk – Governors AGM 11.09.2014

<p>requirement to approve the revised budget and the agreed delegated spending limit for the head.</p> <ul style="list-style-type: none"> • Finance Policy to be reviewed and placed within policy folder on ratification • Complete financial skills matrix for Finance Staff • Weekly meetings with Head Teacher to minute to include budget monitoring for evidence • Correct transposition of numerals to read the correct code on SIP vs 9 • Narrative for Governors Meetings on budget to include the processes and outcomes that have been used to inform Budget monitoring and setting progress • Further training to support the skills set required to challenge financial decisions and budget reports (review Finance and Staffing Governing board) • The Chair of Governors has requested an investigation into this issue. Disciplinary action taken in July 2013 will be re-visited. 	<p>Finance Policy will be developed further during first 6 months. 7th October meeting Finance and staffing being the first one of the academic year</p> <p>This will be completed when the new committee structure is embedded into the school. At the 6 month stage matrix for staff and Governors will be given for a true picture of the skill level.</p> <p>Bursar to retain notes weekly meetings, with immediate effect</p> <p>Completed</p> <p>To be available for each Governor Meeting when a budget report is tabled, with immediate effect</p> <p>Further bespoke training to be agreed with [REDACTED] Autumn Term 14 - AGM Full Governing Body 11.09.2014</p> <p>Head Teacher with HR intervention – 30.10.2014</p>
--	--

EX 15 - 1415-120 - [REDACTED] Budget - Performance Development

Priority Level

High Risk

Exception

A Performance Management review for the Bursar was conducted by the Head teacher on 16th June 2014 and the resulting Performance Management Planning Record was reviewed as part of Audit testing.

It was noted that the Planning Record is principally anecdotal and fails to set clear financial performance objectives, expectations or development for the member of staff, in addition, the record has not been signed by the member of staff or line manager.

It has also been noted that the Interim Head Teacher acted as 'a personal mentor' to the Bursar for 'bespoke training'. However, his financial expertise would have been strategic rather than operational and there was no evidence of a written remit for his role as mentor. Discussions with the Bursar during the audit visit confirmed that she was not sure what the role of the Interim Head teacher was in relation to her work.

Risks and Consequences

Reputational, operational and legislative risk that if Performance Development Reviews (PDR's) are not conducted effectively there will be no evidence that staff are aware of or complying with expectations regarding their work, conduct and behavior in the workplace.

This could affect the day to day business of the School and may potentially result in legal action against the School resulting in litigation costs.

Agreed Action

Although there is no statutory requirement to have appraisals or performance measures for non-teaching staff including Bursars the Head Teacher will seek exemplars of any Performance Measures for Bursars from other local schools. However The Governing Body favours appraisals for all staff

The Chair of Governors has requested an investigation into this issue. Disciplinary action taken in July 2013 will be re-visited.

Person Responsible / Action by Date

HT by 14.09.2014

HT by end of Sep 2014

Head Teacher with HR intervention – 30.10.2014

EXCEPTIONS

The following tables outline the exceptions from the recent audit and are reported in priority order. Internal Audit report regularly to the Governance & Audit Committee on findings and management actions. However, in accordance with agreed protocols, all critical exceptions are brought to the attention of the Committee.

Priority Level	Description
Critical Risk	Control weakness that could have a significant impact upon not only the system function or process objectives but also the achievement of the organisation's objectives in relation to: <ul style="list-style-type: none"> ▪ The efficient and effective use of resources ▪ The safeguarding of assets ▪ The preparation of reliable financial and operational information ▪ Compliance with laws and regulations And corrective action needs to be taken immediately.
High Risk	Action needs to be taken to address significant control weaknesses but over a reasonable timeframe rather than immediately. These issues are not "show stopping" but are still important to ensure that controls can be relied upon for the effective performance of the service or function. If not addressed, they can, over time, become critical. An example of an important exception would be the introduction of controls to detect and prevent fraud.
Medium Risk	These are control weaknesses that may expose the system function or process to a key risk but the likelihood of the risk occurring is low.
Low Risk - Improvement	Very low risk exceptions or recommendations that are classed as improvements that are intended to help the service fine tune its control framework or improve service effectiveness and efficiency. An example of an improvement recommendation would be making changes to a filing system to improve the quality of the management trail.

Dear Ms Gibbs

Re : Portsmouth City Council Internal Audit Report – 21st August 2018

Please find attached the response from [REDACTED] from your Audit report dated 21st August 2018.

It was disappointing that even after a great deal of hard work that we once again find ourselves with a recommendation that you had no assurance on Financial Management Standards or controls were working effectively.

The Governing body would like you to take the following points into account when evaluating our responses and action plan.

1. The Governing Body since forming in April 14 have worked tirelessly to deal with action plan from your last visit. It is a shame you have chosen not to recognise that journey in the latest report only the issues still facing the school. The SFVS is working and from September 14 fully linked to the Governor agenda and decision making process which will show in the next Ofsted and audit visits.
2. The Governing Body have changed the committee structure to a more streamlined model with only two committees and will be closely monitored for effective challenge.
3. The Audit covers the period from the time of a Local Authority appointed Governing Body and [REDACTED] The recruitment of a new Head Teacher [REDACTED] was a great success and [REDACTED] has been slowly addressing the major issues facing the school however this is not clear within the report. It is regrettable that since that time the Local Authority have chosen to disrupt the smooth transition by constantly aggressively challenging the confidence of the school.
4. In my capacity as Chair of Governors I actually requested an Audit visit at this time as I was having concerns in regards to Finance and skill level within the financial team.
5. The report clearly shows that the disciplinary issues from July 2013 have not been addressed and as a matter of urgency will be re-visited. The change of personnel outlined in 3 above has hampered dealing with the issue of Bursar.

The Governing Body believes we have made a number of important changes that will move the school forward.

Yours sincerely

[REDACTED]

Appendix 1

Chair of Governors

Appendix 2: Executive Summary - response from Chair of Governors and Head teacher, [REDACTED] - 10.09.2014

In July 2013 Internal Audit carried out an investigation into alleged financial irregularities at [REDACTED] and as a result of the overall findings the School were issued with a 'Notice of Concern' under the scheme for Financing Schools Section 2.15 jointly by the Section 151 Officer and Director of Children's Services.

The Notice of Concern set out specific actions required by the City Council to be implemented by the Governing Body and the School's senior management team to address concerns raised. The purpose of this visit was to ascertain the progress made in relation to those actions and to perform an audit on the remaining financial activities that were not covered during the investigation.

The audit was carried out from 6th to 8th August 2014 and the detailed exceptions arising from the audit are contained within the main body of this report. The majority of actions agreed in the school's action plan were evidenced as having been resolved by resignation, retirement, or implementation; for example significant progress has been made to resolve the concerns relating to safeguarding of assets, including physical verification and disposal authorisation and obtaining value for money for purchases of IT equipment and general supplies. Discussions during the exit meeting confirmed that the [REDACTED] (who is still employed at the School in a support role) and new Chair of Governors were the main instigators for achieving the action plan.

The causes for the original findings were largely down to a lack of financial operational competence compounded by a lack of challenge in this area.

Following on from the full financial audit, which has resulted in an unprecedented 14 high risk exceptions and 1 medium risk exception being raised, the lack of financial management and oversight remains a major cause for concern. Many of the new audit findings detailed in this report indicate that there is a lack of financial competence across the School and Governing Body; this was evidenced from the following:

- Errors were found in the 2014/15 budget preparation where the proposed underspend position moved significantly and changes had to be factored in at a later date, although the supporting minutes were unclear in reflecting this.

Chair of Governors and Head teachers response

This was picked up strongly by Chair of Governors at FGB Meeting on 20th May 14 and all governors were made very aware that this discrepancy was unacceptable stressing the importance of co-ordinating decisions made. The Chair of Finance felt so strongly this may have been due to his lack of experience that he offered to resign. Statement of Internal Control not completed despite being implemented May 2014.

- Errors were found in transaction entries and coding, examples of this was found in petty cash and the School Improvement Plan

Appendix 2: Executive Summary - response from Chair of Governors and Head teacher, [REDACTED] - 10.09.2014

Chair of Governors and Head teachers response

Coding is not required for completion of a School Improvement Plan this was done by [REDACTED] and Bursar (B) to enhance the quality and relevance of the document and genuine mistakes occurred on input.

- Failure to comply with Financial Rules, specifically raising orders in advance of the purchase, representing a false budgetary position for the school.

Chair of Governors and Head teachers response

Those raised with the Head Teacher included one trip when the charity Happy Days had to forgo funding for this event as originally agreed and all others were standing contracts for annual services that do need to be placed within the budget but had not been included on any previous budget despite the services being on-going for a number of years – the school accepts this needs to be addressed however fails to see how this constitutes ‘unexpected raising orders in advance of purchase’ unless others are alluded to but were not raised at the time of feedback.

- Lack of monitoring and challenge by the Finance and Staffing Committee on the information presented, regular meetings between the Chair of Finance and the Bursar had not taken place.

Chair of Governors and Head teachers response

Given the high level of input from [REDACTED] and the requirement of time spent in school by the Chair of Finance working on other issues raised within the school from the Action Plan it had been thought that the support for the bursar was fully in place to strengthen the rigour of financial procedures. The quality of information given to the FGB this has much improved since [REDACTED] has talked through and supported the bursar in producing a narrative when talking to the budget. He modelled good practice by presenting the first narrative to give a framework for future meetings to follow and rehearsed each narrative before presentation, questions have been raised at each meeting but the school would accept these questions need to be more challenging.

- Lack of monitoring and oversight of the whole budget by the Head teacher, regular meetings between the Head and Bursar had not taken place, other than to verify the purchase card transactions.

Chair of Governors and Head teachers response

It was made clear by [REDACTED] that each week when he met with the Bursar they then met with HT to ensure that the HT still had oversight of the whole budget - notes to evidence these meetings kept by HT and [REDACTED] – diary dates available and referred to in Performance Management (PM)

- Insufficient communication between the Bursar and those members of staff authorised to spend from the school's budget. The Bursar does not attend the senior management team meetings and was not aware that the school was working on version 8 of the School Improvement Plan. The Bursars physical

Appendix 2: Executive Summary - response from Chair of Governors and Head teacher [REDACTED] **- 10.09.2014**

location may also be influencing this issue as she is located in a separate building with other non-financial members of staff.

Chair of Governors and Head teachers response

The SIP had not changed significantly since the vs 6 presented to Audit the HT when working on this 'living document' will create a new version when even minor omissions/submissions are made to ensure that changes are known to all of latest document. Minor changes have been made at the start of the holiday where there have been omissions rather than any new submissions. Bursar was involved with the whole school in writing the document, staffing implications were thoroughly discussed with [REDACTED] B/HT on 17th March (Minute) and there is further evidence to support strategic planning has been discussed through Finance and FGB minutes. Since new HT appointment SLT meetings have focussed on restructuring (financial implications having been discussed beforehand with Bursar) timetabling and curriculum needs. The input for the SLT on the SIP has been the same as with all staff where the collective response has been written up and all staff have been asked to give comments. The school accepts there should be a time at the start of the meeting when the B will be asked to join the group and this will be in place from the start of the new academic year.

- Failure by the School to identify any skills gaps in relation to financial management and address the issues in a timely manner. Whilst training is proposed for the Bursar in the new term, alternatives have not been considered and no actual skills gaps assessment has been carried out.

Chair of Governors and Head teachers response

Since appointment the new HT was made aware that there were no available courses for the bursar to attend this academic year. She attended bespoke governor training. A number of courses were signed up to by the HT/B as soon as they became available. Recognising the need for further support for the B it was agreed that as the [REDACTED] had worked nearly exclusively in supporting the B since his appointment it was agreed that in lieu of no further training being available the school would underpin the cost of continuing this high level of personal support to the B as outlined in her PM.

- Failure by the School to effectively safeguard individuals with adequate separation of duties, evidenced in the preparation and banking of official income.

Chair of Governors and Head teachers response

The school is aware of this separation of duties as evidenced by the manner in which the Unofficial Fund is managed the B has been made aware by the school and this is evidenced by areas such as lunch money when the system works well.) Staff is available on request when this needs to be done.

- Failure to set financial performance objectives and development for staff.

Chair of Governors and Head teachers response

Whilst PM was not in depth there are a number of valid reasons for choosing to write the PM in this style and it still clearly sets out that training would be factored

Appendix 2: Executive Summary - response from Chair of Governors and Head teacher, [REDACTED] - 10.09.2014

in to the following year and there were 3 SMART targets as suggested by J. Coonie. The school has gone to the maximum support of financial SLA and the B is supported by regular visits from T Barfield.

In addition to this, during the site visit the Internal Audit team was furnished with incorrect documents by the Bursar in relation to Governing Body minutes and School Improvement Plan.

Chair of Governors and Head teachers response

I do not feel it was an incorrect SIP it had merely been honed since vs 6, the new HT is striving to make this document user friendly and although it is not compulsory for a school to hold a School Improvement Plan the school recognises and adheres to best practice ensuring there is a working document to evidence a clear journey and action plan.

The information presented to the Governors could not be evidenced and neither the Clerk nor Bursar retained the supporting financial documentation making it difficult to establish what had or had not been presented and or agreed.

It is Internal Audit's opinion that the issues identified may be resolved by training and development of key staff and the introduction of monitoring and verification controls, however it is also imperative that the school work cohesively as a team.

Chair of Governors and Head teachers response

There are clear strategies showing that these needs have been identified and actioned.

In summary, the documentation currently in place and the financial practices followed by the Head teacher, Governing Body and Finance staff does not demonstrate clear reporting lines or understanding of the expected Financial Management Standards for the strategic or operational financial running of the School, therefore no assurance can be given that financial controls are working effectively.

Chair of Governors and Head teachers response

The Governing Body, [REDACTED], HT and B have all put steps into place to further improve their understanding and further training has been given to the majority of the governing body through bespoke training from the authority, there is clear evidence that everyone is working hard to improve communication and deploy more effective controls. Newly appointed Head Teacher, Governing Body and B had Finance Training delivered by the LA on 29th July and are signed up for 3 further courses.

Dear [REDACTED]

Over the weekend I have had the opportunity to further reflect on your response. Please may I request that the following four points, and I apologise if I am repeating myself, are also acknowledged/attached within your report.

- The school has clearly shown that finance staff within our school 'can demonstrate clear reporting lines and understanding of the expected Financial Management Standards for the strategic or operational financial running of the School' since this is evidenced in the manner in which the school was run during the period the bursar was not in appointment. Finance staff worked well with the authority and due process was followed as acknowledged in your report: 'Petty Cash Transaction number 7046-005 for November 2013 was also checked. There were 11 claims in this batch and all expected controls were in place.' (EX 4 - 1415-120 - [REDACTED] Petty Cash - Non-compliance with PCC Financial Rules) I therefore dispute the finding that 'no assurance can be given that financial controls are working effectively'. Within the school we do have personnel who can carry out this role effectively. The [REDACTED] ensured that all discussions on budget were relayed to the Headteacher on a weekly basis so that she could be kept fully informed and these provided a further opportunity for the bursar to consolidate her understanding of the narrative for the budget.
- The [REDACTED] to [REDACTED] was appointed by the authority as they had confidence in him being able to support the school and the Audit Action Plan. His breadth of financial experience has been gained from his previous [REDACTED] posts and the role he was assigned within the authority. During his time as [REDACTED] and for two days a week for the following term he focussed on supporting and training the bursar to support the Action Plan that had been put into place. The bursar was in the privileged position of having a personal mentor, with a wealth of financial experience, over a period of six months. I believe that this should be classed as bespoke training that an experienced bursar should have been able to utilise to ensure all training needs were addressed. In addition issues that have arisen out of the latest report would not have occurred had the clear actions stated in the 2007 report been followed. I am at a loss to understand how the Chair of Governors or the Headteacher could have given further support to the bursar since at no stage did she express that the support and training she was being given were inappropriate or inadequate.
- I have now contacted three outstanding or good schools for copies of their Bursar's performance management and none of the schools had a copy, as they are not required to hold one. There is evidence that the school sought to provide additional training for the Bursar since calls were made to the LA who informed the school that no courses were available until September. The Headteacher and the Bursar are signed up to attend courses next year and this will be evidenced by the LA's receipt

of our bookings. This training was agreed and discussed with the Bursar in the Performance Management session during the first term of the headteacher's appointment. The [REDACTED] also held a copy. The copy of the PM was not signed since the head was waiting for the bursar to approve before finalising. The [REDACTED] had not initiated an earlier PM since he was managing the bursar daily during his appointment. The Chair of Governors and the Headteacher have supported and funded the training needs of the Bursar to an exceptional level by the appointment of a personal mentor for the summer term.

- Finally, I have sent evidence to support that the bursar did have a member of staff in school that she should have called upon to second check monies before banking. I hope this will also be included within the final evidence since the appointment of [REDACTED] has been at an additional cost to the school. The bursar has failed to recognise the appointment as a bespoke resource whom she has chosen not to manage. From the outset the employment of this [REDACTED] was made for the sole benefit of underpinning the bursar's role. She was involved in the interview stage and did have a voice in the appointment of the second apprentice [REDACTED] and her appointment was sealed by the bursar's high recommendation of her character.

These are important facts that should not be lost within the process.

Kind regards

[REDACTED]
Headteacher

This page is intentionally left blank

Finding	Risk and Consequence	Action Proposed, Date by and Responsible Officer/ Person.
---------	----------------------	---

Value for Money

1. It was identified during testing that the School had purchased ink and toner cartridges from a supplier that cost, on average, 4 times above the lowest price available as a result of market research.

At the beginning of the year it was identified by the Head teacher that an upgrade of IT equipment was required in order to prepare for Ofsted. On the recommendation of the [REDACTED] 25 refurbished HP Pavilion laptops and 25 solid state hard drives (SSD), which were bought to upgrade the laptops on arrival, were purchased. The motivation for the hard drive upgrade was that they would provide increased performance and durability. The unit price for these laptops and SSD was £398.99 exc VAT, where market research shows that the same items could have been purchased for £341.50 exc VAT.

[REDACTED] - (SOA)

There has been failure to obtain best value on the purchase of ink and toner cartridges and upgraded IT equipment.

This is a breach of the **Scheme for Financing Schools - Section 2.6** Efficiency and Value for Money which states that 'schools must seek to achieve efficiencies and value for money, to optimise the use of their resources and to invest in teaching and learning, taking into account the Authority's purchasing, tendering and contracting requirements'.

The potential overspend and loss of funds for the School, in the first example is estimated at £16k on expenditure of £21k. In the second example the loss is estimated at £1,437 on expenditure of £9,974.

The school are looking to appoint a new member of staff and to review the job description of the [REDACTED]. The school envisage that this will be a two tier process. The first stage being the appointment of a full time temporary [REDACTED] (After interview and skills appraisal an administrative assistant was appointed from the Government Apprentice scheme, who will take up duties from 6th January 2014). This member of staff will be responsible for receiving, unpacking and entering new items on the school inventory. This person will also be responsible for implementing and operating a robust and secure stock control system for items such as ink cartridges. The [REDACTED] will be line managed by the [REDACTED] and [REDACTED], and monitored by the [REDACTED]. The second phase of the process is the review of the [REDACTED]'s role and responsibilities, which will be undertaken by the Head Teacher, Chair of Governors and Link Governor for ICT. Job description information will be obtained from PCC. Until such an appointment is made all orders for ink cartridges and ICT equipment will be checked by the link governor for ICT. The Finance and Staffing sub-committee

Short term: By the 31st December 2013
 Medium term: By the 24th February 2014
 Long term: By the 31st March 2014

Finding	Risk and Consequence	Action Proposed, Date by and Responsible Officer/ Person.
		<p>commissioned the ██████████ to undertake a price survey of ink and toner cartridges from permitted suppliers using criteria of named brand, high quality, stipulating no refills, from approximately six suppliers, including the historical supplier This information to be made available at the next Finance and Staffing sub- committee meeting on the 10th December 2013.</p> <p>Action point:</p> <p>Short term:</p> <ul style="list-style-type: none"> ○ Obtain price comparison information. ○ All orders for ICT equipment and cartridges to be monitored. ○ Appointment of Administrative Assistant. <p>Medium term:</p> <ul style="list-style-type: none"> ○ Stock control system to be implemented. ○ The role and responsibilities of the ██████████ to be reviewed using PCC guidelines, by the Head Teacher and a governor from the Finance and Staffing sub-committee, training needs to be identified. <p>Long term:</p> <ul style="list-style-type: none"> ○ Regular stock and inventory checks to be carried out by school staff and monitored by a representative of the Governing body. ○ The school to consider developing a resource management role to

Short term: By the 31st December 2013
Medium term: By the 24th February 2014
Long term: By the 31st March 2014

Finding	Risk and Consequence	Action Proposed, Date by and Responsible Officer/ Person.
		include ██████████ role.
2. During a site visit to the School it was established that thirty five monitor screens are being stored in the loft. Following discussions with the ██████████ and the Head teacher it was confirmed that the future use of them is undetermined although they are usable and are in working condition.	High Risk - (SOA) There is an operational and financial risk that storing assets in a remote location will place the ██████████ in a vulnerable position as damage to, or the loss or theft of assets may go undetected. Additionally valuable assets are not being utilised and may become obsolete over time.	A procedure is in place to 'write off' equipment that is old and surplus to requirements. The school have taken advice regarding the disposal of the obsolete items and have agreed to pay to have them removed. Action point: Short term: <ul style="list-style-type: none">○ 'Write off' forms are being used to write off equipment that is old or obsolete. These will be signed by the Head Teacher and a representative from the Governing Body, within a reasonable time scale of not more than one working week. Medium term: <ul style="list-style-type: none">○ A quote has been obtained; and an order will be raised for the disposal of monitor screens as soon as possible.
3. During an examination of the Schools server room and class rooms it was identified that 28 (24 Hard Drive Disk (HDD) & 4 Solid State Drive (SSD)) hard drives were situated in carrier bags (with leads and wires) or desk drawers. Hard drives are fragile items of equipment and should be safely secured when not in use.	High Risk - (SOA) The lack of internal control for monitoring and checking assets places all staff, but especially the ██████████, in a vulnerable position as damage to, or the loss or theft of assets may go undetected.	Future purchases of ICT equipment over £1,000 per any single order will be referred to the Finance and Staffing sub-committee. (As per recommendations in the PCC Scheme for Financing Schools) Instructions will be given to the ██████████ to ensure that all equipment is safely, efficiently and tidily stored. The ██████████ has been reminded of

Short term: By the 31st December 2013

Medium term: By the 24th February 2014

Long term: By the 31st March 2014

Finding	Risk and Consequence	Action Proposed, Date by and Responsible Officer/ Person.
	<p>Additionally, as above, valuable assets (to the estimated value of £1,332.00) are not being utilised and may become obsolete over time.</p>	<p>the process for 'writing off' and disposing of obsolete equipment and has agreed to record such items appropriately, this to be line managed by the Head Teacher. All items to be disposed of will be recorded on the appropriate pro-forma.</p> <p>Action point: Short term:</p> <ul style="list-style-type: none"> ○ All orders for ICT equipment/cartridges to be monitored by the link Governor for ICT. ○ [REDACTED] has been reminded of the process for 'writing off' obsolete/old equipment using the appropriate pro-forma. ○ A letter has been sent reminding the [REDACTED] that all equipment should be stored, efficiently, safely and tidily. ○ All items with a value of £200 or more and which are portable or attractive will be included on the inventory.
Stock records		
<p>4. During the period April 2012 to July 2013 £21,416.00 was spent by the School on ink and toner cartridges. There is no evidence that stock control records were kept for the monitor and use of these items.</p>	<p>[REDACTED] - (SOA) The lack of internal control for monitoring and checking stock or IT equipment places all staff in a vulnerable position as damage to, private use of or the loss or theft of</p>	<p>The control of stock will become part of the job description of the new [REDACTED] (see item 1) The link Governor for ICT will liaise with the appropriate staff to ensure that purchases reflect and are in line with the Schools ICT Strategic plan.</p>

Short term: By the 31st December 2013
Medium term: By the 24th February 2014
Long term: By the 31st March 2014

Finding	Risk and Consequence	Action Proposed, Date by and Responsible Officer/ Person.
<p>For the same period £38,116.00 was spent by the School on computer supplies which included hardware, software and general items. There is no evidence that stock control records were kept for the monitor and use of those items that do not fit the School's criteria to be recorded on the Inventory. The estimated value for these items is £12,288.00.</p> <p>The job description of the [REDACTED] stipulates that he is required to maintain an inventory of IT stock.</p>	<p>assets could potentially occur and go undetected.</p> <p>Additionally, there is no evidence that the IT purchases were an efficient use of resources.</p>	<p>The current function of the [REDACTED] will be reviewed by the Head Teacher, Chair of Governors and the link Governor for ICT (see also item 9) The outcome of which will be discussed at the Finance and Staffing governors sub-committee meeting.</p> <p>Action point:</p> <p>Medium term:</p> <ul style="list-style-type: none"> ○ The current function of the [REDACTED] will be reviewed taking into account the changing needs of the school. ○ Outcome of review findings to be discussed by the Finance and Staffing governors sub-committee.
Inventory and Safeguarding of Assets		
<p>5. During the course of testing it was established that ten of the fifty six promotional items which were sent to the School as a result of bulk purchasing with one company were unaccounted for.</p> <p>In addition, it was also noted that the number of hard drives purchased by the school as identified by relevant invoices (23) did not correlate with the number of drives physically sighted (14).</p> <p>Action required:</p> <p>These items must either be located and recorded on the School Inventory or, as</p>	<p>[REDACTED] - (CMP)</p> <p>As a result of the lack of internal administration and control, damage to, private use of, or the loss or theft of, these items could potentially occur and go undetected.</p> <p>PCC Financial Rule G27 stipulates that School Governors and Head teachers are required to make arrangements for the care and custody of stocks and stores in their service and to ensure that adequate records are kept and that reasonable levels are maintained which are subject to a regular independent</p>	<p>The [REDACTED] will keep a register of any promotional/ donations/ gifts that the school receive. This to be an agenda item, every term at the Finance and Staffing governors' sub-committee meeting, where any concerns can be raised.</p> <p>This will not include items below the value of £5 donated for raffles, tombola etc. A policy will be drafted and adopted by the full governing body at their next meeting covering the above.</p> <p>All staff have signed to acknowledge receipt of hard drives. Further investigations will take place to ascertain location of all equipment. Items located will either be added to the Gift register or submitted for the 'write off' procedure.</p>

Short term: By the 31st December 2013

Medium term: By the 24th February 2014

Long term: By the 31st March 2014

Finding	Risk and Consequence	Action Proposed, Date by and Responsible Officer/ Person.
<p>the value exceeds £100.00, submitted for write-off to the Authority's Section 151 Officer as per section 2.3.6 of the Scheme for Financing Schools</p>	<p>physical check. All discrepancies should be investigated and pursued to a satisfactory conclusion.</p>	<p>Action point: Short term:</p> <ul style="list-style-type: none"> ○ Register of promotional/donations/gifts to be implemented. ○ Promotional/donations/gifts policy to be adopted by governors. ○ Checks to ascertain location of the 23 hard drives have been carried out 22 have been located and 1 was reported as stolen in Summer 2013 ○ All hard drives have been added to the appropriate register. (see attached document)
<p>6. As at July 2013 there were 730 items recorded on the School inventory. An initial search by Internal Audit staff of the School and store rooms located 668 items. However, there were also 72 items that were not recorded on the inventory but identified during the search. Following several subsequent searches by either Internal Audit or School staff, 35 items were still not found (Note small items such as keyboards/ blenders and musical instruments were excluded).</p>	<p>██████████ - (SOA) The School has unaccounted assets and therefore no assurances can be given that theft has not occurred.. The Scheme for Financing Schools -2.3.4 Control of assets, stipulates that; schools must maintain an inventory, which as a basic minimum includes all items with a value of over £200, or which are deemed portable and attractive. The information required for inventory items over £1,000 should be consistent with the requirements of Portsmouth City Council's Financial Rules and should be kept up to date.</p>	<p>Monthly inventory checks will be carried out by a representative of the governing body to ensure that all new items have been added to the inventory. Any discrepancies will be reported to the Head Teacher. This will also include small/portable items as recommended by PCC. A copy of the inventory will be sent monthly to: The Authority, the Head Teacher and the ██████████, by the representative of the governing body. Regular, monthly inventory checks will also be carried out by the ██████████.</p> <p>Action point: Short term:</p> <ul style="list-style-type: none"> ○ Arrangements for monthly inventory checks will be made. ○ Copies of inventory to be sent to

Short term: By the 31st December 2013
Medium term: By the 24th February 2014
Long term: By the 31st March 2014

Finding	Risk and Consequence	Action Proposed, Date by and Responsible Officer/ Person.
		<p>PCC, Head Teacher and [REDACTED]</p> <ul style="list-style-type: none"> ○ A member of the Finance and Staffing governor's sub-committee to carry out random spot checks.
<p>7. Manual disposal sheets are in place to evidence authorisation of asset disposal. The majority of these sheets do not record the reason for disposal and dates indicate that authorisation was obtained after disposal - in some instances up to two months later.</p>	<p>[REDACTED] - (SOA)</p> <p>The School's assets are at risk of theft as items may have been used for personal use. There is also a risk that assets have been disposed of whilst still serviceable.</p> <p>PCC Financial Rule G25(f) states that Head Teachers may write off redundant, obsolete or damaged items in accordance with instructions issued by the Governors in the case of schools.</p>	<p>All staff will be reminded of the 'write off'/disposal procedure for obsolete equipment.</p> <p>All items to be disposed of will be recorded on the appropriate pro-forma.</p> <p>The signature of two members of staff will be required in order that items are 'written off' the inventory. Copies of the disposal forms to be given to the [REDACTED].</p> <p>Action point:</p> <p>Short term:</p> <ul style="list-style-type: none"> ○ All staff will be made aware of the correct procedure for writing off old/obsolete equipment. ○ Approved forms for writing off equipment will be used and copies given to the [REDACTED] who will keep and maintain a file. ○ Write off' forms will be used to write off equipment that is old or obsolete. These will be signed by the Head Teacher and a representative from the Governing Body, within a reasonable time scale of not more than one working week.
Policies & Procedures		
<p>8. At various stages throughout the Internal</p> <p>Short term: By the 31st December 2013</p> <p>Medium term: By the 24th February 2014</p> <p>Long term: By the 31st March 2014</p>	<p>[REDACTED] - (ICEN)</p>	<p>All Governors on the Finance and Staffing</p>

Finding	Risk and Consequence	Action Proposed, Date by and Responsible Officer/ Person.
<p>Audit review it became apparent by either individual acknowledgement or evidenced by breaches that a significant number of staff at Redwood Park were either:</p> <ul style="list-style-type: none"> • Not fully aware of the requirements of the Scheme for Financing Schools, the Authority's Financial Rules or the School's own policies, i.e. Gifts and Hospitality and Curriculum IT use or had. • Or had failed to adhere to them either due to lack of knowledge or potential deliberate circumvention. 	<p>The School is exposed to the risk of potential financial penalties as a result of non-compliance with HMRC and Data Protection Legislation.</p> <p>The school are unable to evidence that they have obtained value for money in the procurement of goods and services</p> <p>Staff are vulnerable to accusations of theft and fraud.</p>	<p>sub committee and staff with a financial responsibility have been given a copy of PCC's Scheme for Financing Schools. A new policy/procedure for recording gifts and hospitality will be implemented and all staff will be made aware of its contents. (see also point 5)</p> <p>Action point: Short term:</p> <ul style="list-style-type: none"> ○ All Governors and staff with a financial responsibility have been given a copy of Portsmouth City Council's Scheme for Financing Schools. Staff will be asked to sign to say they have received the information, the [REDACTED] to hold the record. ○ Policy for acceptance and recording of promotional offers/gifts and hospitality will be distributed to all staff. Staff will be asked to sign to say they have received the information, the [REDACTED] to hold the record.
<p>9. Although the School has an IT Curriculum Policy there is no IT Strategy or long term vision required to outline the future ICT needs of the school or a maintenance and replacement schedule for the equipment.</p> <p>There is also no disposal policy for the removal of data and safeguarding of</p>	<p>High Risk- (ICEN)</p> <p>Expenditure decisions are based on short terms needs instead of a longer term vision and strategy, resulting in potential spending limitations and a failure to provide adequate and appropriate resources in the future.</p> <p>The School is exposed to financial</p>	<p>A Governor has been identified with a brief for ICT. Regular monthly meetings have been planned with curriculum leaders who will form an ICT Forum. This Forum will make recommendations, based on the ICT Strategic Plan, to the School Improvement Plan.</p> <p>The [REDACTED] and link governor will be asked to compile a disposal of data and</p>

Short term: By the 31st December 2013
Medium term: By the 24th February 2014
Long term: By the 31st March 2014

Finding	Risk and Consequence	Action Proposed, Date by and Responsible Officer/ Person.
information.	<p>penalties if sensitive data and information is not safeguarded. i.e. A Breach of the Data Protection Act (DPA) could result in a maximum £500,000 fine for a serious breach by a public body.</p> <p>Prosecutions could also occur dependent on the severity of any breach.</p>	<p>safeguarding of information policy. Once adopted this will be distributed to staff who will sign to say they have received the information. The [REDACTED] to hold the record.</p> <p>A review of ICT technical support and services at the school will be carried out by the Head Teacher, Chair of Governors and the link governor. This to take into account the integral part ICT plays in the School Improvement Plan and pupils learning.</p> <p>Action point: Medium term:</p> <ul style="list-style-type: none"> ○ Safeguarding of information and disposal of data policy/procedure to be drafted, in line with PCC guidelines by [REDACTED] and link Governor for ICT. ○ The job description of the [REDACTED] will be reviewed taking into account the changing needs of the school.
10. All Governors, the Head teacher and any members of staff with financial responsibilities must submit an annual declaration of interest and refrain from participating in the appointment of contractors where there is a clear conflict of interest.	<p>High Risk- (ICEN)</p> <p>Non-compliance could result in; a reputational risk as non-declaring of at pecuniary interest could potentially place the School and member of staff in a vulnerable position or a financial risk that the school are unable to evidence that they have obtained value for money in the procurement of goods and services.</p>	<p>The Clerk to the Governors already holds a file where all information regarding the pecuniary interest of Governors and staff with a financial responsibility is held. These are updated on a yearly basis. Pecuniary interest is recorded in the minutes at the start of every governors meeting.</p> <p>Action point: Short term:</p> <ul style="list-style-type: none"> ○ All staff have now been requested

Short term: By the 31st December 2013

Medium term: By the 24th February 2014

Long term: By the 31st March 2014

Finding	Risk and Consequence	Action Proposed, Date by and Responsible Officer/ Person.
		<p>to complete these forms. [redacted] to hold and maintain a file.</p> <ul style="list-style-type: none"> ○ Nature of pecuniary interest to be recorded in minutes of all meetings to avoid any conflict of interest. ○ Governors, members of staff declaring pecuniary interest to be excluded from any decision making connected to the interest.
Budgetary Control		
<p>11. Testing identified that for the financial years 2011/12, 2012/13 and 2013/14 to date, expenditure for the purchase of ink and toner cartridges was found to have been coded to various other budget headings instead of all of it to the correct budget heading i.e. Printer and Ink. No explanation for this action has been provided.</p> <p>In addition to this there is no evidence that the over spend on ink and toner was presented accurately to the Head teacher or the Governing Body.</p> <p>One action required: Expenditure must be coded to the correct area and not hidden by means of coding to underspent alternative headings.</p>	<p>[redacted] - (R&I)</p> <p>A satisfactory explanation has not been given as to why expenditure has been regularly miscoded and unauthorised by the Head teacher or Governing Body.</p> <p>The School is therefore unable to evidence that they have obtained value for money in the procurement of goods and services</p>	<p>Action point: Short term:</p> <ul style="list-style-type: none"> ○ The [redacted] will in future ensure all shortfalls in budget planning are addressed through the process of virement. This will support the process of ongoing budget planning being based on actual need/useage and enable the Finance and Staffing sub-committee to monitor budget expenditure more effectively. The Finance and Staffing sub-committee to identify level of virement that is delegated to the Head Teacher. ○ The [redacted] will sign an undertaking that under no circumstances will they use the practice of 'split coding'. ○ All budget overspend with detailed explanations to be presented to the governors at the Finance and

Short term: By the 31st December 2013
Medium term: By the 24th February 2014
Long term: By the 31st March 2014

Finding	Risk and Consequence	Action Proposed, Date by and Responsible Officer/ Person.
<p>All proposed individual budget overspends must be reported and if deemed appropriate ratified by the Governing Body or Head teacher (if within delegated spending limits) prior to any further expenditure being incurred.</p>		<p>Staffing sub-committee meetings by the [REDACTED]. Remedial action will be taken to address these variances.</p> <ul style="list-style-type: none"> Minutes of meetings will reflect all decisions made.
Contractual Hours & Monitoring of Performance		
<p>12. During testing it was identified that the School held no records for the period of the end of January 2013 to July 2013 of the hours worked by the [REDACTED], this was despite concerns raised by the Head teacher in the summer of 2012 where the [REDACTED] was asked to make up contracted hours paid for but not worked.</p> <p>In addition to this the [REDACTED] is accompanied by [REDACTED] each Wednesday, (this individual has no contract of employment with the School). The [REDACTED] confirmed during interview that this individual is and has been left unsupervised when on the School grounds and that there is no record of what work that individual has carried out in relation to the installation of hardware, upgrades or movement of IT equipment.</p>	<p>High Risk - (EOO) Financial risk that the School may be paying for services that they are not actually receiving. The School is therefore unable to evidence that value for money has been obtained in the procurement of services</p>	<p>The [REDACTED] is now accountable for recording and submitting his hours on a weekly basis. This is checked by a [REDACTED] and monitored by the Head Teacher.</p> <p>Action point: Short term:</p> <ul style="list-style-type: none"> Hours worked by [REDACTED] to be recorded and approved weekly. Status of ICT (volunteer) support worker to be clarified and reviewed. All volunteer workers in school to be approved by a member of the Senior Leadership Team and recorded in minutes of their meetings.

Short term: By the 31st December 2013
Medium term: By the 24th February 2014
Long term: By the 31st March 2014

Finding	Risk and Consequence	Action Proposed, Date by and Responsible Officer/ Person.
---------	----------------------	---

Server Room and Access

13. Following discussion with both the [REDACTED] and [REDACTED], Internal Audit was informed that access to the Server Room is unrestricted and that all members of staff can gain access. Several items located in the server room had been moved between an initial observation and recording of items by Internal Audit and a subsequent visit and examination. The [REDACTED] also confirmed that items had been moved without his knowledge when in theory only he should be removing items in and out.

The Server Room also appear to be being used as a storage room with items of equipment stacked unsafely on top of one another. Most of the items had to be removed in order to physically enter the room and examine the servers and record the items of equipment stored.

High Risk- (EOO)
Unauthorised access may lead to accidental or deliberate tampering of the server and School's IT capability resulting in a disruption to teaching, preparation and all other school work.

There is a risk of physical injury in accessing the server room, a risk of damage to the equipment stored and a waste of resource in time spent carrying out general maintenance.

The school has a problem with lack of storage space and therefore have to make best use of all space available.

Action point:

Short term:

- The [REDACTED] will liaise with the [REDACTED] and ask him to install a digital locking system to the door of the Server Room therefore restricting access to the [REDACTED] and the Head Teacher only.
- A letter has been sent to the [REDACTED] to ensure that all equipment is stored safely, efficiently and tidily.
- Regular monthly checks to be made by the Head Teacher.

HMRC and VAT Implications

14. It was confirmed by the IT [REDACTED] that he had installed two new hard drives into staff members' personal laptops that are used in the School. This would constitute a 'benefit in kind' and would need to be declared as part of the

High Risk- (CMP)
There is a legislative and financial risk that a breach of HMRC regulations may result in a financial penalty to the school.

Action point:

Short term:

- A letter has been written to the [REDACTED] to inform him that he must no longer carry out personal work for himself or staff members, on the school site.

Short term: By the 31st December 2013
Medium term: By the 24th February 2014
Long term: By the 31st March 2014

Finding	Risk and Consequence	Action Proposed, Date by and Responsible Officer/ Person.
<p>School's P11d tax return to HMRC or the Authority could receive a substantial fine for incorrectly reclaiming VAT on these purchases and for non-declaration of a benefit in kind.</p>		<ul style="list-style-type: none"> ○ The Head Teacher to send letters to the members of staff concerned requesting that they repay to the school 50% of the cost of the equipment and installation.
Promotional Items		
<p>15. Fifty six promotional items had been received by the School from one supplier. The promotions appear to be as a result of purchasing various items from that company - potentially as part of a marketing strategy. None of the items had been recorded on the School's Gift's and Hospitality Register and 23 of the items should have been, but were not recorded on the School's inventory.</p> <p>Action required: The School must at all times demonstrate that they are obtaining value for money. If this is achieved and a promotional item is received then the item must be registered on the Gifts and Hospitality Register, recorded on the inventory (if appropriate) and at all times used by the School. A full management trail must be in place to demonstrate receipt and use.</p>	<p>High Risk- (SOA) The School has failed to follow agreed policy and is unable to provide assurances that its assets have been safeguarded or that its funds have been used effectively.</p>	<p>Action point: Short term:</p> <ul style="list-style-type: none"> ○ The school has recently received the PCC Gifts and Hospitality model policy. This policy was adopted at the Finance and Staffing sub-committee meeting on the 10th December 2013 and will be ratified by all Governors at their meeting on the 23rd January 2014. ○ The [REDACTED] will at all times obtain comparable data from three supplies on the PCC recommended 'Pick List' to demonstrate best value.

Finding	Risk and Consequence	Action Proposed, Date by and Responsible Officer/ Person.
<p>16. A television was received at the school during 2012 as part of a promotional offer from a supplier. This was placed in the Schools Summer Fare raffle and was apparently exchanged for Tesco vouchers worth half the value of the television. This arrangement was arranged privately between [redacted] and [redacted]. It was not authorised by either the Head teacher or the Governing Body and was to the detriment of the School.</p>	<p>High Risk- (ICEN) The School is unable to provide assurances that staff have acted with integrity or honesty.</p>	<p>Action point: Short term:</p> <ul style="list-style-type: none"> ○ The school will, with immediate effect implement a register of all promotional/ donations/ gifts that they receive over the value of £5. ○ No items will be taken off this register without being recorded, re-allocated and approved by the Governors Finance and Staffing sub-committee. ○ A letter will be sent to [redacted] and [redacted] outlining the approved process for disposal of items. ○ All staff to be informed of the Gifts and Hospitality policy and the procedure for recording data ○ [redacted] has offered, and will repay to the school the difference, based on current values.
Loft and Storage Room		
<p>17. Whilst performing a physical verification of the Schools assets, Internal Audit were advised of a 'loft' used for storage. The loft was located by means of using a chair to climb out of a second floor window, onto a placed chair on a flat roof, followed by a walk over two further flat roofs to a vertical ladder (five steps) and hatch approximately four foot high. The loft runs</p>	<p>[redacted] - (CMP) There is a risk of physical injury and or death.</p> <p>In relation to the storing of pupil data there is a potential Breach of Data Protection Act Principle 7 'Appropriate technical and organisational measures shall be taken against</p>	<p>This issue will be passed to the Governors of the Premises and Site sub Committee with a request that investigations be carried out into the feasibility of the development of this area.</p> <p>Governors have given approval for the 35 flat screen monitors that are approximately six years old and surplus to requirements to be disposed of. As recommended by PCC [redacted] Ltd will be requested to</p>

Short term: By the 31st December 2013
Medium term: By the 24th February 2014
Long term: By the 31st March 2014

Finding	Risk and Consequence	Action Proposed, Date by and Responsible Officer/ Person.
<p>the length of the main building and is part boarded. Various items were located in the loft namely;</p> <ul style="list-style-type: none"> • 35 flat screen monitors • Pupil records • Tables • Christmas decorations • Personal possessions <p>Subsequent to this visit PCC's Fire Safety Advisor has performed an independent risk assessment over the access and use of this loft. The following main issues have been raised and are noted below, however a separate 'Fire Risk Assessment' report will be issued.</p> <ul style="list-style-type: none"> • The access route to the loft is unprotected and dangerous. • The stacking of document filed boxes on wooden joists (i.e. not on the boarded area) is also dangerous. <p>One action required: Due to the height and the loading issues the School must ensure that the loft is subject to an inspection from a structural engineer to determine, if allowed the storage capabilities of this space.</p>	<p>unauthorised or unlawful processing of personal data and against accidental loss or destruction of, or damage to, personal data.'</p> <p>Breach of the DPA can result in a maximum £500,000 fine from the Information commissioner's office for a serious breach by a public body</p>	<p>remove the items at a cost of £2.00 per screen. Plus a licence fee of £20. A second verbal quote had been obtained from another source who had quoted £3.50 per screen.</p> <p>Action point: Short term:</p> <ul style="list-style-type: none"> ○ The [redacted] to raise purchase order for removal of items. ○ The [redacted] will remove pupil records and relocate in a secure cupboard in annex. ○ The [redacted] will remove tables and will find suitable alternative accommodation. ○ The Christmas decorations will be removed. ○ All personal items will be removed as soon as possible. ○ The [redacted] will be asked to secure the classroom window. ○ The loft area will cease to be used for storage. <p>Medium term:</p> <ul style="list-style-type: none"> ○ The [redacted] has been made aware of the concerns over the access route to the loft and will be obtaining quotes to make safe. ○ The boxes of documents will be removed and suitable alternative accommodation found. ○ The [redacted] will liaise with the relevant department at PCC

Short term: By the 31st December 2013
Medium term: By the 24th February 2014
Long term: By the 31st March 2014

Finding	Risk and Consequence	Action Proposed, Date by and Responsible Officer/ Person.
		<p>regarding an inspection from a structural engineer.</p> <ul style="list-style-type: none"> ○ The school are in receipt of the Fire Report and will act on all its recommendations.
<p>18. It is Internal Audits understanding that on some occasion's pupils have assisted in transferring items to and from this loft, yet the access is clearly dangerous for both adults and children.</p>	<p>██████████ - (CMP)</p> <p>This is a breach of the PCC Health & Safety Policy which stipulates that LA schools should implement site-specific policies to ensure the safety and wellbeing of their employees, other employees (including PCC staff) and persons visiting the school (including pupils, members of the public, trespassers, etc.)</p> <p>Such a breach of this policy could result in physical injury and or death.</p>	<p>Action point:</p> <p>Short term:</p> <ul style="list-style-type: none"> ○ The ██████████ has been informed by the Head Teacher of the dangers of accessing the loft with pupils. This will be confirmed in a letter to the ██████████ by the ██████████ PCC Health and Safety regulations will be adhered to at all times.

Signed Chair of Governors..... Date.....

Short term: By the 31st December 2013
Medium term: By the 24th February 2014
Long term: By the 31st March 2014

Finding	Risk and Consequence	Action Proposed, Date by and Responsible Officer/ Person.
---------	----------------------	---

Signed head teacher.....Date.....

Short term: By the 31st December 2013
 Medium term: By the 24th February 2014
 Long term: By the 31st March 2014

This page is intentionally left blank

Agenda Item 7



Portsmouth
CITY COUNCIL

Agenda item:

Title of meeting: Governance & Audit & Standards

Date of meeting: 7th November 2014

Subject: Anti-Fraud, Bribery and Corruption & Investigations Update

Report by: City Solicitor & Strategic Director
Head of Finance & S151 Officer

Wards affected: All

Key decision: No

Full Council decision: No

1. Purpose of report

- 1.1 To provide Members with statistical information on fraud as required by the Local Government Transparency Code 2014.
- 1.2 To provide Members with an update on the Counter Fraud work currently being undertaken.
- 1.3 For Internal Audit to report on 3 investigations since the last report to this Committee in January 2014.
- 1.4 To present to Members the updated Anti-Fraud, Bribery and Corruption Action Plan.

2. Recommendations

- 2.1 That Members note and endorse the Counter Fraud work currently being undertaken within the Authority and the future developments as detailed in Section 5
- 2.2 Note the contents of the investigations report detailed in Appendix B
- 2.3 Note and endorse the Anti-Fraud, Bribery and Corruption Action Plan in Appendix C

3. Background

- 3.1 The Department for Communities & Local Government (DCLG) has published the Local Government Transparency Code 2014. The Code requires Local Authorities to publish certain information on fraud. This is provided in Section 6 of this report.
- 3.2 Special Investigations as detailed in Appendix B are reported as part of the protocol within the Audit Charter and Code of Ethics. All audits where material

system weaknesses are found are reported to the Governance and Audit and Standards Committee. With special investigations this is done once all the disciplinary and appeals processes are exhausted and this is the first opportunity to report on the findings following the completion of cases through the Authority's process and procedures.

- 3.3 All investigations undertaken by Internal Audit are directed by the Investigation Steering Panel (ISP). The Panel consists of Michael Lawther, Strategic Director, City Solicitor & Monitoring Officer, Chris Ward, Head of Finance & s151 Officer (as part of their roles within the City Constitution), Jon Bell Head of HR, Legal & Performance Improvement, and Elizabeth Goodwin, Deputy Chief Internal Auditor.

4. Transparency Information

- 4.1 The DCLG Transparency Code 2014 requires Local Authorities to publish certain statistics in relation to Fraud.

- 4.2 The information required for 2013/14 is as follows:

The number of occasions they use powers under the Prevention of Social Housing Fraud (Power to Require Information) (England) Regulations 2014, or similar powers

- Prevention of Social Housing Fraud (Power to Require Information) (England) Regulations 2014 - Nil (note this power was not effective until 2014/15)
- Authorised Powers to obtain information from Financial Institutions - 109B(2A) Social Security Administration Act 1992 - 60 times
- Authorised Powers to obtain information from employers - 110A Social Security Administration Act 1992 - 69 times

Total number (absolute and full time equivalent) of employees undertaking investigations and prosecutions of fraud

- Benefit Counter Fraud Officers 6 staff, 5.8 FTE
- Parking Investigator 1 staff 1 FTE
- Internal Audit - 2 staff, 1FTE

Total number (absolute and full time equivalent) of professionally accredited counter fraud specialists

- Benefit Counter Fraud Officers 6 staff, 5.8 FTE
- Parking Investigator 1 staff, 1 FTE
- Internal Audit 3 staff, 2.86 FTE

Total amount spent by the authority on the investigation and prosecution of fraud

- Estimated - benefits fraud investigations £225K, Parking Investigations £43k, Corporate investigations - £32k

Total number of fraud cases investigated (cases referred)

- Housing Benefit/Council Tax Reduction - 622
- Parking Investigator - 160
- Council Tax Discounts (Credit Reference Agency data matching) - 1370
- Corporate Fraud - 16

- 4.3 Local Authorities are required to report annually to the Audit Commission cases of fraud detected in the financial year with values. This survey covers fraud in 20 areas across the Authority. Appendix A provides a summary of the statistics provided over the past three financial years.
- 4.43 The figures show a spike for council tax single person discount in 2013/14, this is due to the Local Taxation team using a credit reference agency to highlight properties where the agency data showed more than one adult occupier in a property claiming single person discount. The exercise resulted in 560 discounts being cancelled with a total value of £172,470.49 and cost £19,700 so a net gain of £152,770.49.

5. Counter Fraud Programme

Special Investigations

- 5.1 Appendix B gives Members summaries of the 3 completed investigations undertaken by Internal Audit between January 2014 and October 2014 including the background, issues, findings, outcomes & actions taken.
- 5.2 Any investigations that are currently underway or have not yet reached the end of the Authority's processes and procedures will be reported at the next available time.

Anti-Fraud, Bribery and Corruption Action Plan

- 5.3 Appendix C details the agreed actions and proposed timescales for corporate anti counter fraud activities, along with progress made to date.
- 5.4 These actions have already been agreed by this Committee to ensure that an appropriate anti-fraud, bribery and corruption culture is embedded throughout the Authority. This aids in the prevention of fraud and actions of corruption, raises staff and member awareness in relation to responding and reporting suspected acts of dishonesty.

National Fraud Initiative

- 5.5 The Authority is required to take part in the National Fraud Initiative, this is a data matching exercise run by the Audit Commission (responsibility to be transferred to the Cabinet Office) which matches data held by Portsmouth City Council, other local authorities and other public bodies.
- 5.6 There are two separate exercises that are now run as part of NFI, the main exercise which is run bi-annually, (2014/15). This exercise covers a range of data including:

- Housing Benefit
- Accounts Payable
- Payroll
- Housing Tenancy
- Parking permits
- Blue Badges
- Private Hire Licences
- Personal Alcohol Licences
- Concessionary Fares

- 5.7 The 2014/15 exercise is currently underway, all of the data has been provided to NFI and the results of the data matching will be released in January 2015. An update on progress will be provided in the next Anti-Fraud update.
- 5.8 The second data match provided by NFI is an annual match between the electoral register and single person discounts for Council Tax. In 2014 1053 cases were highlighted for review through the NFI data matching. The reviews were undertaken by the Local Taxation team and as a result 210 discounts were cancelled as either fraudulent or errors, equating to £33,313.82.

Changes to Fraud Investigation

- 5.9 In the Autumn Statement by the Chancellor of the Exchequer on 5 December 2013, the announcement was made that a single fraud investigation service for benefit fraud was to be created combining the work of the Department of Work & Pensions (DWP) and Local Authorities. In 2015 the responsibility for investigating benefit fraud will transfer from Portsmouth City Council to the DWP.
- 5.10 The DCLG recently gave local authorities the opportunity to bid for funds from its Counter Fraud Fund to enable skills to be retained and local authorities to work in partnership once the responsibility for benefit fraud is transferred to the DWP. Portsmouth City Council submitted a partnership bid with a selection of other Hampshire Local Authorities. The DCLG is due to publish the successful bids at the end of October 2014.

6. Equality impact assessment (EIA)

- 6.1 The contents of this report do not have any relevant equalities impact and therefore an equalities assessment is not required.

7. Legal Implications

- 7.1 The Legal comments are embodied with this report.

8. Finance Comments

- 8.1 There are no financial implications arising directly from the recommendations contained within this report

.....
Signed by: Michael Lawther, City Solicitor & Strategic Director

.....
Signed by: Chris Ward, Head of Finance & S151 Officer

Appendices:

Appendix A - Audit Commission Fraud Return Statistics

Appendix B - Summary of completed investigation (Corporate fraud)

Appendix C - Anti-Fraud, Bribery & Corruption Action Plan

Background list of documents: Section 100D of the Local Government Act 1972

The following documents disclose facts or matters, which have been relied upon to a material extent by the author in preparing this report:

Title of document	Location
Previous annual reports	www.portsmouth.gov.uk
Fraud Statistics	Internal Audit & other department databases
Investigation reports	Internal Audit
DCLG Local Government Transparency Code	https://www.gov.uk/government/publications/local-government-transparency-code-2014
DCLG Counter Fraud Fund	https://www.gov.uk/government/publications/counter-fraud-fund
National Fraud Initiative	http://www.audit-commission.gov.uk/national-fraud-initiative/
Annual Fraud Survey	Internal Audit
SFIS	https://www.gov.uk/government/collections/single-fraud-investigation-service

The recommendation(s) set out above were approved/ approved as amended/ deferred/ rejected by Governance & Audit & Standards Committee on 7th November 2014

.....
Signed by:

This page is intentionally left blank

Appendix A - Portsmouth City Council annual fraud statistics comparison

Area		No. of cases/Value		
		2011/12	2012/13	2013/14
Housing & Council Tax Benefits Fraud	No of cases investigated	108	85	75
	Value	£119,191.56	£323,591.53	£327,045.36
	No of these Employees cases	2	Nil	Nil
	Employees case value	£3,039.21	N/A	N/A
	No of prosecutions	31	40	44
	No of these Employee prosecutions	Nil	Nil	Nil
	No of prosecutions with a guilty outcome	31	38	41
Housing tenancy fraud	No of cases of subletting fraud	6	3	2
	No of cases of other tenancy fraud	Nil	8	14
	No of cases of right to buy fraud	Nil	Nil	Nil
Council Tax Fraud	No of cases of council tax single person discount (SPD) fraud	104	114	560
	Value	£40,940.15	£48,586.00	£172,470.49
Council Tax Reduction	No of cases of CT Reduction Fraud	N/A	N/A	10
	Value	N/A	N/A	£1393.16
Local Welfare Assistance Fraud	No of cases of Local Welfare Assistance Fraud	N/A	N/A	Nil
Non Domestic Rates	No of cases	Nil	Nil	Nil
Procurement Fraud	No of cases of procurement fraud	Nil	Nil	2
	Value	N/A	N/A	£16,500
Insurance Fraud	No of cases of insurance fraud	Nil	2	1
	Value	N/A	£6,000	£15,000
Social Services Fraud	No of cases of Social Services fraud	2	9	1
	Value	£13,370	£126,393.12	£130,000
Economic & third sector support	No of cases of economic and third sector support fraud	Nil	Nil	Nil
Debt Fraud	No of cases of debt fraud	Nil	Nil	Nil
Pension Fraud	No of cases of pensions fraud	Nil	Nil	Nil
Investment Fraud	No of cases of investment fraud	Nil	Nil	Nil

Appendix A - Portsmouth City Council annual fraud statistics comparison

Area		No. of cases/Value		
		2011/12	2012/13	2013/14
Payroll & employee Fraud	No of cases of payroll and contract fulfillment fraud	Nil	Nil	Nil
	No of cases of expenses fraud	Nil	Nil	Nil
	No of cases of abuse of position for financial gain	1	Nil	Nil
	No of cases of manipulation of financial or non-financial data	Nil	Nil	Nil
	No of cases of recruitment fraud	2	Nil	Nil
Blue Badge Fraud	No of cases	8* *only cases prosecuted	31	43
	No of Employees cases	1	Nil	1
	No of prosecutions	7	2	7
	No of these employee prosecutions	Nil	Nil	Nil
	No of prosecutions with guilty verdict	7	2	7
Other fraud cases	Parking permit fraud	Nil	15	38

Appendix B - Summary of Internal Investigations

Contents	Page
1. Direct Payments	2
2. Invoice (Payment in Advance)	3
3. Complaint re data breach	4

Appendix B - Summary of Internal Investigations

1. Direct Payments

Background

- 1.1 On 12th November 2013 an anonymous call was received in the Financial Assessment & Benefits Team stating that direct payments were being misspent by a named individual and that specifically the named carers did not exist. Following a meeting with the Investigation Steering Panel (ISP) members it was agreed that the service along with finance would visit the client and partner to obtain the necessary supporting evidence and arrange to meet with the carers.
- 1.2 Events occurred that involved the police and as a result ISP agreed that Internal Audit would carry out the investigation and liaise with the Police.
- 1.3 A Direct Payment for social care is provided to clients to enable them to choose who provides care and support as detailed in the care assessment with Social Workers. Each client signs an agreement detailing the requirements of the client when taking a Direct Payment. Part of the agreement is that the funds cannot be used to pay for close relatives to provide care, unless under special circumstances, which must be agreed in advance.

Issues Arising

- 1.4 Based on the initial report there were potential offences under the Fraud Act 2006 & a breach of the Direct Payment agreement between PCC and the client.

Findings

- 1.5 Two pieces of evidence were provided by the Police one was an admission to the fraud occurring and the second indicating that both parties were complicit in the misuse.
- 1.6 There is no doubt that the client was eligible for social care services, however the expenditure returns received from the client stated named carers were being paid to provide care, when family members were providing the care.
- 1.8 Due to the vulnerability of the client it was determined that an informal interview would be undertaken between Social Care and Internal Audit. Due to the circumstances it could not be proven that the client had full knowledge of the use of their direct payment. It appeared the partner had been responsible for completing the expenditure returns.

Outcome

- 1.9 Due to the vulnerability of the client involved and their eligibility for care, it was determined that no further action would be taken. However any future care would have to be commissioned by the Local Authority rather than through a direct payment.

Appendix B - Summary of Internal Investigations

2. Invoice Payment in Advance

Background

2.1 Internal Audit was contacted by a Head of Service in April 2014, as they had identified payments in advance to an external company which is in clear breach of Financial Rules.

2.2 The payments made totalled approximately £56,000.

Findings

2.3 Three managers were in post at the time, one has since retired, one has left under redundancy and the third has transferred to another service however the current manager was able to provide limited information regarding the procurement history and services provided.

2.4 Two payments totalling £63,000 were made to the company which was to be 'drawn down' when services/products were required. This was on the understanding that the service had entered into a commitment to purchase materials up to a certain value, which would be held in stock by the company.

2.5 The current manager had identified and it was confirmed that the balance outstanding as at March 2014 was £31,818. This was difficult to establish as PCC held no stock records to show what materials had been received although a rough estimate was available and therefore had to place reliance on the external company's records. The company had asked annually how PCC would like to use the funds outstanding and when asked in March 2014 to replay the £31k, made payment immediately.

2.6 From discussions with the previous manager and the company it was confirmed that all of the dealings between PCC and the company were carried out by the manager who has since been made redundant.

Outcome

2.7 The company concerned has repaid the balance outstanding to PCC of £31,818 that it was holding as advance payments. As the officer involved has left PCC employment it was agreed with ISP that no further action would be taken.

Appendix B - Summary of Internal Investigations

3. Complaint re Data Breach

Background

3.1 Internal Audit was contacted by the Corporate Information Governance Officer in September 2014 regarding a complaint received from a member of the public. The complainant raised the allegation that a specific PCC member of staff had accessed confidential information regarding the complainants temporary accommodation address which resulted in her children being 'snatched' by the complainant's estranged husband.

Issues Arising

3.2 Based on the complaint received the following issues arises:

- Potential breach of Data Protection Act 1998 & PCC's Data Protection Policy
- Intentional breaches could result in criminal proceedings against individuals
- The Authority could also receive a substantial fine if a data breach is evidenced

Findings

3.3 The sensitive data relating to the complainants temporary accommodation address was found within five council IT applications and in one network drive location.

3.4 One of the members of staff had access to view the temporary accommodation address however audit logs confirmed that the user had not logged into this application during the period under investigation.

3.5 Activity logs for Housing Options system confirmed that during the period relating to the complaint, five employees viewed the file containing the sensitive data. Following discussions with the Housing Options Manager it was confirmed that all five employees identified had a business need to view the file.

Outcome

3.6 No evidence can be found to certify that the accused party accessed the data relating to the complainants temporary accommodation address in any of the identified applications or network drives.

AREA	PRODUCT	OUTCOME	ACTIONS	ACTIONED/ DELIVERY DATE
Organisational Culture	Revised Policies	Clear links between the policy and operational work.	<ul style="list-style-type: none"> • Revise Anti-Fraud and Corruption Policy to incorporate any changes in appropriate legislation and drafted to policy hub format. • Revise Whistle blowing Policy to incorporate changes in FOI and drafted to policy hub format. • Revise Gifts and Hospitality Policy to incorporate Bribery Act 2010 requirements and drafted to policy hub format. • Revise Anti-Money Laundering Policy and procedures and drafted to policy hub format. 	<p>Actioned September 2014</p> <p>Actioned September 2014</p> <p>Actioned October 2014</p> <p>Action Required December 2014</p>
	Revised Strategy	Clear identification of potential gaps in the delivery of Corporate counter fraud and their potential impact on the Authority.	<ul style="list-style-type: none"> • Revise Corporate Counter Fraud Strategy in line with recommended best practice. 	Action required December 2014
	Revised Response Plan for Internal Abuse	Proactive, appropriate and consistent action taken is when suspected fraud, corruption or dishonest dealings are identified that relate to internal parties	<ul style="list-style-type: none"> • Identify changes in legislation and areas of best practice. i.e. Bribery Act 2010, RIPA, HR Act, DPA, PACE and PEACE 	On-going Changes in RIPA 1 st November 2012
	Awareness Training	Staff and Members are aware of the impact of fraud, bribery, corruption and dishonesty and what actions they should take and when. Mandatory training is provided on induction for new members and staff. Annual training is provided for all current staff and members.	<ul style="list-style-type: none"> • Revise current anti-fraud training content covering all general topics relating to fraud, corruption and dishonest actions for topical relevance and inclusion of bribery. • Identify specific target groups requiring in-depth training • Draft anti-money laundering training • Identify staff requiring specific anti-money laundering training 	Action required by March 2015.

AREA	PRODUCT	OUTCOME	ACTIONS	ACTIONED/ DELIVERY DATE
	Revised Fraud risk Questionnaire. Bribery risk assessment methodology devised.	Fraud and Bribery risks are fully understood and mitigated as far as possible to reduce the likelihood of materialisation.	<ul style="list-style-type: none"> Identify areas of best practice and high-risk areas for both fraud and bribery. Establish and document individual risks associated with potential fraudulent activities covering both internal and external abuse for inclusion in the service risk registers and corporate registers. Develop risk assessment methodology for bribery risks. 	Action required March 2015
	Regular publicity on fraud, corruption and dishonesty.	Raising the profile and awareness of fraudulent activities, Council action and outcomes. Reduce likelihood of fraud, bribery, corruption and dishonesty	<ul style="list-style-type: none"> Regular publications on Intralink. Determine alternative methods of publication. 	Action required March 2015
Preventative and Detective Measures	Supporting Policies in place linked to Anti-Fraud, Bribery and Corruption Policy	Clear links between relevant policies that support the culture and tolerance of fraud, corruption and dishonest activities within and against the Council.	<ul style="list-style-type: none"> Revise all relevant policies and procedures applicable. 	On-going
	Vetting of staff, contractors and partners.	Honest staff are employed from the outset. PCC only undertake business with parties that hold the same ethical standards that PCC hold.	<ul style="list-style-type: none"> Identify best practice in relation to staffing checks. Identify appropriate agreement framework for partners. Incorporation of Bribery Act 2010 requirements 	On-going
	Investigation Procedures	All investigations are performed	<ul style="list-style-type: none"> Identify relevant changes in 	Actioned October

AREA	PRODUCT	OUTCOME	ACTIONS	ACTIONED/ DELIVERY DATE
		consistently and in accordance with laws and legislation	legislation and best practice incorporate in current procedures manual.	2014
Training	Skilled and training members of staff to undertake investigations.	All investigations are carried out to a prescribed standard in accordance with law and legislation. Successful prosecution/sanction rate increased.	<ul style="list-style-type: none"> Identified officers to undertake training CCIP Officers trained 	Actioned December 2011 Financial Investigator training completed September 2013
Sanctions, redress and Recovery	Citywide sanction policy in place.	Clear sanction options are identified and carried out consistently across the Council	<ul style="list-style-type: none"> Identify options available and legal implications and impact 	Action Required March 2015 SI's reported to G&A annually each case dealt with on merit
	Recovery Policy	Clear recovery options identified including under 'proceeds of crime', freeze injunctions and seizures.	<ul style="list-style-type: none"> Identify options available and legal implications and impact 	Action Required March 2015
Measuring Losses	Register of losses	The Council are able to identify the actual losses incurred and direct resources accordingly at high risk areas.	<ul style="list-style-type: none"> Identify all relevant areas applicable and data required Establish central register and reporting mechanism 	Central register held by Internal Audit. Losses not always able to be determined
Measuring Performance	Data Matching and NFI	Collation, sharing and analysis of intelligence gathered for internal and external incidents	<ul style="list-style-type: none"> Complete current data matching results in timescale determined by Audit Commission. Attendance of Hampshire Alliance group sharing of intelligence Identify areas not currently covered by NFI and risk assess before considering inclusion in future matching 	On-going On-going

This page is intentionally left blank

Agenda Item 8

Decision maker:	Cabinet City Council
Subject:	Treasury Management Mid-Year Review for 2014/15
Date of decision:	6 November 2014 (Cabinet) 7 November 2014 (Governance, Audit & Standards Committee – Information only) 11 November 2014 (City Council)
Report by:	Chris Ward, Head of Financial Services and Section 151 Officer
Wards affected:	All
Key decision:	No
Budget & policy framework decision:	Yes

1. Purpose of report

The purpose of the report in Appendix A is to inform members and the wider community of the Council's Treasury Management position at 30 September 2014 and of the risks attached to that position. The report also seeks to vary the investment counter party limits for unrated building societies to reflect the 2014 Building Societies Database published by KPMG in September and to obtain approval to increase the variable interest rate exposure limit to reflect the increased level of short term investments.

2. Recommendations

1. That the following actual Treasury Management indicators for the second quarter of 2014/15 be noted:
 - (a) The Council's debt at 30 September was as follows:

Prudential Indicator 2014/15	Limit	Position at 30/9/14
	£M	£M
Authorised Limit	469	440
Operational Boundary	447	440

(b) The maturity structure of the Council's borrowing was:

	Under 1 Year	1 to 2 Years	3 to 5 Years	6 to 10 Years	11 to 20 Years	21 to 30 Years	31 to 40 Years	41 to 50 Years
Lower Limit	0%	0%	0%	0%	0%	0%	0%	0%
Upper Limit	20%	20%	30%	30%	40%	40%	60%	70%
Actual	4%	1%	3%	5%	9%	13%	16%	49%

(c) The Council's interest rate exposures at 30 September 2014 were:

	Limit	Actual
	£m	£m
Fixed Interest	332	266
Variable Interest	(196)	(218)

(d) Sums invested for periods longer than 364 days at 30 September 2014 were:

Maturing after	Original Limit	Actual
	£m	£m
31/3/2015	170	80
31/3/2016	158	64
31/3/2017	124	8

2. That the investment counter party limits of unrated building societies be revised as follows:

	Existing Limit £	Proposed Limit £	Increase / (Decrease) £
Nottingham Building Society	6,000,000	6,000,000	0
Progressive Building Society	6,000,000	6,000,000	0
Cambridge Building Society	5,000,000	5,700,000	700,000
Furness Building Society	4,000,000	4,200,000	200,000
Leek United Building Society	3,800,000	4,200,000	400,000
Monmouthshire Building Society	3,700,000	4,800,000	1,100,000
Newbury Building Society	3,400,000	3,900,000	500,000
Hinckley & Rugby Building Society	2,900,000	2,800,000	(100,000)
Darlington Building Society	2,600,000	2,600,000	0
Market Harborough Building Society	2,100,000	2,000,000	(100,000)
Melton Mowbray Building Society	1,900,000	1,900,000	0
Tipton & Coseley Building Society	1,800,000	1,800,000	0
Marsden Building Society	1,700,000	1,700,000	0
Hanley Economic Building Society	1,600,000	1,600,000	0
Scottish Building Society	1,700,000	1,900,000	200,000
Dudley Building Society	1,600,000	1,600,000	0
Loughborough Building Society	1,400,000	1,400,000	0
Mansfield Building Society	1,400,000	1,400,000	0
Vernon Building Society	1,200,000	1,300,000	100,000
Stafford Railway Building Society	1,100,000	1,200,000	100,000
Buckinghamshire Building Society	1,100,000	0	(1,100,000)
Harpenden Building Society	1,100,000	1,400,000	300,000
Swansea Building Society	1,000,000	1,100,000	100,000
Chorley and District Building Society	0	1,000,000	1,000,000

3. That the variable interest rate exposure limit for 2014/15 be increased by (£45m) from (£196m) to (£241m), ie. from net investments of £196m to net investments of £241m.

3. Background

CIPFA's Treasury Management Code requires a Treasury Management Mid Year Review to be considered by the City Council. The report in Appendix A covers the first six months of 2014/15.

The counter party limits for unrated building societies are based on the annual Building Societies Database published by KPMG and equate to 0.5% of the building societies assets.

The Council's investments of surplus cash are higher than anticipated, principally due to the receipt of all of the £48.8m City Deal Grant on 28 March 2014 which had been expected to be received at a later date and be phased over the next two financial years. In addition, the proportion of the investment portfolio consisting of short term investments of under one year, which are not considered to be fixed rate because of their short term nature, has increased from 64% on 1 April to 72% on 30 September as long term investments of over a year have matured and not generally been replaced. This has resulted in the variable interest rate exposure limit of (£196m - investments) being exceeded by £22m. The Council's investment portfolio is forecast to increase by a further £13m in October due to the receipt of Government grants. The Council's investment portfolio is then forecast to decrease to £255m towards the end of the year.

4. Reasons for Recommendations

The net cost of Treasury Management activities and the risks associated with those activities have a significant effect on the City Council's overall finances.

It is recommended that the counter party limits for unrated building societies be updated to reflect the 2014 Building Societies database that was published in September.

The Council would need to invest £35m long term in order to get within the variable interest rate exposure limit. This is not recommended given the uncertainty over when base rate will increase and the uncertainty over future cash flows. The alternative is to increase the variable interest rate exposure limit. It is recommended that the variable interest rate exposure limit be increased by (£45m) from (£196m) to (£241m), ie. from net investments of £196m to net investments of £241m. This would accommodate the excess short term investments at 30 September of £22m, the forecast increase in short term investments in October of £13m, and include a contingency of £10m to cover any unexpected cash receipts.

5. Equality impact assessment (EIA)

The contents of this report do not have any relevant equalities impact and therefore an equalities impact assessment is not required.

6. Legal Implications

The Section 151 Officer is required by the Local Government Act 1972 and by the Accounts and Audit Regulations 2011 to ensure that the Council's budgeting, financial management, and accounting practices meet the relevant statutory and professional requirements. Members must have regard to and be aware of the wider duties placed on the Council by various statutes governing the conduct of its financial affairs.

7. Head of Finance's comments

All financial considerations are contained within the body of the report and the attached appendices

.....
Signed by Head of Financial Services & Section 151 Officer

Appendices:

Appendix A: Treasury Management Mid-Year Review 2014/15

Background list of documents: Section 100D of the Local Government Act 1972

The following documents disclose facts or matters, which have been relied upon to a material extent by the author in preparing this report:

<u>Title of document</u>	Location
1 Treasury Management Files	Financial Services
2	

The recommendation(s) set out above were approved/ approved as amended/ deferred/ rejected by the City Council on 11 November 2014.

.....
Signed by: Leader of the Council

TREASURY MANAGEMENT MID YEAR REVIEW OF 2014/15

1. GOVERNANCE

The Treasury Management Policy Statement, Annual Minimum Revenue Provision for Debt Repayment Statement and Annual Investment Strategy approved by the City Council on 18 March 2014 provide the framework within which Treasury Management activities are undertaken.

2. ECONOMIC UPDATE

United Kingdom

After strong UK GDP quarterly growth of 0.7%, 0.8% and 0.7% in quarters 2, 3 and 4 respectively in 2013, (2013 annual rate 2.7%), and 0.7% in Q1 and 0.9% in Q2 2014 (annual rate 3.2% in Q2), it appears very likely that strong growth will continue through 2014 and into 2015 as forward surveys for the services and construction sectors, are very encouraging and business investment is also strongly recovering. The manufacturing sector has also been encouraging though the latest figures indicate a weakening in the future trend rate of growth. However, for this recovery to become more balanced and sustainable in the longer term, the recovery needs to move away from dependence on consumer expenditure and the housing market to exporting, and particularly of manufactured goods, both of which need to substantially improve on their recent lacklustre performance. This overall strong growth has resulted in unemployment falling much faster through the initial threshold of 7%, set by the Monetary Policy Committee (MPC) last August, before it said it would consider any increases in Bank Rate. The MPC has, therefore, subsequently broadened its forward guidance by adopting five qualitative principles and looking at a much wider range of about eighteen indicators in order to form a view on how much slack there is in the economy and how quickly slack is being used up. The MPC is particularly concerned that the current squeeze on the disposable incomes of consumers should be reversed by wage inflation rising back above the level of inflation in order to ensure that the recovery will be sustainable. There also needs to be a major improvement in labour productivity, which has languished at dismal levels since 2008, to support increases in pay rates. Most economic forecasters are expecting growth to peak in 2014 and then to ease off a little, though still remaining strong, in 2015 and 2016. Unemployment is therefore expected to keep on its downward trend and this is likely to eventually feed through into a return to significant increases in pay rates at some point during the next three years. However, just how much those future increases in pay rates will counteract the depressive effect of increases in Bank Rate on consumer confidence,

the rate of growth in consumer expenditure and the buoyancy of the housing market, are areas that will need to be kept under regular review.

Also encouraging has been the sharp fall in inflation (CPI), reaching 1.5% in May and July, the lowest rate since 2009. Forward indications are that inflation is likely to fall further in 2014 to possibly near to 1%. Overall, markets are expecting that the MPC will be cautious in raising Bank Rate as it will want to protect heavily indebted consumers from too early an increase in Bank Rate at a time when inflationary pressures are also weak. A first increase in Bank Rate is therefore expected in Q1 or Q2 2015 and they expect increases after that to be at a slow pace to lower levels than prevailed before 2008 as increases in Bank Rate will have a much bigger effect on heavily indebted consumers than they did before 2008.

The return to strong growth has also helped lower forecasts for the increase in Government debt by £73bn over the next five years, as announced in the 2013 Autumn Statement, and by an additional £24bn, as announced in the March 2014 Budget - which also forecast a return to a significant budget surplus, (of £5bn), in 2018-19. However, monthly public sector deficit figures have disappointed so far in 2014/15.

United States

In September, the Federal Reserve continued with its monthly \$10bn reductions in asset purchases, which started in December 2014. Asset purchases have now fallen from \$85bn to \$15bn and are expected to stop in October 2014, providing strong economic growth continues. First quarter GDP figures for the US were depressed by exceptionally bad winter weather, but growth rebounded very strongly in Q2 to 4.6% (annualised).

The U.S. faces similar debt problems to those of the UK, but thanks to reasonable growth, cuts in government expenditure and tax rises, the annual government deficit has been halved from its peak without appearing to do too much damage to growth, although the weak labour force participation rate remains a matter of key concern for the Federal Reserve when considering the amount of slack in the economy and monetary policy decisions.

Eurozone (EZ)

The Eurozone is facing an increasing threat from weak or negative growth and from deflation. In September, the inflation rate fell further, to reach a low of 0.3%. However, this is an average for all EZ countries and includes some countries with negative rates of inflation. Accordingly, the ECB took some rather limited action in June to loosen monetary policy in order to promote growth. In September it took further action to cut its benchmark rate to only 0.05%, its deposit rate to -0.2% and to start a programme of purchases of corporate debt. However, it has not embarked yet on full quantitative easing (purchase of sovereign debt).

Concern in financial markets for the Eurozone subsided considerably during 2013. However, sovereign debt difficulties have not gone away and major issues could return in respect of any countries that do not dynamically address fundamental issues of low growth, international uncompetitiveness and the need for overdue reforms of the economy, (as Ireland has done). It is, therefore, possible over the next few years that levels of government debt to GDP ratios could continue to rise for some countries. This could mean that sovereign debt concerns have not disappeared but, rather, have only been postponed.

China and Japan

Japan is causing considerable concern as the increase in sales tax in April has suppressed consumer expenditure and growth. In Q2 growth was -1.8% q/q and -7.1% over the previous year. The Government is hoping that this is a temporary blip.

As for China, Government action in 2014 to stimulate the economy appeared to be putting the target of 7.5% growth within achievable reach but recent data has raised fresh concerns. There are also major concerns as to the creditworthiness of much bank lending to corporates and local government during the post 2008 credit expansion period and whether the bursting of a bubble in housing prices is drawing nearer.

3. INTEREST RATE FORECAST

The Council's treasury advisor, Capita Asset Services, has provided the following forecast:

	Sep-14	Dec-14	Mar-15	Jun-15	Sep-15	Dec-15	Mar-16	Jun-16	Sep-16	Dec-16	Mar-17	Jun-17
Bank rate	0.50%	0.50%	0.75%	0.75%	1.00%	1.00%	1.25%	1.25%	1.50%	1.75%	2.00%	2.00%
5yr PWLB rate	2.70%	2.70%	2.80%	2.90%	3.00%	3.00%	3.10%	3.20%	3.30%	3.40%	3.50%	3.50%
10yr PWLB rate	3.40%	3.50%	3.60%	3.70%	3.80%	3.90%	4.00%	4.10%	4.10%	4.20%	4.30%	4.30%
25yr PWLB rate	4.00%	4.10%	4.20%	4.30%	4.40%	4.50%	4.60%	4.70%	4.80%	4.80%	4.90%	4.90%
50yr PWLB rate	4.00%	4.10%	4.20%	4.30%	4.40%	4.50%	4.60%	4.70%	4.80%	4.80%	4.90%	4.90%

Capita Asset Services undertook a review of its interest rate forecasts in mid-August, after the Bank of England's Inflation Report. By the beginning of September, a further rise in geopolitical concerns, principally over Ukraine but also over the Middle East, had caused a further flight into safe havens like gilts and depressed Public Works Loans Board (PWLB) rates further. However, there is much volatility in rates as news ebbs and flows in negative or positive ways. This latest forecast includes a first increase in Bank Rate in quarter 1 of 2015.

Capita's PWLB forecasts are based around a balance of risks. However, there are potential upside risks, especially for longer term PWLB rates, as follows: -

- A further surge in investor confidence that robust world economic growth is firmly expected, causing a flow of funds out of bonds and into equities.
- UK inflation being significantly higher than in the wider EU and US, causing an increase in the inflation premium inherent to gilt yields.

Downside risks currently include:

- The situation over Ukraine poses a major threat to EZ and world growth if it was to deteriorate into economic warfare between the West and Russia where Russia resorted to using its control over gas supplies to Europe.
- UK strong economic growth is currently dependent on consumer spending and the unsustainable boom in the housing market. The boost from these sources is likely to fade after 2014.
- A weak rebalancing of UK growth to exporting and business investment causing a weakening of overall economic growth beyond 2014.
- Weak growth or recession in the UK's main trading partners - the EU and US, inhibiting economic recovery in the UK.
- A return to weak economic growth in the US, UK and China causing major disappointment in investor and market expectations.
- A resurgence of the Eurozone sovereign debt crisis caused by ongoing deterioration in government debt to GDP ratios to the point where financial markets lose confidence in the financial viability of one or more countries and in the ability of the ECB and Eurozone governments to deal with the potential size of the crisis.
- Recapitalising of European banks requiring more government financial support.
- Lack of support by populaces in Eurozone countries for austerity programmes, especially in countries with very high unemployment rates e.g. Greece and Spain, which face huge challenges in engineering economic growth to correct their budget deficits on a sustainable basis.
- Monetary policy action failing to stimulate sustainable growth in western economies, especially the Eurozone and Japan.
- Heightened political risks in the Middle East and East Asia could trigger safe haven flows back into bonds.

- There are also increasing concerns that the reluctance of western economies to raise interest rates significantly for some years, plus the huge QE measures which remain in place (and may be added to by the ECB in the near future), has created potentially unstable flows of liquidity searching for yield and therefore heightened the potential for an increase in risks in order to get higher returns. This is a return of the same environment which led to the 2008 financial crisis.

4. NET DEBT

The Council's net borrowing position excluding accrued interest at 30 September 2014 was as follows:

	1 April 2014	30 September 2014
	£'000	£'000
Borrowing	354,822	353,146
Finance Leases	3,775	3,401
Service Concession Arrangements (including Private Finance Initiative)	83,373	83,221
Gross Debt	441,970	439,768
Investments	(296,761)	(305,132)
Net Debt	145,209	134,636

The Council has a high level of investments relative to its gross debt due to a high level of reserves, partly built up to meet future commitments under the Private Finance Initiative schemes and future capital expenditure. However these reserves are fully committed and are not available to fund new expenditure. The £84m of borrowing taken in 2011/12 to take advantage of the very low PWLB rates has also temporarily increased the Council's cash balances.

The current high level of investments increases the Council's exposure to credit risk, ie. the risk that an approved borrower defaults on the Council's investment. In the interim period where investments are high because loans have been taken in advance of need, there is also a short term risk that the rates (and therefore the cost) at which money has been borrowed will be greater than the rates at which those loans can be invested. The level of investments will fall as capital expenditure is incurred and commitments under the Private Finance Initiative (PFI) schemes are met.

5. DEBT RESCHEDULING

Under certain circumstances it could be beneficial to use the Council's investments to repay its debt. However this normally entails paying a premium to the lender, namely the Public Works Loans Board (PWLB). Debt rescheduling is only beneficial to the revenue account when the benefits of reduced net interest payments exceed the cost of any premiums payable to the lender. Debt rescheduling opportunities have been limited in the current economic climate and by the structure of interest rates following increases in PWLB new borrowing rates in October 2010.

No debt rescheduling was undertaken during the first half of the year.

6. BORROWING ACTIVITY

The Council's estimated capital financing requirement (CFR) for 2014/15 is £415m. The CFR denotes the Council's underlying need to borrow for capital purposes. The Council has borrowings of £440m. The Council's borrowings currently exceed its underlying need to borrow by £25m. This position arose through the £84m of borrowing taken in 2011/12 to take advantage of the very low PWLB rates.

No borrowing has been undertaken in the first six months of 2014/15.

As outlined below, the general trend has been a decrease in interest rates during the six months, across longer dated maturity bands, but a rise in the shorter maturities, reflecting in part the expected rise in the Bank rate.

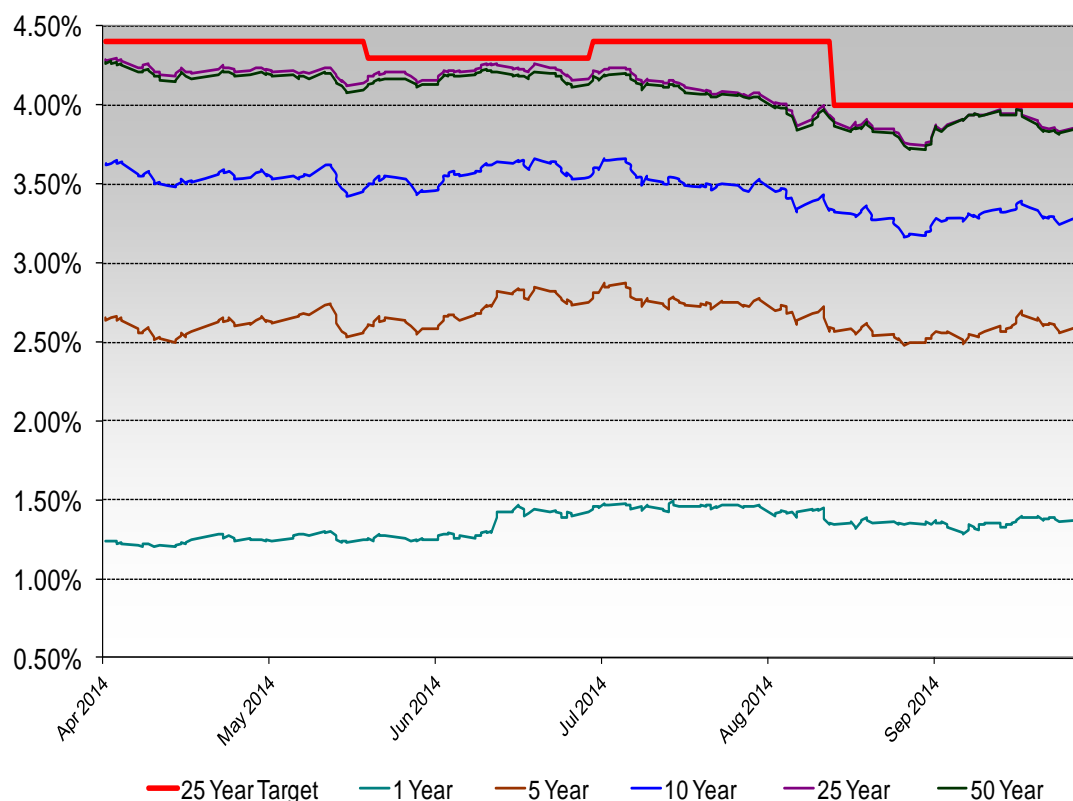
It is anticipated that further borrowing will not be undertaken during this financial year.

The graph and table below show the movement in PWLB certainty rates for the first six months of the year to date:

PWLB certainty rates, half year ended 30th September 2014

(Please note that the graph below is unable to show separate lines for 25 and 50 year rates at some points as those rates were almost identical)

	1 Year	5 Year	10 Year	25 Year	50 Year
Low	1.20%	2.48%	3.16%	3.75%	3.73%
Date	10/04/2014	28/08/2014	28/08/2014	29/08/2014	29/08/2014
High	1.48%	2.86%	3.66%	4.29%	4.26%
Date	15/07/2014	04/07/2014	20/06/2014	02/04/2014	01/04/2014
Average	1.34%	2.65%	3.67%	4.10%	4.17%



The Council's debt at 30 September was as follows:

Prudential Indicator 2014/15	Limit	Position at 30/9/14
	£M	£M
Authorised Limit	469	440
Operational Boundary	447	440

7. MATURITY STRUCTURE OF BORROWING

In recent years the cheapest loans have often been very long loans repayable at maturity.

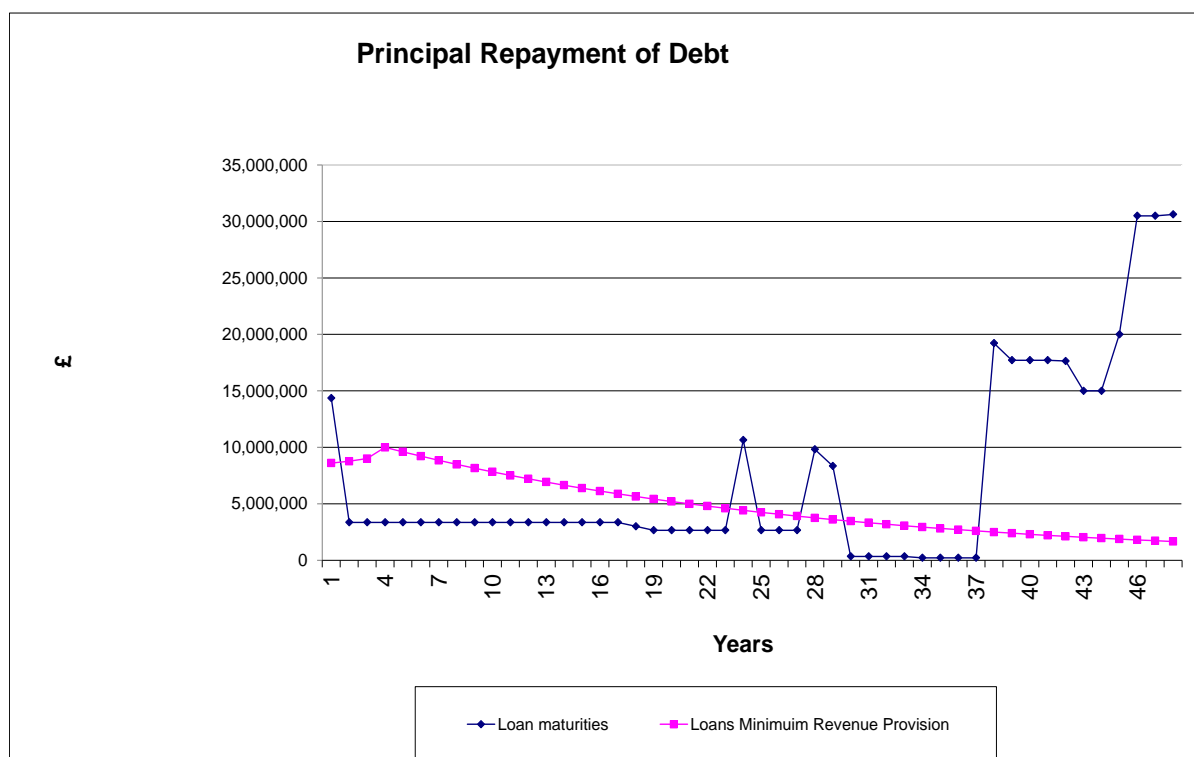
During 2007/08 the Council rescheduled £70.8m of debt. This involved repaying loans from the Public Works Loans Board (PWLB) early and taking out new loans from the PWLB with longer maturities ranging from 45 to 49 years. The effect of the debt restructuring was to reduce the annual interest payable on the Council's debt and to lengthen the maturity profile of the Council's debt.

£50m of new borrowing was taken in 2008/09 to finance capital expenditure. Funds were borrowed from the PWLB at fixed rates of between 4.45% and 4.60% for between 43 and 50 years.

A further £173m was borrowed in 2011/12 to finance capital expenditure and the HRA Self Financing payment to the Government. Funds were borrowed from the PWLB at rates of between 3.48% and 5.01%. £89m of this borrowing is repayable at maturity in excess of 48 years. The remaining £84m is repayable in equal installments of principal over periods of between 20 and 31 years.

As a result of interest rates in 2007/08 when the City Council rescheduled much of its debt and interest rates in 2008/09 and 2011/12 when the City Council undertook considerable new borrowing 49% of the City Council's debt matures in over 40 years time.

The Government has issued guidance on making provision for the repayment of debt which the Council is legally obliged to have regard to. The City Council is required to make greater provision for the repayment of debt in earlier years. Therefore the City Council is required to provide for the repayment of debt well in advance of it becoming due. This is illustrated in graph below.



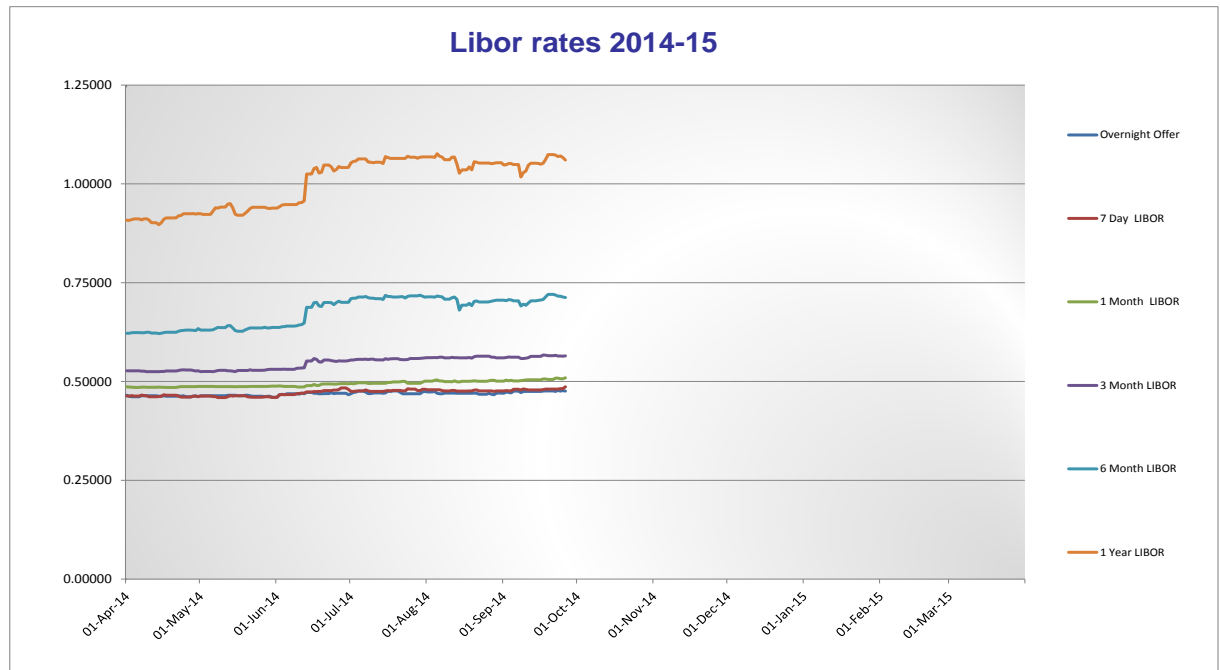
This means that it is necessary to invest the funds set aside for the repayment of debt with its attendant credit and interest rate risks (see sections 10 and 12). The City Council could reschedule its debt, but unless certain market conditions exist at the time, premium payments have to be made to lenders.

CIPFA's Treasury Management in the Public Services Code of Practice which the City Council is legally obliged to have regard to requires local authorities to set upper and lower limits for the maturity structure of their borrowing. The limits set by the City Council on 19 March together with the City Councils actual debt maturity pattern are shown below.

	Under 1 Year	1 to 2 Years	3 to 5 Years	6 to 10 Years	11 to 20 Years	21 to 30 Years	31 to 40 Years	41 to 50 Years
Lower Limit	0%	0%	0%	0%	0%	0%	0%	0%
Upper Limit	20%	20%	30%	30%	40%	40%	60%	70%
Actual	4%	1%	3%	5%	9%	13%	16%	49%

8. INVESTMENT ACTIVITY

In accordance with the Government's statutory guidance, it is the Council's priority to ensure security of capital and liquidity, and to obtain an appropriate level of return which is consistent with the Council's risk appetite. It is a very difficult investment market in terms of earning the level of interest rates commonly seen in previous decades as rates are very low and in line with the 0.5% Bank Rate. Indeed, the Funding for Lending scheme has reduced market investment rates even further.



The Council held £305m of investments as at 30 September 2014 (£297m at 1 April 2014) and the investment portfolio yield for the first five months of the year is 0.77%. The investment portfolio yield for the first three months of the year was 0.76%.

The Council's budgeted investment return for 2014/15 is £1,531k, and performance for the year to date is £401k above budget.

9. REVISION OF INVESTMENT COUNTER PARTIES

The counter party limits for unrated building societies are based on the annual Building Societies Database published by KPMG in September and equate to 0.5% of building societies' assets.

The Building Societies Data base for 2014 shows that the current reporting season has undoubtedly been a strong one for the building society sector, with 32 of 45 societies reporting increases in total assets. This marked increase in total assets is even more noticeable when the impact of the sector's largest participant, Nationwide, is excluded: the remaining 44 societies increased total assets by £3.8 billion, or 3.1%. As in previous years, many of the most impressive rates of increase in total assets continue to be seen at some of the smallest societies. This increase in total assets continues to be largely fuelled by lending to home-owners, with gross mortgage lending of £44.2 billion undertaken by the sector, constituting 25.1% of UK gross mortgage lending.

It is recommended that the investment counter party limits for unrated building societies be amended to reflect the Building Societies Database for 2014.

It is recommended that the investment counter party limits of 10 building societies be increased to reflect the growth of their asset base. It is also recommended that Chorley and District Building Society be added to the Council's approved investment counter party list with a limit of £1,000,000 reflecting the growth of this building society.

It is recommended that the investment counter party limit for Hinkley and Rugby Building Society be reduced by £100,000 from £2,900,000 to £2,800,000, and that the investment counter party limit for Market Harborough Building Society be reduced by £100,000 from £2,100,000 to £2,000,000 to reflect the reduction in the asset base of these building societies. The Council does not currently have any investments in these building societies.

It is recommended that Buckinghamshire Building Society be removed from the list of approved investment counter parties due to its increased reliance on wholesale funding. The Council does not have any investments with Buckinghamshire Building Society.

The recommended changes to the investment counter party limits of unrated building societies are summarised in the table below.

	Existing Limit	Proposed Limit	Increase / (Decrease)
	£	£	£
Nottingham Building Society	6,000,000	6,000,000	0
Progressive Building Society	6,000,000	6,000,000	0
Cambridge Building Society	5,000,000	5,700,000	700,000
Furness Building Society	4,000,000	4,200,000	200,000
Leek United Building Society	3,800,000	4,200,000	400,000
Monmouthshire Building Society	3,700,000	4,800,000	1,100,000
Newbury Building Society	3,400,000	3,900,000	500,000
Hinckley & Rugby Building Society	2,900,000	2,800,000	(100,000)
Darlington Building Society	2,600,000	2,600,000	0
Market Harborough Building Society	2,100,000	2,000,000	(100,000)
Melton Mowbray Building Society	1,900,000	1,900,000	0
Tipton & Coseley Building Society	1,800,000	1,800,000	0
Marsden Building Society	1,700,000	1,700,000	0
Hanley Economic Building Society	1,600,000	1,600,000	0
Scottish Building Society	1,700,000	1,900,000	200,000
Dudley Building Society	1,600,000	1,600,000	0
Loughborough Building Society	1,400,000	1,400,000	0
Mansfield Building Society	1,400,000	1,400,000	0
Vernon Building Society	1,200,000	1,300,000	100,000
Stafford Railway Building Society	1,100,000	1,200,000	100,000
Buckinghamshire Building Society	1,100,000	0	(1,100,000)
Harpenden Building Society	1,100,000	1,400,000	300,000
Swansea Building Society	1,000,000	1,100,000	100,000
Chorley and District Building Society	0	1,000,000	1,000,000

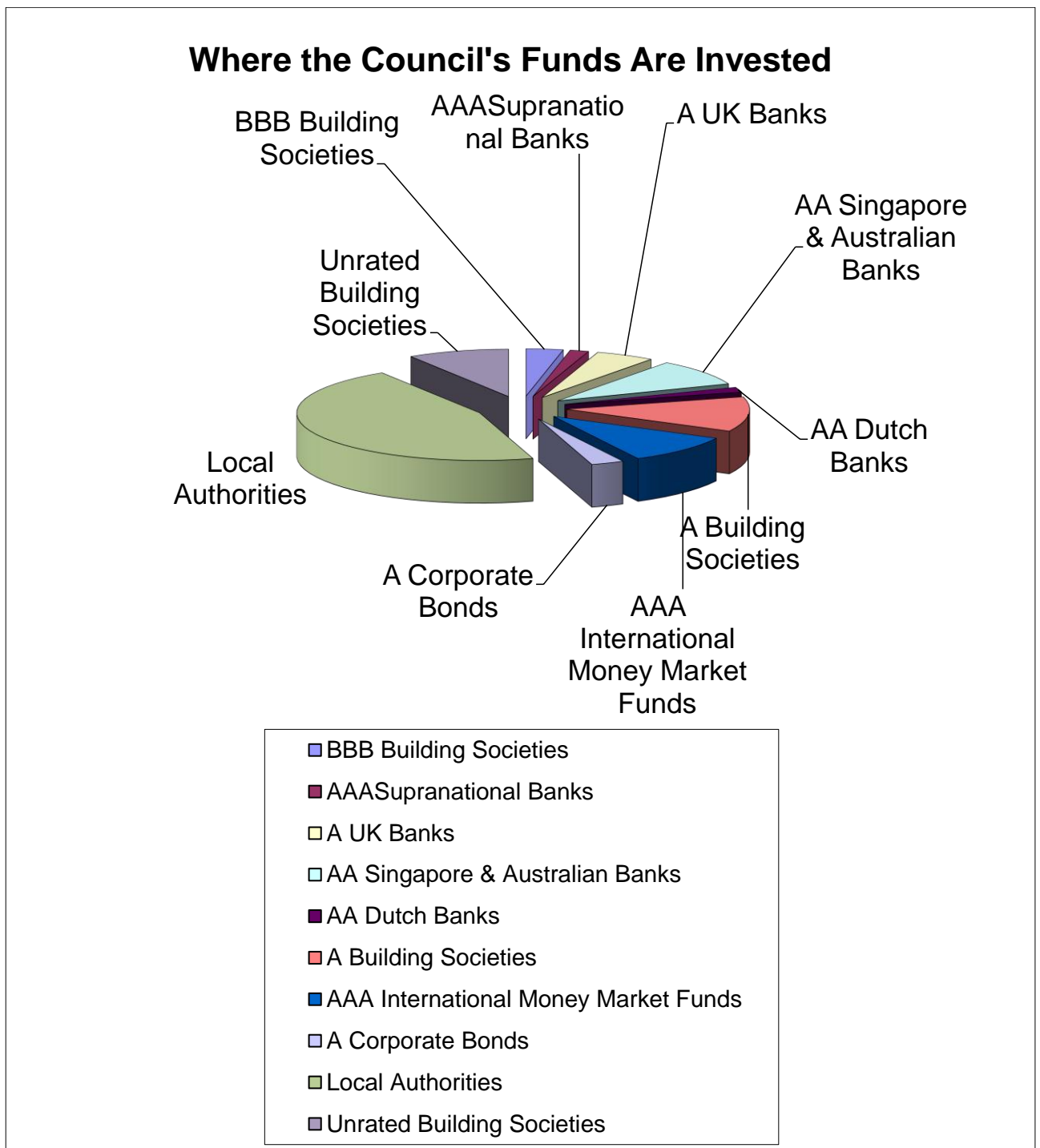
In all other respects the current investment counter parties approved in the Annual Investment Strategy is meeting the requirements of the treasury management function.

10. SECURITY OF INVESTMENTS

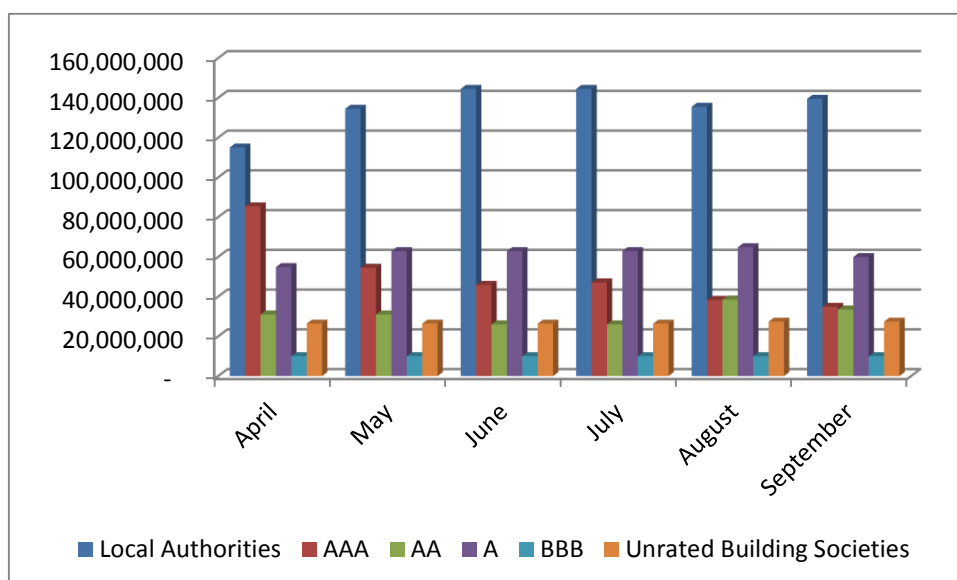
The risk of default has been managed through limiting investments in any institution to £26m or less depending on its credit rating and spreading investments over countries and sectors.

At 30 September 2014 the City Council had on average £6.4m invested with each institution.

The chart below shows how the Council's funds were invested at 30 September 2014.



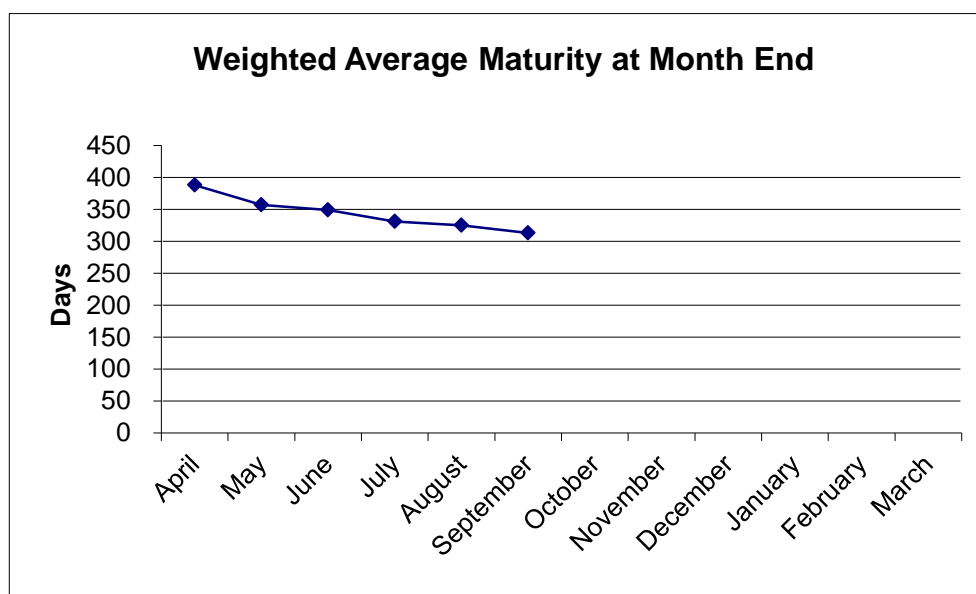
The chart below shows how the Council's investment portfolio has changed in terms of the credit ratings of investment counter parties over the first six months of 2014/15.



It can be seen from the graph above that investments in AAA rated counter parties, consisting entirely of AAA rated instant access money market funds have declined over the first six months of 2014/15. These investments have largely been replaced by investments in other local authorities which generally offer a better return than investments in AAA rated money market funds.

11. LIQUIDITY OF INVESTMENTS

The weighted average maturity of the City Council's investment portfolio started at 388 days in April and decreased to 313 days in September as long term investments matured and were not replaced due to uncertainties over the Council's future cash flows and over the timing of the first increase in base rate which will drive up the returns on the Council's investments. This is shown in the graph below.



The Treasury Management Policy seeks to maintain the liquidity of the portfolio, ie. the ability to liquidate investments to meet the Council's cash requirements, through maintaining at least £10m in instant access accounts. At 30 September £29.8m was invested in instant access accounts. Whilst short term investments provide liquidity and reduce the risk of default, they do also leave the Council exposed to falling interest rates.

Under CIPFA's Treasury Management Code it is necessary to specify limits on the amount of long term investments, ie. investments exceeding 364 days that have maturities beyond year end in order to ensure that sufficient money can be called back to meet the Council's cash flow requirements. The Council's performance against the limits set by the City Council on 18 March 2014 is shown below.

Maturing after	Limit	Actual
	£m	£m
31/3/2015	170	80
31/3/2016	158	64
31/3/2017	124	8

12. INTEREST RATE RISK

This is the risk that interest rates will move in a way that is adverse to the City Council's position.

The CIPFA Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes require local authorities to set upper limits for fixed interest rate exposures. Fixed interest rate borrowing exposes the Council to the risk that interest rates could fall and the Council will pay more interest than it need have done. Long term fixed interest rate investments expose the Council to the risk that interest rates could rise and the Council will receive less income than it could have received. However fixed interest rate exposures do avoid the risk of budget variances caused by interest rate movements. The Council's performance against the limits set by the City Council on 18 March 2014 is shown below.

	Limit	Actual
	£m	£m
Maximum Projected Gross Borrowing – Fixed Rate	398	353
Minimum Projected Gross Investments – Fixed Rate	(66)	(87)
Fixed Interest Rate Exposure	332	266

The CIPFA Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes also require local authorities to set upper limits for variable interest rate exposures. Variable interest rate borrowing exposes the Council to the risk that interest rates could rise and the Council's interest payments will increase. Short term and variable interest rate investments expose the Council to the risk that interest rates could fall and the Council's investment income will fall. Variable interest rate exposures carry the risk of budget variances caused by interest rate movements. The Council's performance against the limits set by the City Council on 18 March 2014 is shown below.

	Limit £m	Actual £m
Minimum Projected Gross Borrowing – Variable Rate	-	-
Maximum Projected Gross Investments – Variable Rate	(196)	(218)
Variable Interest Rate Exposure	(196)	(218)

The Council's investments of surplus cash are higher than anticipated, principally due to the receipt of all of the £48.8m City Deal Grant on 28 March 2014 which had been expected to be received at a later date and be phased over the next two financial years. In addition, the proportion of the investment portfolio consisting of short term investments of under one year, which are not considered to be fixed rate because of their short term nature, has increased from 64% on 1 April to 72% on 30 September as long term investments of over a year have matured and not been replaced. This has resulted in the variable interest rate exposure limit of (£196m - investments) being exceeded by £22m.

The Council would need to invest £35m long term in order to get within the variable interest rate exposure limit. This is not recommended given the uncertainty over when base rate will increase and the uncertainty over future cash flows. The alternative is to increase the variable interest rate exposure limit. It is recommended that the variable interest rate exposure limit be increased by (£45m) from (£196m) to (£241m), ie. from net investments of £196m to net investments of £241m. This would accommodate the excess short term investments at 30 September of £22m, the forecast increase in short term investments in October of £13m, and include a contingency of £10m to cover any unexpected cash receipts.

The City Council is particularly exposed to interest rate risk because all the City Council's debt is made up of fixed rate long term loans, but most of the City Council's investments are short term. Future movements in the Bank Base Rate tend to affect the return on the Council's investments, but leave fixed rate long term loan payments unchanged. This could favour the City Council if short term interest rates rise.

The risk of a 0.5% change in interest rates to the Council is as follows:

<u>Effect of +/- 0.5% Rate Change</u>	2014/15 (Part Year)	2015/16	2016/17
	£'000	£'000	£'000
Long Term Borrowing	2	55	55
Investment Interest	(118)	(913)	(618)
Net Effect of +/- 0.5% Rate Change	(116)	(858)	(563)

This page is intentionally left blank

Title of meeting:	Governance and Audit and Standards Committee
Date of meeting:	Friday 7 th November 2014
Subject:	Annual Governance Statement Monitoring Programme
Report From:	Jessica Birkett, Strategy Unit
Wards Affected:	None
Key Decision (over £250K	No

-+

Full Council decision: No

1. Purpose of report

- 1.1 The report seeks approval from the Governance and Audit and Standards Committee (G & A & S) for the proposed monitoring programme detailed in Appendix A.

2. Recommendations

- 2.1 It is recommended that the Governance and Audit and Standards Committee:
- a) Approve the governance monitoring programme detailed in Appendix A.

3. Background

- 3.1. On 26th September, the Governance and Audit and Standards Committee approved the Council's finalised Annual Governance Statement for 2013/14.
- 3.2. As part of that meeting, the committee agreed that progress against those issues would be regularly reported to this committee and there would be a revision to the monitoring process, as set out in paragraph 3.3.
- 3.3. The governance monitoring process is to now include a general review of all items reported as part of the Quarterly Performance report, in addition a small

number of items will be scheduled for a detailed update on progress at each committee meeting, Appendix A sets out the monitoring programme.

- 3.4 The revision of the monitoring process is to allow for the committee to focus deeper on each governance issue, looking at the resource requirements and implications around each topic area. The timescale for consideration of items have been suggested to take account of key milestones for projects or in line with quarterly updates to help committee see how an item is progressing against its measures of success.

4. Reasons for recommendations

- 4.1. It is a key role of the G&A&S committee to monitor governance issues across the authority and ensure they are comfortable that standards set out in our Local Code and Annual Governance Statement are achieved.

5. Key governance issues

- 5.1. Under the new monitoring process the governance items for a detailed update at committee on 7th November 2014 are as follows:
- 5.1.1 Review of the constitution - Michael Lawther (City Solicitor and Strategic Director) will attend the committee to provide a verbal update on this item, setting out the current position, why it is a governance issue and the requirements and implications.
- 5.1.2 Review of equalities training - Louise Wilders (Head of Customer, Community and Democratic Services) and Liz Aplin (Operational Training Manager) will attend the committee to provide a verbal update on this item.
- 5.1.3 Progress against all key issues will be included as part of the next Quarterly Performance report.

6. Equality impact assessment (EIA)

- 6.1 This report does not require an Equalities Impact Assessment, as there are no proposed changes to the council's services, policies, or procedures included within the recommendations.

7. Legal Implications

- 7.1 Legal considerations have been taken into account in the preparation of this report and where appropriate embodied within it.

8. Finance Comments

- 8.1 There are no financial implications directly arising from the recommendations in this report. However, it should be noted that there could be financial implications following the further exploration of the issues raised in section 5 of this report, and related future reports could result in financial implications. These will be flagged to members at the appropriate time.

.....
Signed by:

Appendices:

Appendix A: Governance Monitoring Programme

Background list of documents: Section 100D of the Local Government Act 1972

The following documents disclose facts or matters, which have been relied upon to a material extent by the author in preparing this report:

Title of document	Location

The recommendation(s) set out above were approved/ approved as amended/ deferred/ rejected by on

.....
Signed by:

This page is intentionally left blank

Committee Meeting Date	Governance Issue	Links with	Lead Officer(s)	Item Number (From AGS 2013/14)
7th November 2014	The Constitution has not been reviewed/formally updated for a number of years	High governance priority	Michael Lawther	(Item 1)
	Review of Equalities Training	Link to Learning and Development programme	Lou Wilders/Liz Aplin	(Item 2)
30th January 2015	The governance, partnership and management arrangements for Portsmouth Youth Offending Team (YOT) were judged to be ineffective by the HM Inspectorate of Probation.	Following Peer Review	Stephen Kitchman	(Item 12)
	Work undertaken by the Building Control Surveyor is not checked	Link to Audit	Internal audit / Claire Upton-Brown	(Item 16)
	Member training and political development is not systematic nor sufficiently championed and would benefit from more robust succession planning	Link to Learning and Development programme	Michael Lawther	(Item 15)
13th March 2015	Mandatory training requirements are unclear and staff are not completing known requirements such as financial rules training. Update on PDR review and update on completion stats	Link to Learning and Development programme	Liz Aplin/Roland Bryant	(Item 2) (Item 5)
	Non-completion of financial rules training, resulting in non-compliance with Financial Rules.	Link to Audit and L and D programme following changes to financial rules	Chris Ward/Paul Thomas	(Item 3)
	Ofsted action points following inspection July 2014	Following Ofsted Inspection Report	Julian Wooster/Hayden Ginns	(Item 14)
	Corporate performance management arrangements need strengthening.	Following Peer Review	Kelly Nash	(Item 8)
May 2015 (date to be confirmed)	<ul style="list-style-type: none"> Understanding of public grant and its intended use is fully understood at political and corporate levels. Restricted access to NHS data and impact on public health intelligence analysis Legionella Testing 	Link to Public Health	David Price David Price John Bean	(Item 10) (Item 11) (Item 9)
July 2015 (date to be confirmed)	<ul style="list-style-type: none"> Table top exercises Data breaches Freedom of information response rates update and actions from audit report 	Link to Audit	Kate Scott Helen Magri Helen Magri	(Item 6) (Item 7) (Item 13)
September 2015	<ul style="list-style-type: none"> Policy hub 	Link to ICQs	Lyn Graham	(Item 4)

Agenda Item 11



Portsmouth
CITY COUNCIL

Agenda item:

Title of meeting: The Governance and Audit & Standards Committee

Date of meeting: 07 November 2014

Subject: Update on the council's compliance with its Equality Duty and Equality Impact Assessment Process

Report by: City Solicitor

Wards affected: All

Key decision: No

Full Council decision: No

1. Purpose of report

- 1.1.** To update the Committee on the compliance of council services with the Equality Duty and the Equality Impact Assessment process since the last report dated 27 June 2014.

2. Recommendations

- 2.1.** That the Committee notes the contents of the report;
- 2.2.** That the Committee continues to monitor the compliance of the council services with the Equality Duty and the Equality Impact Assessment process adopted by the Council, on a quarterly basis.
- 2.3.** That the City Solicitor continues to report on such compliance to the Committee on a quarterly basis.

3. Update on the Council's compliance with the Equality Duty and the Equality Impact Assessment (EIA) process

3.1. Background

- 3.1.1.** The Equality Act 2010 introduced the Public Sector Equality Duty, which requires the council to consider the impact of its day-to-day activities, including

development of new or changed policies, strategies, projects and services, on people with any of the eight 'protected characteristics'. These are age, race, disability, sex, gender reassignment, sexual orientation, religion or belief, and pregnancy and maternity. The council must take steps to identify and mitigate any potential discriminatory or disproportionately negative impact of its activities on any of the equality groups as part of its decision-making and implementation process. A full explanation of the council's obligations under the Equality Duty was provided to the Governance and Audit & Standards Committee in the report of 11 November 2011.

3.1.2. Non-compliance can lead to costly, time-consuming and reputation-damaging legal challenge by individuals or pressure groups.

3.1.3. The council has a well-established Equality Impact Assessment (EIA) process which assists compliance with the Equality Duty. The process requires that a preliminary EIA, if relevant, should be undertaken at the initial stage of (re)design / development of a policy, strategy, project or service. If the preliminary EIA identifies a potential negative impact on any of the groups protected under the Equality Act 2010, a full EIA should be undertaken before any final decision is made. The full EIA should take into account results of any public consultation and any other relevant local and national information available, including any effects of similar initiatives elsewhere in the UK.

3.1.4. The EIA process requires that all completed EIAs are sent to the Equality & diversity team for quality assurance before being submitted with a relevant report for a decision.

3.2. Compliance of council services with the Equality Impact Assessment process

3.2.1. 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 & diversity team as having a potential present or future disproportionately negative impact on people possessing any of the 'protected characteristics'.

The table below shows the individual services' compliance with the council's 3 yearly rolling EIAs as at 16 October 2014. The table illustrates that the majority of services are currently 100% compliant, although four services compliance has dropped since June 14.

Health, safety & licensing has had a major decrease in compliance since June 14, all the overdue EIA's are relating to the licensing function. Licensing have been given an extension for another two EIA's (Policy relating to the grant of permits for amenities on the highway and The statutory process and local policy guidelines relating to the hackney carriage and private hire licensing functions) this is because they will need to go out to consultation as they could have an impact on some of the protected characteristics as described by the Equality Act 2010.

Transport & Environment Service has one outstanding EIA relating the the Dial a ride service.

Housing & Property Services had been given extra time to complete their outstanding EIAs as they were in the process of reviewing some of their policies and planned to undertake satisfaction surveys with service users, this position has not improved since June 14. The delay is also partially attributed to current lack of staff capacity within the service to carry out a number of EIAs at the same time. The Equality & diversity team have met with management to try and resolve these issues.

The Equality & diversity team is working with these services to ensure that these EIAs are completed without further delay. The monitoring by this Committee has proved beneficial in improving the services' compliance with the EIA process.

Directorate	Service	Compliance
Public Health	Health, Safety & Licensing	73% - this is a 27% decrease since June 14
People Services	Education & Strategic Commissioning	100% - no change
	Children's Social Care and Safeguarding	100% - up from 88%
	Adult Social Care	100% - no change
	Revenues and Benefits	100% - no change
Regeneration	City Development & Cultural Services	100% - no change
	Corporate Assets, Business & Standards	100% - up from 90%
	Transport & Environment	93% - this is a 7% decrease from June 14
	Housing & Property Services	71% - this is a 29% decrease from June 14
Performance / Support Services	Information Services	100% - no change
	Finance	100% - no change
	HR, Legal & Performance	100% - no change
	Customer, Community & Democratic Services	100% - no change

3.2.2. All additional EIAs being undertaken on proposed new or changed projects, policies, services and strategies, that are placed before relevant decision-makers, are regularly monitored by the Equality & diversity team through the Future Work Programme, liaison with democratic services, equality leads and other officers in individual services, and by checking agendas in advance of council decision meetings. Below shows the additional EIA's that have been completed since the last update:

Health, Safety & Licensing

Shared Uniform Service Project
Call off contract from the Framework for Learning Disability
Supported Living.
Removal of subsidy paid to Meals on Wheels service

Transport & Environment

Henderson Road Traffic Calming Scheme
Pedestrian crossing addition at Havant Road/Farlington Avenue

Customer, Community & Democratic Services

Review of polling districts and polling places

Education & Strategic Commissioning

Proposal to change The City of Portsmouth Boys' School from a single sex school to a co-educational school.

Council services are overall pro-active in planning for equality analysis as part of their project processes and contacting the Equality & diversity team for advice and support. Occasional prompting is necessary as well as the team's support in ensuring the EIAs are of good quality. When that happens, the team provides additional training and guidance to individual officers in question.

In addition, in order to ensure that council officers and members are provided with information about latest developments in the Equality Law and their implications for the way council services operate, and understand the council's EIA process, the Equality & Diversity Team:

- a) Provides reports on developments in equality law to Strategic Directors Board, Departmental Management Team Meetings, and the Governance and Audit & Standards Committee.
- b) Works with our Learning & development services to ensure that their training courses are up-to-date.
- c) Provides advice and training to council officers on an individual basis - this is often preferred to group training sessions as it helps our officers understand the practical relevance of the Equality Law in the context of their service's work.
- d) Makes information about the council's legal obligations and the EIA process available on our main website at:
<https://www.portsmouth.gov.uk/ext/community-and-environment/community/equality-and-diversity.aspx>.

- e) Provides regular legal updates as well as information about diversity events on our Equality & diversity in Portsmouth blog at:

<http://pccequality.blogspot.co.uk/>.

4. Reasons for recommendations

- 4.1. To ensure that the Council complies with its legal obligations under the Equality law.

5. Equality impact assessment (EIA)

- 5.1. This report does not require an Equality Impact Assessment as it does not propose any new or changed services, policies or strategies.

6. Head of legal services, comments

- 6.1. The report indicates that the Authority is engaged in meeting its full liability with respect to the Public Sector Equality Duty ("the duty"), this being undertaken via a clear policy of engagement and where appropriate the initiation of an Equality Impact Assessment. This process of EIA, which goes beyond the strict legal duty, to have due regard to the PSED thereby mitigates risk and provides a clear structure for assessment and consideration of equality issues. It is to be remembered that the PSED requires that within the Authority decision making process steps are undertaken to eliminate discrimination, advance equality of opportunity and foster good relations.

7. Head of finance's comments

- 7.1. There are no financial implications arising from the recommendations in this report.

.....
Signed by:

Appendices: Nil

Background list of documents: Section 100D of the Local Government Act 1972

The following documents disclose facts or matters, which have been relied upon to a material extent by the author in preparing this report:

Title of document	Location
Nil	

.....
Signed by:

This page is intentionally left blank



Title of meeting: Governance and Audit and Standards Committee

Date of meeting: 7 November 2014

Subject: Local Government Ombudsman Complaints 2013/2014

Report by: Head of Customer, Community and Democratic Services

Wards affected: All

Key decision: No

Full Council decision: No

1. Purpose of report

To bring to the attention of the Governance and Audit & Standards Committee the Annual Review by the Local Government Ombudsman dated July 2014 regarding the complaints it has considered against Portsmouth City Council for the year 2013/2014.

2. Recommendations

It is recommended that the report be noted.

3. Background

The local government ombudsman's annual review provides a summary of the complaints they have dealt with regarding Portsmouth City Council. It includes comments of the authority's performance and complaint handling arrangements, to assist with service improvements.

This year, out of a total of 20,306 complaints, the LGO registered 18,436 new complaints and enquiries specifically about local authorities. In comparison to the previous year:

- complaints about benefits and tax increased by 26%
- complaints about local authority adult social care increased by 16%

The two areas where the LGO was more likely to uphold complaints in detailed investigations were also in benefits and tax (49%), and adult social care (48%).

Housing complaints to the LGO also decreased by 39%, although this was an expected result of all new complaints about councils' role as social landlords becoming the responsibility of the Housing Ombudsman Service in April 2013.

Complaints about Portsmouth City Council:

The Local Government Ombudsman received 67 complaints about Portsmouth City Council during 2013/2014, compared with 19 in 2012/2013 and 53 in 2011/2012. Of these, 20 cases were closed following initial enquiries, 24 were referred back to Portsmouth City Council for local resolution, with formal enquiries being carried out in 15 cases. Only 3 complaints were upheld.

The three upheld cases were remedied either during the investigation or as a result of an investigation by the ombudsman. These are termed as 'local settlements' and are where, during the course of an investigation the council takes or agrees to take some action which the Local Government Ombudsman considered to be a satisfactory conclusion to the complaint.

The following actions have been agreed as a direct result of complaints received.

Adult Social Care agreed to:

- Apologise for a nursing homes failure to involve next of kin in decisions regarding end of life care.

Financial Services agreed to:

- Review a contact restriction placed on a resident using the Financial Assessments and Benefits service. The LGO believed that the restriction to be too severe.

Corporate Assets and Business standards agreed to:

- Pay Mr X £150 to acknowledge that faults by the Council caused delays and avoidable frustration, putting Mr X to extra time and trouble to pursue the issue.

4. Equality impact assessment (EIA)

An Equality Impact Assessment is not required as this report is for information only.

5. Legal Implications

A key role of the Committee is to review Ombudsman's complaints on an annual basis and where appropriate to hold the Council and its services to account.

6. Finance Comments

There are no financial implications arising from the recommendations contained within this report other than that expenditure that has already been made.

.....
Signed by:

Appendices:

- Appendix one: 14 01 29 - Adult Social Care
- Appendix two: 14 04 02 - Finance
- Appendix three: 14 05 29 - Corporate Assets and Business Standards

Background list of documents: Section 100D of the Local Government Act 1972

The following documents disclose facts or matters, which have been relied upon to a material extent by the author in preparing this report:

Title of document	Location
Review of Local Government Complaints 2013-14	http://www.lgo.org.uk/news/2014/jul/ombudsman-publishes-local-authority-complaint-statistics-new-report/

This page is intentionally left blank

Complaint reference:
13 007 261

Complaint against:
Portsmouth City Council

The Ombudsman's final decision

Summary: The Nursing Home, acting for the Council was at fault for not involving Ms R in her mother's end of life care planning. This caused Ms R distress. To put the matter right, the Council will apologise for the Nursing Home's failing. The Nursing Home was also at fault for not referring Mrs S for a swallowing assessment. But I do not conclude this caused her any injustice.

The complaint

1. Ms R complains about her late mother's end of life care in a nursing home. (the Nursing Home') Portsmouth City Council ('the Council') arranged and funded Mrs S's care. Ms R complains:
 - a) The Do Not Attempt Resuscitation ('DNAR') form was not in the Nursing Home's care notes
 - b) A night nurse had a poor attitude
 - c) The handover was inadequate on 21 April
 - d) Mrs S had a chest infection and should have been nursed upright.
 - e) The Nursing Home used plastic pillows and a heavy duvet. These were inappropriate
 - f) There was no fan to help cool Mrs S. When asked, the Matron said electric fans should not be used
 - g) There was no oxygen available
 - h) There was no assessment of Mrs S's swallow reflex (nursing staff did not make a referral to the Speech and Language Therapist for this)
 - i) A nurse used the wrong needle to give a controlled drug on 22 April
 - j) The district nurse decided not to set up a syringe driver, although the out of hours GP had prescribed this.
 - k) There were no/inadequate measures to prevent cross-infection between staff with colds and vulnerable residents.

What I investigated

2. I have investigated complaints (a) to (i). My reasons for not investigating complaints (j) and (k) are at the end of this statement.

The Ombudsman's role and powers

3. The Ombudsman investigates complaints of fault where someone says it has caused them (or a person they act for) injustice. If the Ombudsman finds fault but no injustice, she will not ask the council to provide a remedy. If she finds both fault and injustice, she may ask for a remedy [*Local Government Act 1974, sections 26(1) and 26A(1)*]
4. The Ombudsman has the power to start or discontinue an investigation into a complaint within her jurisdiction. [*Local Government Act 1974, section 24A(6)*]
5. If, after completing an investigation, the Ombudsman decides she is satisfied with action which the council has taken or proposes to take and it is not appropriate to prepare a report, she may issue a statement of reasons for the decision. [*Local Government Act 1974, section 30(1)(B)*]
6. In investigating complaints where an authority exercises a role entirely or partly by an arrangement with another person (or organisation), action taken by or for the other person in carrying out the arrangement is action by the authority. [*S25(7) Local Government Act 1974*]

How I considered this complaint

7. I discussed the complaint with Ms R. I considered:
 - Ms R's complaint to the Ombudsman and supporting documents
 - Ms R's complaint to the Nursing Home and its responses
 - The Council's response to my enquiries
 - The Nursing Home's response to my enquiries
 - Some of Mrs S's records from the Nursing Home.
8. The Nursing Home, Council and Ms R have all seen and had an opportunity to comment on a draft of this statement.

What I found

What should have happened

9. Councils have a duty to arrange residential care for people over 18 where three conditions are met:
 - A person must need care and attention;
 - The need for care and attention must be because of age, disability, or illness;
 - The care and attention must not be available otherwise than by providing accommodation with care. [*S21 National Assistance Act 1948*]
10. Councils may arrange residential care by contracting with a third party. [*S26 National Assistance Act 1948*]
11. A case in the High Court said that a council was under a continuing duty to ensure that a person's assessed needs were being met when it arranged residential care with another care provider. [*R v Service Houses and London Borough of Wandsworth ex p Goldsmith and Chatting [2000] 3 CCLR 325*]
12. The Ombudsman's view is that in arranging to place someone in residential care under the National Assistance Act 1948, a council's duty to meet eligible needs does not finish once the placement is made. Councils remain under a continuing

duty to ensure that any arrangements made under the 1948 Act continue to be sufficient to meet the needs of the resident. This requires an analysis of the arrangements in place at the care home.

13. The Care Quality Commission ('CQC') is the independent registration body and regulator of health and adult social care services in England. CQC issued guidance in March 2010, *Essential Standards of Quality and Safety*, to help registered care providers comply with the Health and Social Care Act 2008 (Regulated Activities) Regulations 2010 ('the 2010 Regulations'). When investigating complaints about standards of care in a residential or nursing home placement which a council has arranged and funded, the Ombudsman considers the 2010 Regulations and whether the Essential Standards set out in CQC guidance have been met. If they have not, she considers whether any identified faults have resulted in injustice to the person affected.
14. The 2010 Regulations relevant to this complaint are:
 - *Regulation 9(1)*: Care providers must ensure service users are protected against the risk of receiving unsafe care or treatment by assessing needs and planning care to meet individual needs and ensure their welfare and safety.
 - *Regulation 16*: Care providers must ensure equipment is available in sufficient quantities to ensure the safety of people and meet their assessed needs.
 - *Regulation 17*: Care providers should as far as possible make arrangements to protect the dignity, privacy and independence of service users and to enable them to participate in making decisions about their care. Care providers should provide service users (or those acting on their behalf) with appropriate information and support in relation to their care and treatment. This is so service users are respected and involved with their care. And, where appropriate and reasonably practicable, accommodating views on what is important to service users and their representatives about care.
 - *Regulation 24*: Care providers must make suitable arrangements to protect the health, welfare and safety of service users where responsibility for care and treatment is shared with or transferred to others by:
 - a) So far as reasonably practicable, working together to ensure appropriate care planning.
 - b) Sharing appropriate information about (i) admission, discharge and transfer and (ii) the co-ordination of emergency procedures and
 - c) Supporting service users or persons acting on their behalf, to obtain appropriate healthcare.
15. The National Institute of Health and Care Excellence (www.nice.org.uk) is empowered to issue integrated quality standards for health and social care. In 2011, NICE issued *Quality Standard 13: End of Life Care for Adults*. This recommends:
 - People and their families should be offered information in an accessible and sensitive way, when that information is requested or is useful to make a decision or choice
 - People should have a full assessment in response to their changing needs and preferences with a chance to discuss and review a personalised care plan. The assessment should include psychological support, control of symptoms, social and spiritual support and communication

-
- People should have care which is co-ordinated across all settings day and night and delivered by practitioners who are aware of the person's medical condition, care plan and preferences.
 - People in their last days of life should be identified quickly and their care should include rapid access to equipment and administration of medication.
16. The Nursing Home's end of life policy says a member of senior care staff with training in end of life care will:
- Put in place a programme of end of life care when a person is identified as needing this
 - Make the person's family aware of the likely progress and involve them in planning
 - Discuss the person's and their family's wishes and put these in a plan of care
 - Enable the final days to be in familiar surroundings
 - Make the person as comfortable as possible
 - Allow family to stay as long as they wish
 - Ensure care staff are available to stay with the person if they wish
 - Continually review the care plan to ensure the person has control where possible

What happened

17. The key events are from the Nursing Home's records unless otherwise stated.
18. The Council arranged and funded residential care for Mrs S under responsibilities in the National Assistance Act 1948 (see paragraph 7).
19. Mrs S lived in the Nursing Home from 2011 until she died in April 2013. She was very frail and had long-term health problems. Around 10 April, Mrs S developed a cold. This turned into a chest infection and she became very poorly quickly, was wheezy and struggling for breath. Her GP visited on 11 April and prescribed antibiotics. The GP signed a 'do not attempt cardio-pulmonary resuscitation' form on 11 April. Ms R told me this form was not in place earlier despite her having discussed it with the GP in July 2012.
20. On 12 April the matron drew up an end of life care plan for Mrs S. This said Mrs S had impaired health and coping including poor swallowing and appetite. There was a risk of constipation and skin break down. There was a risk of fatigue and disturbed sleep. The aim of the care plan was to control symptoms, maintain quality of life and manage pain.
21. The agreed nursing action was:
- Arrange GP visits as needed
 - Reassess the care plan, care needs and medication
 - Involve Mrs S's daughter in decision-making
 - Observe half hourly
 - Reassess the route of medication and arrange a GP visit if necessary
 - Ensure there was a calm and peaceful environment.

-
22. The Nursing Home kept daily nursing and care notes for Mrs S. These record a summary of care and nursing interventions. A summary of relevant entries is below:
- On 15 April, Mrs S's chest seemed clearer. The following day she was having difficulty swallowing and didn't want to open her mouth for food or medication. A note of a discussion with Ms R said she would like her mother to be nursed in bed all the time, to change her position as necessary and not to force her to eat or drink or disturb her giving prescribed medication. Ms R said she wanted her mother to be comfortable and safe and to have mouth care as needed.
 - On 21 April, it was noted Mrs S's breathing was laboured and she couldn't swallow. She appeared in distress. The GP visited and suggested a syringe driver (a small portable pump giving continuous pain relief.) Ms R agreed with this. The GP gave a dose of morphine at 9pm and wrote up a prescription for pain relief to be given through a syringe driver. The nurse on duty called the district nurses to set up the syringe driver. The district nurse arrived around 10 pm. She went away again as she had no equipment and returned just after midnight. The district nurse wrote in the notes that the syringe driver was not appropriate as Mrs S was comfortable but that staff should call back if things changed.
 - On 22 April, the GP visited again and wrote up a prescription for morphine 2.5mg 'as and when required every six hours'. The nurse on duty gave an injection of morphine at 1.25pm. Mrs S died at 2.30 pm. Ms R was there.
23. Ms R complained to the Nursing Home. Senior staff met with her. After the meeting, a director of the Nursing Home responded to her complaints saying:
- It had passed her complaint on to the Council as a potential safeguarding concern
 - The GP did not give the Nursing Home the 'do not attempt resuscitation' form the GP completed in July 2012
 - The nurse in charge told the district nurse Mrs S had been on antibiotics for a chest infection
 - There are three daily handovers. The matron had put in place a new system with written notes supplementing what staff said during the handover
 - The Nursing Home could not store oxygen unless it had been prescribed by a doctor.
24. Ms R contacted the Council about her complaint. The Council's safeguarding team considered the matters raised under safeguarding procedures and decided not to do a safeguarding investigation. The Council told Ms R to contact the Ombudsman when she had used all stages of the Nursing Home's complaints procedure.

Comments from Ms R

25. Ms R told me she did not think there was an end of life care plan for Mrs S. If there was, neither she nor Mrs S had been involved in drawing it up.
26. Ms R told me one day she had to ask for a different duvet and pillow as the ones in use were plastic and too heavy and her mother was sweating.
27. Ms R told me the GP had signed a DNAR form in July 2012. There was no copy on her mother's care records so she had to sign a letter confirming her wishes in the last few days of Mrs S's life.

-
28. Ms R told me she was distressed that she had to ask staff to call out the GP on the morning of 22 April.
29. Ms R told me her mother flinched when the nurse on duty (Nurse A) gave the morphine injection on 22 April. Ms R is a nurse and she told me the nurse on duty used the wrong needle and injected at a 90 degree angle rather than a 45 degree. The plunger was not withdrawn slightly as it should have been to ensure the needle had not entered a blood vessel. The nurse on duty wrote a statement saying she gave the injection 'as instructed by the GP'
30. Ms R told me the nurse on duty (Nurse B) who attended when Mrs S's GP visited on 21 April had a poor attitude, had headphones on and only spoke to the doctor. Nurse B wrote a statement saying she was sorry for having headphones round her neck. She said she had forgotten they were there. The nurse said the district nurse decided the syringe driver was not necessary as Mrs S was settled.
31. Mrs R also told me the handover to day staff on 22 April was not adequate because the matron did not know about the location of the syringe driver drugs.

Comments from the Nursing Home

32. Responding to my enquiries, the Nursing Home said:
- The handover on 22 April was adequate. Ms R spoke to the matron who was not aware of the syringe driver drugs because she had a meeting at the start of her shift, but senior day staff on duty knew and there were written records in place
 - Mrs S had a chest infection and was nursed on alternate sides, inclined to avoid choking on secretions
 - One of the domestic staff gave Mrs S different bedding. The matron opened the window to Mrs S's bedroom and suggested to wait and if necessary, a fan could be used. But a fan was not ideal because it caused particles to move and Mrs S had a chest infection
 - They only used oxygen where prescribed by a doctor
 - There was no referral to the speech and language therapist because Mrs S had gum infections. It was a chewing not a swallowing problem
 - The Nursing Home ran out of the correct (blue) needle and so the nurse used a green needle. She is confident she used the correct injection technique.

Was there fault and if so, did this cause injustice?

33. The Council assessed Mrs S and concluded she needed residential care in a nursing home. It contracted with the Nursing Home to deliver Mrs S's care. For the purposes of my investigation, the Nursing Home acted for the Council. So any findings of fault in Mrs S's care are faults by the Council.

General comments on consultation about Mrs S's end of life care

34. The Matron drew up an end of life care plan for Mrs S's care. There is no evidence Ms R or Mrs S were involved with this and Ms R did not know there was an end of life care plan for her mother despite being heavily involved with Mrs S's care. This is fault because it is not in line with:
- Regulation 17
 - NICE guidance on end of life care
 - The Nursing Home's own end of life care policy

-
35. The failure to involve Ms R in her mother's end of life care plan before implementing it caused her distress and uncertainty because she could not be reassured her mother's discomfort during the final days would be minimised. Even at the point she complained to the Ombudsman, Ms R believed there was no end of life care plan for her mother.
- a) The DNAR form was not in the Nursing Home's care notes**
36. There was no DNAR form before 21 April. Ms R discussed this with the GP months earlier and made her wishes known. The GP did not pass this information on to the Nursing Home. But this was not the Nursing Home's fault. It was the GP's responsibility to liaise with the Nursing Home and to inform staff about Ms R's wishes. It was distressing for Ms R to have to discuss this again. But I do not consider the Nursing Home to be at fault for the GP's omission.
- b) A night nurse had a poor attitude**
37. The nurse wore earphones around her neck but she was not listening to music on duty. I consider this is insignificant fault. The nurse not speaking to Mrs S and Ms R during the GP consultation is insignificant fault and did not cause any injustice because the focus of this meeting was between the GP and Mrs S.
- c) The handover was inadequate on 21 April**
38. I am satisfied with the Nursing Home's explanation that the relevant day staff were aware of the location of the syringe driver drugs. There is no regulatory requirement for the Matron to be present at the handover. There is no fault.
- d) Mrs S had a chest infection and should have been nursed upright.**
39. The Nursing Home says Mrs S was nursed on alternate sides and inclined. The records are silent on this point. There is also no record that Mrs S's GP advised she should be nursed upright. I accept the Nursing Home's submission that Mrs S was nursed inclined on alternate sides. So there is no fault.
- e) The Nursing Home used plastic pillows and a heavy duvet. These were inappropriate**
40. Ms R asked a member of staff for lighter bedding for Mrs S and this was provided quickly. I am satisfied with the response to Ms R's request and there is no fault.
- f) There was no fan to help cool Mrs S. When asked, the Matron said electric fans should not be used**
41. The Matron opened a window in Mrs S's bedroom to cool her down. She also explained why an electric fan might not be the best way to cool Mrs S. I am satisfied with the Matron's response and there is no fault.
- g) There was no oxygen available**
42. Regulation 9 of the 2010 required the Nursing Home to deliver an individual plan of care for Mrs S and Regulation 24 required it to support Mrs S to access healthcare. Oxygen is only available out of a hospital setting where a doctor has prescribed it. Mrs S's GP did not prescribe oxygen so there was no requirement for the Nursing Home to provide this and it was not on her care plan. There is no fault.
- h) There was no assessment of Mrs S's swallow reflex (nursing staff did not make a referral to the Speech and Language Therapist for this)**
43. The nursing notes record Mrs S was having problems with swallowing on more than one occasion. This information contradicts the Nursing Home's response to my enquiries which said Mrs S had a *chewing* problem, not a swallowing problem.

-
44. There is no record of staff discussing Mrs S's swallowing difficulties with the GP. I consider the Nursing Home, acting for the Council is at fault. This is because senior nursing staff did not act on Mrs S's observed and recorded swallowing concerns by make a referral to a speech and language therapist or advising the GP.
45. I cannot say whether a SALT assessment would have made any difference to Mrs S's comfort as she often refused to open her mouth in the last few days. So it is possible that Mrs S might not have been able to co-operate with the assessment or that staff may not have been able to implement any advice from the SALT.
- i) A nurse used the wrong needle to give a controlled drug on 22 April and her technique was poor**
46. I have interviewed Ms R about her recollection of what happened. Ms R says her mother flinched when the nurse gave the injection. I have decided there is insignificant injustice to Mrs S even if I were to find fault in the way the nurse gave the injection. So I have discontinued my investigation of this complaint.

Agreed action

47. I have not upheld complaints (a) to (g) so make no recommendations. I have stopped investigating complaint (i) because there is no significant injustice.
48. I consider the Nursing Home, acting for the Council was at fault for not referring Mrs S for a swallowing assessment (complaint (h)). But I do not conclude on a balance of probability that this caused her injustice. So I make no recommendation.
49. The Nursing Home should have involved Mrs S and Ms R in Mrs S's end of life care planning and the failure to do this caused Ms R distress. The Council commissioned and funded Mrs S's placement and so for my investigation, this means the Council is at fault. To put the matter right, I recommend and the Council agrees to apologise for this failing.

Final decision

50. The Nursing Home, acting for the Council was at fault for not involving Ms R in her mother's end of life care planning. This caused Ms R distress. To put the matter right, the Council will apologise for the Nursing Home's failing. I am satisfied this puts the matter right so I have completed my investigation.

Parts of the complaint I did not investigate

51. I have not investigated complaint (k) because there is no evidence Mrs S suffered injustice.
52. I have not investigated complaint (j) because it is a complaint about an NHS service and is therefore for the Health Service Ombudsman. During my investigation, the local NHS Trust employing the district nurse provided a response to this complaint. Ms R is satisfied with that response and does not wish to complaint to the Health Service Ombudsman.

Investigator's decision on behalf of the Ombudsman

Complaint reference:
13 015 783

Complaint against:
Portsmouth City Council

The Ombudsman's final decision

Summary: There was no fault in the decision to restrict Ms X's contact with the adult social care finance team. Ms X placed high demands on council officers. Her contacts were excessive and far higher than for anyone else for whom the Council holds a deputyship. However, the letter explaining the contact restriction was faulty because it did not say the restriction was only with the finance team, explain Ms X's right of appeal or state when there would be a review. The Council has agreed to review the restriction.

The complaint

1. Ms X complains Portsmouth City Council ('the Council') has unreasonably restricted her contact with council services.

The Ombudsman's role and powers

2. The Ombudsman investigates complaints about 'maladministration' and 'service failure' against councils and some other bodies. In this statement, I have used the word fault to refer to these. If there has been fault, the Ombudsman considers whether it has caused an injustice and, if it has, she may suggest a remedy. (*Local Government Act 1974, sections 26(1) and 26A(1)*)
3. If the Ombudsman is satisfied with a council's actions or proposed actions, she can complete her investigation and issue a decision statement. (*Local Government Act 1974, section 30 (1B) and 34H(i)*)

How I considered this complaint

4. I considered Ms X's complaint to the Ombudsman, the Council's response to her complaint and to my enquiries. Ms X had the chance to comment on a draft of this statement and on information the Council provided in response to the draft statement.

What I found

5. The Council has a policy on how to deal with persistent complainants. The policy says unreasonable behaviour includes an "*excessive number of contacts or unreasonably made multiple complaints placing unreasonable demands on employees*". The policy goes on to say "*discretion must be exercised in deciding how many contacts are required to qualify as excessive using judgement based on each individual case*"

-
6. The Council may restrict a person's contact with its services in the complainant's persistence adversely affects officers' ability to work. Restrictions must be appropriate and proportionate.
 7. The Council acts as Ms X's Deputy because the Court of Protection made an order that she lacked mental capacity to manage her finances and the Council should manage them for her.
 8. Ms X is unhappy with the Deputyship arrangement and wants to look after her own money. She has previously complained to the Ombudsman about the Deputy's actions. The Ombudsman did not investigate those complaints because they are not within the scope of what she may investigate.
 9. The Head of Adult Social Care wrote to Ms X in October 2013 saying he had decided to restrict her contact with council services. This was in response to Ms X raising many complaints about the same thing and which the Council had already dealt with.. The letter explained:
 - Some of the complaints were about the Deputy and should go to the Office of the Public Guardian. (this is the administrative department of the Court of Protection) Other issues the Council considered it had already addressed. (although not in a way Ms X accepted)
 - The areas the Deputy would continue to support Ms X with ensuring she received the benefits she was entitled to, providing copy bank statements, ensuring she received her weekly allowance and repaying her for expenses.
 - The issues the Council considered it had already dealt with were the insurance claim, DLA appeal and costs associated with Ms X's dog.
 - The Council was restricting her contact with its services *'for any other purpose than to agree expenditure and provide evidence of such thereafter'*
 10. The Council told me it did not mean to restrict Ms X's contact with all council services and the restriction (final bullet point) was only about Ms X's contact with the finance team. There were no limits on Ms X's contact with other council departments.
 11. The Council told me about constant problems it has with Ms X's contact. These problems are because Ms X does not want a Deputy. In summary, the Council said:
 - Since it became Deputy for Ms X she has been continuously unhappy. She has complained about a wide range of issues, there are three files for Ms X in which this correspondence is held - dating back some years
 - Ms X has made the Deputyship almost impossible. She physically assaulted a former Client Affairs Officer, refused to let the current Client Affairs Officer deal with her affairs and failed to engage. Managers then became involved to deal with correspondence and now all correspondence is addressed to the Head of Adult Social Care
 - Ms X refused to meet with officers or speak on the telephone and refused to respond to emails electronically, any response has to be in writing in a sealed envelope addressed to her, then posted in another sealed envelope to her advocate's address.
 - Ms X refuses to collect her weekly allowance from any council building, despite having a housing office close to her home. An officer has to deliver her weekly cash by hand. Ms X refuses to open the door and refuses to sign to say she

has accepted the money. An officer has to photocopy the cash with a receipt slip and get this witnessed by another officer.

- The one time Ms X engaged with the officer delivering her weekly budget she shouted at him stating she did not want any officer to come to her home to deliver cash, she would tape up her letterbox and she wanted a formal investigation from the Head of Social Care and that she would come in and "spray paint the civic offices".
- Against council advice, Ms X makes purchases without permission from the Deputy, who then has to try and get information/receipts to account to the Court of Protection. Ms X fails to provide this or takes some time in responding again causing unnecessary work and man hours for the Client Affairs team
- Ms X wants a review of her budget and officers have offered to meet to discuss this, however she refuses to do so. Officers have sent information to her about her budget and again have not received a response. The man hours involved in chasing, and follow up work far exceeds any other clients.
- Ms X has said several times that she does not have any confidence in the Deputy and that she would like control of her finances again. Because of the complete communication breakdown, the Council sought advice from the Courts. The Courts would also support an application to revoke the Deputyship. For this to happen, there must be a mental capacity assessment and the Courts will not release until satisfied alternative arrangements are in place. Ms X has forbidden the Health Service to give any information to the Client Affairs team - this is the team responsible for completing the paperwork, therefore without this information the Council cannot revoke the Deputyship. The Council would be seeking a court appointed deputy as it is officers' professional opinion Ms X would still need this service. The restriction Ms X has made on information sharing between the Council and the NHS also makes the position difficult as the Council has to present information to the courts, to meet Ms X's request for it not to be her Deputy any more.
- Ms X complained the Council's information for her Disability Living Allowance application resulted in her claim being turned down, however the Council was unaware of this application and had no hand in it. Ms X instructed an external advocate to help her.
- Portsmouth City Council is Deputy for about 140 clients. For most clients, (85% -90%) the only contact would be yearly when setting new agreed budgets. The remaining 15% - 20% would have about three to four contacts per year.

12. I asked the Council about Ms X's contacts with it for the 3 months before the contact restriction (July to September 2013). Ms X and/or her advocate sent 7 emails and 3 letters. The Council explained the total man hours needed to deal with each response is about 8. This is on top of the general administration time of dealing with Ms X's financial affairs including hand delivering cash, chasing missing receipts and other financial matters of about 2.5 hours per week.

Was there fault?

13. I have considered all the information from the Council and Ms X has seen the Council's responses without comment. I have to reach a view on whether Ms X's contacts during the deputyship have been excessive and whether the Council was balanced and proportionate in imposing the restriction, given the competing demands on its resources from other clients. I have also taken into account the

fact Ms X has mental health problems and lacks capacity to manage her financial affairs and her contacts have to be viewed in that context. I have decided it was proportionate to restrict Ms X's contacts as the Council has done and the Council was correct to conclude she was placing excessive demands on the client affairs team.

14. However, the Council's letter restricting contact was faulty. It did not give Ms X a date for a review. And the letter wrongly said she could not contact any council services when the restriction was intended only to be with the finance team. The letter also did not explain Ms X's right to appeal against the decision. This was fault.

Agreed action

15. The Council has agreed to review the contact restriction to see whether it is still necessary.

Final decision

16. There was no fault in the decision to restrict Ms X's contact with the adult social care finance team. Ms X made unreasonable demands of council officers. Her contacts were excessive and far higher than for anyone else for whom the Council holds a deputyship.
17. However, the Council's letter explaining the contact restriction was faulty because:
- it did not explain the restriction was only with the finance team
 - it did not explain Ms X's right of appeal or state when there would be a review.
18. The Council has agreed to review the restriction. I have completed my investigation because I am satisfied with the agreed action.

Investigator's decision on behalf of the Ombudsman

The Ombudsman's final decision

Summary: The Council delayed in dealing with a request for a lease and was at fault for failing to tell the applicant the area would be regenerated within 12 months.

The complaint

1. Mr X complains the Council delayed in responding to his enquiries about leasing commercial premises and failed to tell him the area was subject to regeneration restricting the length of any lease.

The Ombudsman's role and powers

2. The Ombudsman investigates complaints about 'maladministration' and 'service failure'. In this statement, I have used the word fault to refer to these. If there has been fault, the Ombudsman considers whether it has caused an injustice and if it has, she may suggest a remedy. (*Local Government Act 1974, sections 26(1) and 26A(1)*)
3. The Ombudsman cannot question whether a council's decision is right or wrong simply because the complainant disagrees with it. She must consider whether there was fault in the way the decision was reached. (*Local Government Act 1974, section 34(3)*)

How I considered this complaint

4. As part of the investigation, I have:
 - considered the complaint and the documents provided by the complainant;
 - made enquiries of the Council and considered the comments and documents the Council provided;
 - discussed the issues with the complainant;
 - sent my provisional view to both the Council and the complainant and invited their comments.

What I found

5. Mr X contacted the Council in June 2013 about leasing a vacant unit to start a business in. He met a council officer at the site. Mr X was keen to move his project forward but heard nothing from the Council.
6. Mr X says he contacted the Council regularly about the potential lease. He says each time the Council promised to send him the lease terms shortly but nothing happened. In August Mr X made a formal complaint to the Strategic Director

about the lack of response. The Council responded apologising for the delay and promised to send the draft lease by the end of August.

7. Mr X did not receive the draft lease as promised. He again chased the Council for a response and it sent a draft lease, proposing a three year term, on 11 September.
8. Mr X then entered into a period of negotiation with the Council over the terms of the lease. Agreement could not be reached between Mr X and the Council which resulted in Mr X submitting a formal complaint in November 2013.
9. Mr X continued negotiating with the Council about the lease. In January 2014 the Council advised him the area was to be redeveloped which meant he could only be offered a 12 month lease. Mr X says it is not commercially viable for him to start a business with only a 12 month lease.
10. Dissatisfied with the way the Council has handled this matter, Mr X complained to the Ombudsman.

Analysis

11. Mr X complains the Council delayed in responding to his request to lease a building. The Council accepts it did not respond within its usual timescales. It says there are no specific or statutory timescales but there was delay in this case due to staff shortages and high caseloads.
12. I am satisfied there was fault by the Council. It delayed in responding to Mr X's enquiry. The way it handled the matter caused frustration for Mr X as the Council failed to give realistic timescales for the matter to be concluded. Even after Mr X made a formal complaint, the Council failed to meet the promised timescale.
13. Mr X also complains the Council failed to tell him the area was subject to regeneration and that this would restrict the length of any lease. Mr X says that if he knew this at the outset he would not have continued to negotiate as it is not commercially viable for him to set up a new business with only a 12 month lease.
14. The Council says the masterplan for regeneration was adopted in 2010 following public consultation. In September 2013 a funding bid was being processed. The Council says that in January 2014 the timescale for the proposed redevelopment highlighted the need for any lease to be short term. It says all longer term leases include a break clause. The Council feels Mr X would have been aware that the area was subject to regeneration.
15. I am not persuaded the Council fully discussed this issue with Mr X. The initial lease proposed in September 2013 was for three years. At that time the Council was applying for funding for the works. I consider the Council should have told Mr X the area was subject to a regeneration plan at the outset. I do not know for certain if this would have changed how Mr X proceeded but with the full information Mr X may have decided at an earlier date not to pursue the matter further.
16. Mr X argues the faults by the Council resulted in loss of business. I cannot agree he is affected in this way. Mr X could not agree lease terms with the Council after it sent the draft lease in September 2013. Negotiations on the terms of a lease are a normal part of the process. The delay in starting the business was due to Mr X not agreeing to the terms offered and so cannot be considered the fault of the Council.

Agreed action

17. The faults by the Council in this case caused Mr X avoidable frustration and put him to extra time and trouble to pursue the issue. The Council agrees to pay Mr X £150 to acknowledge this.

Final decision

18. As the Council agrees to the proposal in paragraph 17 above, I will not pursue the complaint further.

Investigator's decision on behalf of the Ombudsman

This page is intentionally left blank

Agenda Item 13

REPORT FOR PERIOD 29.8.13-30.9.14



Portsmouth
CITY COUNCIL

Title of meeting: Governance & Audit & Standards Committee

Date of meeting: 7th November 2014

Subject: Compliance with the Gifts and Hospitality Protocol

Report by: City Solicitor

Wards affected: All

Key decision: No

Full Council decision: No

1. Purpose of report

To update members on any issues regarding compliance with the Gifts and Hospitality protocol and to advise on remedies.

2. Recommendations

That the report be noted.

3. Background

The Protocol for Gifts & Hospitality was approved by the Standards Committee on 12 September 2007 subject to a six month review on 31 March 2008. The protocol and "Frequently Asked Questions" were subsequently approved by the Standards Committee on 31 March 2008.

The protocol requires an annual report by the Monitoring Officer on compliance to enable this committee to make any necessary recommendations for change - this report addresses that requirement.

4. Reasons for recommendations

A number of analyses of the entries in the Gifts & Hospitality system are contained in the Appendix to support the following assessments of protocol compliance.

The number of entries for the period covered by this report (29 August 2013 to 30 September 2014) is 193.

The main requirements of the protocol are as follows -

- A. Items which may be accepted under the protocol must be under £25 in value for gifts and under £40 in value for hospitality (£5 gift limit for staff in Adult Social Care). They must be given without ulterior motive. There should not be any danger of misinterpretation by the public and they must not have become a frequent occurrence.
- a) There are a number of entries where the value exceeds the limits outlined above and these are dealt with specifically below.
 - b) All other entries have been approved by Heads of Service and meet the requirements of the protocol.
- B. Items which must not be accepted include - those where the value exceeds £25 (gifts) or £40 (hospitality) (note: upper limit was changed halfway through the data period with which this report is concerned), (£5 for Adult Social Care), gifts of cash (this has been interpreted to also include vouchers), gifts from persons with whom the council is in contract negotiations (or could be) and those where we regulate or monitor services.
- a) As mentioned above there are a number of entries where the value exceeds £25 or £40 (or £5 for Adult Social Care) and there are also a number of entries of cash, or vouchers. These are dealt with separately below.
 - b) There do not appear to be any other entries that do not adhere to the general principles contained in the protocol.
- C. Hospitality – the principles for acceptance generally follow those in respect of gifts (except the permitted value has now increased to £40 - this change was made halfway through the data period).
- a) All entries have been appropriately recorded and actioned (approved or rejected) by the Head of Service.
- D. Analysis of entries where the value has exceeded £25 or £40 (Appendix 5):
- a) Of the 58 entries where the value is exceeded –
 - i) 34 are for offers of hospitality;
 - ii) 5 were rejected;
 - iii) 2 are for team building events, for staff development;
 - iv) 1 was donated to charity (Lord Mayor's Appeal);
 - v) 7 were complimentary Great South Run entries;
 - vi) The remaining 9 were aggregated items as follows:
 - (1) 3 entries concerned a long term working relationship with a contractor; proportionately the gifts were not inappropriate;
 - (2) 4 were accepted to avoid offence where no ulterior motive or influence was identified;
 - (3) 1 was a gift shared amongst the team and proportionately was not inappropriate;
 - (4) 1 was an award for excellent customer service (CDG Wise Award).

E. As regards Adult Social Care where the limit is set at £5, the details are as follows:

- a) 14 entries in total
- b) 7 of the 14 relate to entries under £5
- c) The remaining 7 which exceed £5 can be analysed as follows:
 - i) 2 entries are for the Great South Run;
 - ii) Onward donation – 1
 - iii) Gift spread throughout team so did not exceed limits - 2
 - iv) Non-returnable gift and no personal gain evident - 1
 - v) Rejected - 1

F. Cash and vouchers

- a) An analysis of the system entries for cash or vouchers is contained in the Appendix
- b) For this period there have been no cash gifts
- c) Concerning vouchers there were 18 entries:
 - (1) 9 gifts were charity run entries;
 - (2) 2 gifts were donated to Lord Mayor's Appeal
 - (3) Remaining 7 entries:
 - (a) 3 were rejected;
 - (b) 2 were accepted in connection with ongoing work and staff development;
 - (c) 2 were connected to Portsmouth in the Community.

5. Equality impact assessment (EIA)

This report does not require an Equality Impact Assessment as it does not propose any new or changed services, policies or strategies.

6. Legal implications

The legal implications are embodied within this report.

6. Finance comments

There are no financial implications arising from the recommendations contained within this report.

Appendices:

1. Breakdown by Strategic Director and Head of Service;
2. Breakdown by Acceptance / Rejection / Donation of gifts;
3. Breakdown by donation to Lord Mayor's Appeal;
4. Breakdown by cash / voucher;
5. Breakdown of gifts over £25 by Strategic Director and Head of Service.
6. Gifts and Hospitality policy on the PCC policy hub.

.....
Signed by:

Background list of documents: Section 100D of the Local Government Act 1972

The following documents disclose facts or matters, which have been relied upon to a material extent by the author in preparing this report:

Title of document	Location
Data report form Gifts & Hospitality system	Held by System Administrator

Gifts & Hospitality Register - Data Breakdown

Data Period: 29 August 2013 - 30 September 2014

1. Breakdown by Strategic Director and Heads of Service

Strategic Director	Head of Service	Gift Count
David Williams		11
Kathy Wadsworth		5
<i>Margaret Geary*</i>		1
Michael Lawther		5
Janet Maxwell		16
	Robert Watt	16
Julian Wooster		16
	Di Mitchell	2
	Preeti Sheth	1
	Stephen Kitchman	11
	Sue Beckett	2
Kathy Wadsworth		40
	Alan Cufley	7
	Simon Moon	23
	Stephen Baily	10
Margaret Geary		61
	Ed Woodhouse	9
	Owen Buckwell	52
Michael Lawther		49
	Chris Ward	12
	Jon Bell	17
	Louise Wilders	7
	Mel Burns	4
	Rachael Dalby	9
Grand Total		193

Notes:

*Margaret Geary has now retired.

Michael Lawther's entries cover staff at the Port

2. Breakdown by Strategic Director / Head of Service to show Accepted / Donated / Rejected Gifts

Strategic Director	Head of Service	Accepted	Donated	Rejected	Grand Total
David Williams		9		2	11
	Kathy Wadsworth	5			5
	Margaret Geary	1			1
	Michael Lawther	3		2	5
Janet Maxwell		13	2	1	16
	Robert Watt	13	2	1	16
Julian Wooster		16			16
	Di Mitchell	2			2
	Preeti Sheth	1			1
	Stephen Kitchman	11			11
	Sue Beckett	2			2
Kathy Wadsworth		31	3	6	40
	Alan Cufley	3	2	2	7
	Simon Moon	19		4	23
	Stephen Baily	9	1		10
Margaret Geary		51	3	7	61
	Ed Woodhouse	9			9
	Owen Buckwell	42	3	7	52
Michael Lawther		37	1	11	49
	Chris Ward	8	1	3	12
	Jon Bell	10		7	17
	Louise Wilders	7			7
	Mel Burns	3		1	4
	Rachael Dalby	9			9
Grand Total		157	9	27	193

3. Breakdown by Donations to Lord Mayor's Appeal		
Head of Service	Receiver	Donation
Alan Cufley		2
	David Ball	1
	Jolene Burns	1
Chris Ward		1
	Wayne Layton	1
Owen Buckwell		3
	John Parslow	1
	Louise Jones	1
	Michael Swann	1
Robert Watt		2
	Angela Dryer	1
	Sophie Weems	1
Stephen Baily		1
	Kerrie Pare	1
Grand Total		9

Notes:

The following donated their gifts to recipients other than the Lord Mayor's Appeal:

1. Kerrie Pare
2. John Parslow
3. Michael Swann

4. Breakdown by cash or vouchers received					
Head of Service	Receiver	Cash / Voucher	Value	Detail	
Owen Buckwell	Damien Williamson	V	>£25	Great South Run Entry - PCC team	Accepted
	Ashley Bryant	Prize draw entry	£5-£25		Rejected - gift from contractor
	Louise Jones	V	£10	B & Q giftcard goodwill gesture after store could not order requirement for ESO team	Donated - LM
	Kerry Fletcher	V	>£25	Great South Run Entry - given by L M Trust	Accepted
	Olivia Miller-Smith	V	£5-£40	Football match ticket Caen 10k & ferry ticket - PCC / Caen City Challenge	Rejected
	Damian Williamson	V	>£40		Accepted
	Damien Williamson	V	>£40	Great South Run Entry PCC team	Accepted
Jon Bell	Greg Povey	V	£5-£25	Bupa Great South Run Entry	Accepted
Ed Woodhouse	Robert Miller	V	£5-£25	Great South Run Entry - PCC team	Accepted
Simon Moon	Sandy Harrison	V	£5-£25	Great South Run Entry - Twinning Challenge	Accepted
	Paul Fielding	V	£5-£25	Pool World Cup	Accepted - re work with Parkwood & MBC
Robert Watt	Alison Hampshire	V	£5-£25	Great South Run Entry - offered by Peter S Parkin	Accepted
	Niamh Murray	V	£5-£25	Great South	Accepted

	Angela Dryer	V	£5-£25	Run - PCC team Sainsburys gift card for involvement in research	Donated - LM
Mel Burns	Leigh Rawlins	V	<£5	Costa gift card	Rejected - from supplier - no reason to accept
Kathy Wadsworth	Stephen Baily	V	£5-£25	Dockyard Festival tickets	Accepted - gain knowledge
Stephen Baily	Gareth Brettell	V	<£5	Portsmouth / York tickets	Accepted - thank you from Portsmouth in the Community - leftover tkts
Rachael Dalby	Gavin Brett	V	<£5	Portsmouth / York tickets	Accepted - thank you from Portsmouth in the Community - leftover tkts
Summary:		Total entries:	18		
		Cash:	£0.00		
		Charity Run entries	9		
		LM Donations	2		

5. Breakdown of gifts over £25			
Strategic Director / Head of Service	Gift	Hospitality	Total
David Williams	1	6	7
Kathy Wadsworth		3	3
Michael Lawther	1	3	4
Janet Maxwell	4		4
Robert Watt	4		4
Julian Wooster		1	1
Preeti Sheth		1	1
Kathy Wadsworth	7	12	19
Alan Cufley	2	1	3
Simon Moon	5	11	16
Margaret Geary	8	3	11
Ed Woodhouse	1		1
Owen Buckwell	7	3	10
Michael Lawther	4	12	16
Chris Ward	1	3	4
Jon Bell	1	8	9
Louise Wilders	1		1
Rachael Dalby	1	1	2
Grand Total	24	34	58

Summary:

- *This policy is to provide guidance to staff to ensure that their conduct meets public expectations and relates to the receipt of gifts and hospitality by staff from members of the public, partners and or contractors.*
- *It provides guidance to staff on gifts and hospitality that may be accepted and those that may not along with information on where to register the offer and the authorisation process.*

ID	
Last Review Date	<i>September 2014</i>
Next Review Date	<i>September 2015</i>
Approval	<i>Governance & Audit & Standards Committee</i>
Policy Owner	<i>City Solicitor & Strategic Director</i>
Policy Author	<i>Deputy Chief Internal Auditor</i>
Advice & Guidance	<i>Internal Audit</i>
Location	<i>PolicyHub</i>
Related Documents	<i>Whistleblowing Policy, Formal Action Policy, Code of Conduct, Anti-Fraud, Bribery & Corruption Policy</i>
Applicability	<i>All members of staff, including temporary employees.</i>

Contents

1	Introduction.....	3
2	Decision to accept a gift or hospitality	3
3	Gifts which may be accepted.....	3
4	Gifts which must not be accepted	3
5	Hospitality	4
6	Bequests	4
7	Sponsorship.....	5
8	All gifts and hospitality offered must be registered.....	5
9	Annual report on compliance and review of the policy	5

1 Introduction

- 1.1 The public has the right to expect the highest standard of conduct from all Council staff and any departure from this standard would always be regarded as a serious matter.
- 1.2 One area where it is accepted that guidance is required to staff to ensure that their conduct meets public expectation is in relation to the receipt of gifts and hospitality. Employees should not therefore accept gifts, hospitality, bequests or sponsorship in any personal capacity.
- 1.3 It is however understood, that in certain circumstances refusal may cause offence e.g. where the gift is a small token of thanks from appreciative members of the public.

2 Decision to accept a gift or hospitality

- 2.1 You must obtain the consent of your Head of Service before accepting a gift or hospitality.
- 2.2 If you are in any doubt the gift or hospitality must be declined.

3 Gifts which may be accepted

- 3.1 Gifts and sponsorship with a value of less than £25 (or £5 for staff employed in adult social care and housing) may only be accepted if:
 - No ulterior motive is apparent and
 - There is no danger of misinterpretation by the public (for example, the gift comes from someone tendering for work or who is conducting business with the council) and
 - Such gifts have not become a frequent occurrence
- 3.2 This includes small tokens of thanks from appreciative members of the public and promotional items such as pens, diaries, calendars etc., that are routinely sent out by various companies and organisations with which the council does business.
- 3.3 If a gift over the value of £25 is offered it should not be accepted unless refusal would cause offence, in which case the gift must be donated to the Lord Mayor's Appeal raffle, e.g. a gift over £25 in value offered by a member of a visiting town twinning group.

4 Gifts which must not be accepted

- 4.1 The following gifts must not be accepted under any circumstances.

- Gifts of cash, including vouchers, tickets, postal orders etc.

- Gifts from a person with whom the Council may contract or is in contract negotiations.
- Gifts from any person whose business the Council may regulate e.g. through planning control, licensing and environmental health
- Gifts from a person where you may be required to formulate recommendations to the Council, or you could influence the recommendations of others
- Gifts where you are monitoring the service provided by the person on behalf of the Council.

5 Hospitality

- 5.1 Hospitality cannot be accepted if it is offered to you in your personal capacity. Hospitality may be accepted if it is under £40 in value, you are receiving the hospitality on behalf of the council and you have the prior approval of your Head of Service or Strategic Director or you are receiving meals as part of a Town Twinning event.
- 5.2 In all cases you should consider the impression that the acceptance of the hospitality will make in the minds of the public. In particular:-
- Is the hospitality offered in proportion or might there be a hidden motive?
 - Has it been offered only to you or to others as well?
 - Are they conducting business with the Council?
 - Does or might the person offering it contract with the Council or are they in contract negotiations?
 - Is the hospitality offered by a person whose business the Council may regulate e.g. through planning control, licensing control or environmental health?
 - Is the hospitality from a person where you may be required to formulate recommendations to the Council, or you could influence the recommendations of others?
 - Is the hospitality offered from someone where you are monitoring the service provided by the person on behalf of the Council?

If you have any doubt then you should decline the hospitality.

6 Bequests

- 6.1 You must actively discourage any bequest or donation being made to you and decline any of which you become aware of. If you become aware that such a bequest or donation has been made, or may be made, you must tell the Monitoring Officer as soon as possible.
- 6.2 Wherever possible, the bequest or donation will be declined or returned to the estate of the person who made the bequest. If this is not possible, the bequest or donation will be given to the Lord Mayor's Appeal.

7 Sponsorship

- 7.1 Any offer of sponsorship to a member of staff will be treated in the same manner as a gift and should be declined unless approved by you Head of Service and may in any event only be for charitable purposes.
- 7.2 Where the Council makes a financial contribution to an event of community group, where you, or your relative, may obtain a benefit which is more than that which is generally received by other members of the public, you should declare an interest and consider take no further part in the development of the event.

8 All gifts and hospitality offered must be registered

- 8.1 Whether a gift or hospitality is accepted or declined, and whether it is over or under the allowed limits, it is your personal responsibility to register it, the source of the gift or hospitality and the reason for it. You must do so within seven days of receiving or declining it. For staff registering items, access is via the intranet and search for 'gifts and hospitality register'. The public register is to be found at www.forms.portsmouth.gov.uk/GiftsSearch/GiftsSearch.aspx search 'gifts and hospitality register'. If the gift or hospitality is accepted as part of the registration your Head of Service will be required to confirm that:-
- They approve of the acceptance of the gift or hospitality and
 - That this policy has been complied with.

9 Annual report on compliance and review of the policy

- 9.1 The Monitoring Officer will report annually to the Governance and Audit and Standards Committee on compliance with this policy and make recommendations to the Council arising from its implementation.

See also: -

Whistleblowing Policy

Formal Action Policy

Code of Conduct

Anti-Fraud Bribery & Corruption

This page is intentionally left blank



Agenda item:

Title of meeting: Governance & Audit & Standards Committee

Date of meeting: 7 November 2014

Subject: Data Security Breach Reporting

Report by: Michael Lawther, City Solicitor/Senior Information Risk Owner

Wards affected: All

Key decision: No

Full Council decision: No

1. Purpose of report

To inform the Committee of any Data Security Breaches and actions agreed/taken since the last meeting.

2. Recommendations

It is recommended 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).

3. Background

The Corporate Information Governance Panel, formed of representatives from across the authority and chaired by Michael Lawther in the role of Senior Information Risk Owner (SIRO) meet every other month to

- establish policy and procedures for Information Governance;
- maintain a log of data breaches and determine and monitor onward action.

The Senior Information Risk Owner will update the Committee on any ongoing breaches and notify the members of any new incidents.

4. Equality impact assessment (EIA)

An equality impact assessment is not required as the recommendation does not have a negative impact on any of the protected characteristics as described in the Equality Act 2010.

5. Legal Implications

The Council is required to ensure that it has robust procedures in place to comply with its obligations under the Data Protection Act. Bringing this report to the Committee's attention will assist in meeting those requirements.

6. Finance Comments

The ICO can issue fines of up to £500,000 for serious breaches of the Data Protection Act and Privacy and Electronic Communications Regulations. The size of any monetary penalty is determined by the Commissioner taking into account the seriousness of the breach and other factors such as the size, financial and other resources of the data controller. Any breaches put the City Council at risk of the unbudgeted cost of a financial penalty which would have to be met from the service responsible for the breach.

.....
Signed by:

Appendices: One Exempt Appendix

Background list of documents: Section 100D of the Local Government Act 1972

The following documents disclose facts or matters, which have been relied upon to a material extent by the author in preparing this report:

Title of document	Location
Nil	N/A