
NOTICE OF MEETING

GOVERNANCE & AUDIT & STANDARDS COMMITTEE

FRIDAY, 30 JANUARY 2015 AT 2.30 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.

AGENDA

- 1 **Apologies for Absence**
- 2 **Declarations of Members' Interests**
- 3 **Minutes - 7 November 2014** (Pages 1 - 10)

To confirm the minutes of the meeting held on 7 November 2014 as a correct record.

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

- 4 **Updates on actions identified in the minutes**
- 5 **External Audit (Ernst & Young)** (Pages 11 - 40)

- (1) External Audit Progress Report year ending 31 March 2015
- (2) Certification of Claims and Returns Annual Report 2013/14
- (3) Local Government Audit Committee Briefing
- (4) Audit Scale Fee - late variation

- 6 **BACS Issue - HB payments due 05/01/2015** (Pages 41 - 44)

This report explains the issue with BACS payments in the week commencing 5th January 2015.

It describes the actions taken at the time to deal with the issue and the controls that have subsequently been put in place.

RECOMMENDED that the Committee

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

- 7 **Audit Performance Status Report to 22 December 2014 and Audit Strategy for 2014/15** (Pages 45 - 72)

This report is to update the Governance and Audit and Standards Committee on the Internal Audit Performance for 2014/15 to 22nd December 2014 against the Annual Audit Plan, highlight areas of concern and areas where assurance can be given on the internal control framework. The report also contains the proposed Audit Strategy for the 2015/16 Audit Plan.

RECOMMENDED that

- (1) **Members note the Audit Performance for 2014/15 to 22nd December 2014**
- (2) **Members note the highlighted areas of control weakness for the 2014/15 Audit Plan**
- (3) **Members approve the proposed Audit Strategy for the use of Audit resources for 2015/16**

8 Treasury Management Monitoring Report for the Third Quarter of 2014/15
(Pages 73 - 90)

The purpose of the report in Appendix A is to inform members and the wider community of the Council's Treasury Management position at 31 December 2014 and of the risks attached to that position.

RECOMMENDED that

- 1) **That the actual treasury management indicators for the first three quarters of 2014/15 set out in paragraph 2. 1) (a) to (e) of the report be noted:**
- 2) **That the Committee note that an investment was placed with Furness Building Society with a maturity of 2 years and 2 days that exceeded the 364 day duration limit for unrated building societies. This is considered to be a low risk given the inherent nature of building societies and consideration is being given to increasing the duration limit for unrated building societies in the 2015/16 Treasury Management Policy.**

9 Project Plan for Implementation for the Code of Practice on Transport Infrastructure Assets (Pages 91 - 96)

The purpose of this report is to disclose the Project plan for the Implementation of the Code of Practice on Transport Infrastructure Assets contained in the Appendix.

RECOMMENDED that the project plan for the implementation of the Code of Practice On Transport Infrastructure Assets contained in Appendix A be noted.

10 Performance Management Update Qtr 2 (Pages 97 - 116)

The purpose of the report is to inform members of performance issues arising in the first quarter of the 2014-15 reporting period.

RECOMMENDED that the Governance and Audit and Standards

Committee are asked to:

- 1) note the report; and**
- 2) comment on the performance issues highlighted in section 4, including agreeing if any further action is required**

11 Members' Complaints Report - statistics (Pages 117 - 118)

The purpose of the report is to update Members of the Committee on current progress in relation to complaints which allege that Councillors may have breached the Code of Conduct.

RECOMMENDED that Members of the Committee

- (1) Note the report**
- (2) Consider whether any further action is required by them.**

12 Whistle-blowing Report (Pages 119 - 122)

The purpose of the report is to update Members of the Committee on the nature and handling of any whistleblowing concerns which have been raised in the past year.

RECOMMENDED that Members of the Committee

- (1) Note the report**
- (2) Consider whether any further action is required by them**

13 Exclusion of Press and Public

That in view of the contents of the following item 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>
--------------------	-----------------------------------

14. Procurement Management Information - Exempt Appendices 2 and 3	3
---	----------

3.Information relating to the financial or business affairs of any particular person (including the authority holding that information)

14 Procurement Management Information Report (Pages 123 - 128)

The purpose of the report is to update Members on steps being taken to demonstrate that PCC is achieving value for money from its contracts for goods and services.

RECOMMENDED that Members note

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

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.

Agenda Item 3

GOVERNANCE & AUDIT & STANDARDS COMMITTEE

MINUTES OF A MEETING of the Governance & Audit & Standards Committee held on Friday 7 November 2014 at 3.30 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
Councillor Steve Hastings (Deputising for Cllr Colin Galloway)

Officers Present

Michael Lawther, City Solicitor and Monitoring Officer
Jon Bell, Head of HR, Legal & Performance
Lyn Graham, Chief Internal Auditor
Elizabeth Goodwin, Deputy Chief Internal Auditor
David Pennery, Auditor & Financial Investigator
Liz Aplin, Operational Training Manager
Michael Lloyd, Finance Manager (Technical & Financial Planning)

External Auditors

Kate Handy, External Auditor
Mark Justesen, External Auditor

61 Apologies for Absence (AI 1)

Apologies for absence were received from Councillor Colin Galloway.

62 Declarations of Members' Interests (AI 2)

There were no declarations of members' interests.

63 Minutes of the meeting held on 26 September 2014 (AI 3)

RESOLVED that the minutes of the meeting held on 26 September 2014 be confirmed and signed by the chair as a correct record.

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

The City Solicitor advised that Full Council has approved the letter to be sent to the former Councillor, Mike Hancock, seeking repayment of the sum agreed by council. He confirmed that as yet no response had been received and that a reminder in the name of the Chief Executive was due to be sent on Friday 14 November.

With regard to minute 49 about safeguarding, the City Solicitor advised that this was still a work in progress. As soon as certain outstanding information was received, the matter would proceed. He said that members would be updated on progress.

65 External Audit (Ernst and Young) Annual Audit Letter - and a Verbal Update on Progress (AI 5)

(TAKE IN REPORT)

Ms Handy advised that the annual audit letter communicated to members of Portsmouth City Council and external stakeholders (including members of the public), the key issues arising from the auditors work which they consider should be brought to their attention. Ms Handy advised that detailed findings from the audit work carried out had been reported already to those charged with governance of Portsmouth City Council in the 2013/14 Audit Results Report for Portsmouth City Council issued on 26 September 2014.

A query was raised about the last paragraph of item 2.2 where reference was made to looking outside the organisation. Confirmation was given that this referred to both other public sector and private sector bodies.

Mr Justesen then provided an update on work remaining to be done by the external auditors. He said that the report summarising the certification of grant claims and returns work that external auditors had undertaken would be brought to the first meeting after Christmas of the Governance & Audit & Standards Committee.

66 Audit Performance Status Report to 6 October 2014 for Audit Plan 2014/15 (AI 6)

(TAKE IN REPORT)

The report was introduced by the Deputy Chief Internal Auditor.

In response to questions, the following matters were clarified:

- Appendices C and D refer to a particular secondary school - C was the redacted 2014/15 secondary school audit report. Appendix D was the redacted 2013/14 secondary school investigation report. It was confirmed that the original bursar was no longer in post and that matters had progressed in that certain requirements had now been imposed. The Section 151 Officer was taking a keen interest in how this matter progresses, internal audit were carrying out an additional review and a further report would be brought to this committee.

- With regard to 6.3.2 of the report, first bullet point, it was confirmed that suspension of payments had not previously been applied to children's direct payments. This had been introduced as a result of the direct payments audit. The City Solicitor said that it is more efficient to make direct payments, but this payment method was also more liable to fraud. The SEN reforms have meant that more children are eligible for direct payments. He said that the number of transactions are very likely to increase and therefore there is a need to automate them.

Members felt that 6.3.2 may cause problems for parents and the City Solicitor said he could arrange for the officer concerned to attend the next meeting of the committee to explain the reasons for this approach.

With regard to Appendix B reference F1314-080 - Children's Social Care and Safeguarding, members were disappointed that the safeguarding report had not as yet been brought to this committee.

With regard to safer recruitment training, it seems that despite an expectation being set out by the Head of Children's Social Care that staff should have done this training by the end of June 2014, this had not happened. The Deputy Chief Internal Auditor explained that safer recruitment training covered matters such as what to look for in applicants, specific questions to ask during interviews, responsibility with regard to safeguarding etc. This helped to ensure that appropriate people were appointed.

Mr Jon Bell confirmed that safer recruitment training was mandatory for those involved in recruitment activities in relevant parts of the organisation.

The City Solicitor confirmed that part of the role of this committee included being able to ask a Head of Service to attend a future meeting to answer questions from the committee. Members felt that managers who had not done the training should not engage in recruitment and that the Head of Service concerned should advise staff to complete the training course forthwith.

With regard to item F1415-010 in Appendix A, members were advised that with regard to private foster carers, this was due to be followed up in the January meeting.

With regard to Appendix B F1314-050 Adult Social Care - Residential and Day Centres self- assessment - the Chair asked what checks and balances were in place with regard to the high risk exception relating to purchase orders? The Deputy Chief Auditor advised that the checks and balances were provided within the Financial Rules. The action agreed was to raise purchase orders in advance - even if they are for a nominal amount.

NB A member of the committee said that in relation to item 6 of the agenda concerning the suspension of direct payments mentioned in 6.3.2 of that report, she would find it helpful to have a copy of the equalities impact assessment that had been carried out.

RESOLVED that members

- (1) note the audit performance for 2014/15 to 6 October 2014;**
- (2) note the highlighted area of control weakness for the 2014/15 audit plan;**
- (3) note the changes in the audit plan; and**
- (4) request the Head of Children's Social Care to attend the January meeting of this committee to answer members' queries on:**
 - direct payments**
 - foster care**
 - training**
 - safeguarding**

**67 Anti-Fraud, Bribery & Corruption Investigations Update (AI 7)
(TAKE IN REPORT)**

Dave Pennery introduced the report which provides members with statistical information on fraud as required by the Local Government Transparency Code 2014 and provides members with an update on the counter fraud work currently being undertaken. It also provides internal audit's report on three investigations since the last report to this committee in January 2014 and presents members with the updated anti-fraud, bribery and corruption action plan.

During discussion members noted that there had been a spike for council tax single person discount in 2013/14, and were advised that 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 producing a net gain of £152,770.49.

Dave Pennery advised the committee that he believed the cost of using the credit reference agency had not been budgeted for in this financial year. The City Solicitor said he would find out whether or not a budget could be found for this work. The Deputy Chief Internal Auditor advised that the feasibility of providing cross matching in-house was being looked at.

RESOLVED that members

- (1) note and endorse the counter fraud work currently being undertaken within the authority and the future development as detailed in Section 5;**
- (2) note the contents of the investigations report detailed in Appendix B; and**
- (3) note and endorse the anti-fraud, bribery and corruption action plan in Appendix C.**

68 Treasury Management Mid-Year Review for 2014/15 (AI 8)
(TAKE IN REPORT - FOR INFORMATION ONLY)

Michael Lloyd presented the report which informs members and the wider community of the council's treasury management position at 30 September 2014 and of the risks attached to that position. He said that 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.

In response to a query, Mr Lloyd explained that wholesale funding meant borrowing from other banks and institutions as opposed to the traditional model where funds are raised from savers as opposed to financial markets.

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

69 Annual Governance Statement Monitoring Programme (AI 9)
(TAKE IN REPORT)

Mr Jon Bell introduced the report which seeks approval from the Governance & Audit & Standards Committee for the proposed monitoring programme detailed in Appendix A. He said that following discussion with this committee, the Governance Monitoring process has been revised to include a general review of all items reported as part of the quarterly performance report with in addition a small number of items scheduled for a detailed update at each committee meeting. Appendix A sets out the monitoring programme. The items for a detailed update to this committee today are a review of equalities training and a review of the constitution.

Equalities Training

Liz Aplin, Learning and Development, Operational Training Manager introduced this item and advised that this had been looked at in the wider context of mandatory training. She advised that the compliance rate was very low being between 20% and 25% of employees. She advised that a report would be brought to this committee early next year with a proposal. This was likely to include:

1. an induction session for new starters, which would include equalities as a basic part of it. The intention would be that if an employee does not complete the equalities training, they will not pass their probation period.
2. that the PDR paperwork should contain instructions in equalities training in the context of the person's work.
3. an E-learning check would be introduced which could either be annual or could be required when something changes.

The intention would also be that front-line staff would be given an EIA assessment training programme to complete.

During discussion the following matters were raised:

- members felt that equalities information assessments should not just be a tick box exercise but should be more around the context of each report and not just an add-on at the end of it.
- the City Solicitor said that compliance is currently assessed by the Equalities team as judged against the report itself.
- the City Solicitor explained that there was a financial risk to the council as if an equality impact assessment was not carried out at all or was not carried out properly.
- A member of the committee said that in relation to item 6 of the agenda concerning the suspension of direct payments mentioned in 6.3.2 of that report, she would find it helpful to have a copy of the equalities impact assessment carried out.
- Mr Jon Bell advised that any members who wished to attend equalities training would be more than welcome to do so.

RESOLVED that the Committee approve the Governance Monitoring Programme detailed in Appendix A of the report.

70 Verbal Update on the Constitution (in connection with the previous item) (AI 10)

Revision of Constitution

The City Solicitor explained that the current constitution runs to some 245 pages. The required contents of the constitution had been relaxed since the current version was originally drafted and basically the requirement now was for a document to cover

- the decision making structures of the council in written form
- how decisions are made
- protocols and rules for example Standing Orders, contracts procedures, officer member relationships, gifts and hospitality.

The City Solicitor advised that he was proposing to re-constitute the constitution working party with a view to looking at the scheme of delegation first. He then proposed to work through the rest of the constitution. Although there had been reviews of various parts of the constitution, there was still a need for further revision for example to Standing Orders. He suggested that there would be a need for some members to input to this, then for the revisions to be brought back to Governance & Audit & Standards Committee in sections and then to go forward to full council. He advised that the revisions could be taken to the March council meeting.

During discussion, members felt that this was unduly cumbersome and proposed that officers work on a draft and then submit it to the Governance & Audit & Standards Committee. If at that stage members felt there was a need to establish a working party to look at the proposals, that could be done but given the tight time-scale, members were happy for it to come back to the Governance & Audit & Standards Committee to progress.

- Members asked for greater clarity especially in regard to notices of motion in terms of what would and would not be allowed.
- Members were concerned that time and effort was not wasted on revising a constitution which reflected the current structure if there was a strong likelihood of a committee system being brought in. However, if the governance arrangements were changed it could only happen at an annual council meeting and the changes would not take effect until the following municipal year.
- The City Solicitor said that the scheme of delegation was in urgent need of updating to reflect the current structure and responsibility had been given to the City Solicitor to keep this up-to-date. This would therefore need to be progressed.

It was agreed that bringing a report to show how changes could be made to governance arrangements was not required at the moment. In the event that such a system were to be required, members felt that as this was the previous way of operating, it would be relatively straightforward to document.

Members did not wish a constitution working party to consider the proposed changes to the constitution and preferred these to come directly to this committee.

Members requested that a report with suggested changes be brought to the January meeting of this committee and that if it were helpful, sections of the constitution could be circulated to the committee in advance of the meeting in order to allow their suggestions to be taken into account.

RESOLVED that Members request a report be brought to the January meeting of this committee with suggested changes to the Constitution.

71 Update on the Council's Compliance with its Equality Duty and Equality Impact Assessment Process (AI 11)
(TAKE IN REPORT)

The City Solicitor introduced this item which updated 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.

RESOLVED

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

72 Local Government Ombudsman Complaints 2013/2014 (AI 12)

(TAKE IN REPORT)

The City Solicitor introduced the report which was to bring to the attention of the 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 2013/12014. Of 67 complaints received by the Local Government Ombudsman about Portsmouth City Council, only three complaints were upheld. The actions agreed as a direct result of the complaints received are summarised in part 3 of the report.

RESOLVED that the report be noted.

73 Compliance with the Gifts and Hospitality Protocol (AI 13)

(TAKE IN REPORT)

The City Solicitor introduced the report which updates members on any issues regarding compliance with the Gifts and Hospitality protocol and to advise on remedies. The City Solicitor said that most of the gifts were for very small amounts. Members felt that the way the report is presented is misleading as it mentions a grand total of 193 gifts and it looks as though they have all been made to senior officers, whereas that is not in fact the case.

The City Solicitor said that staff are obliged to record all gifts to the value of more than £5. Whilst members accepted the need to record gifts and hospitality, they were anxious to avoid giving the wrong impression because of the way in which they were reported. The City Solicitor said he would look at an alternative way of producing a report - perhaps by exception only - and this was approved by the committee.

NB City Sol said he would check the fee for the Great South Run as Members thought the amount was greater than £40

RESOLVED that the report be noted.

74 Exclusion of Press and Public (AI 14)

The City Solicitor advised that in view of the contents of item 14 "Data Security Breach Reporting" the committee is recommended to move into exempt session.

RESOLVED that under the provisions of Section 100A of the Local Government Act 1972 as amended by the Local Government (access to information) Act, 1985, the press and public can be excluded for the consideration of the following items on the grounds that the appendix to the report contains information defined as exempt in Part 1 of Schedule 12A to the Local Government Act 1972.

Upon being put to the vote this was carried.

75 Data Security Breach Reporting (AI 15)
(TAKE IN REPORT)

The City Solicitor introduced the report explaining that its purpose was to inform the committee of any data security breaches and actions agreed and taken since the last meeting. He explained that there was one breach that was still ongoing but the others had now been closed. He explained that frequent internal audits are carried out to ensure that data breaches did not occur. This was because very substantial penalties can be imposed against the city council for serious mistakes. He advised that of greater concern is a data breach that is carried out intentionally and in these instances, he would always recommend the investigators to consider dismissing the person concerned.

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

76 Date of next meeting

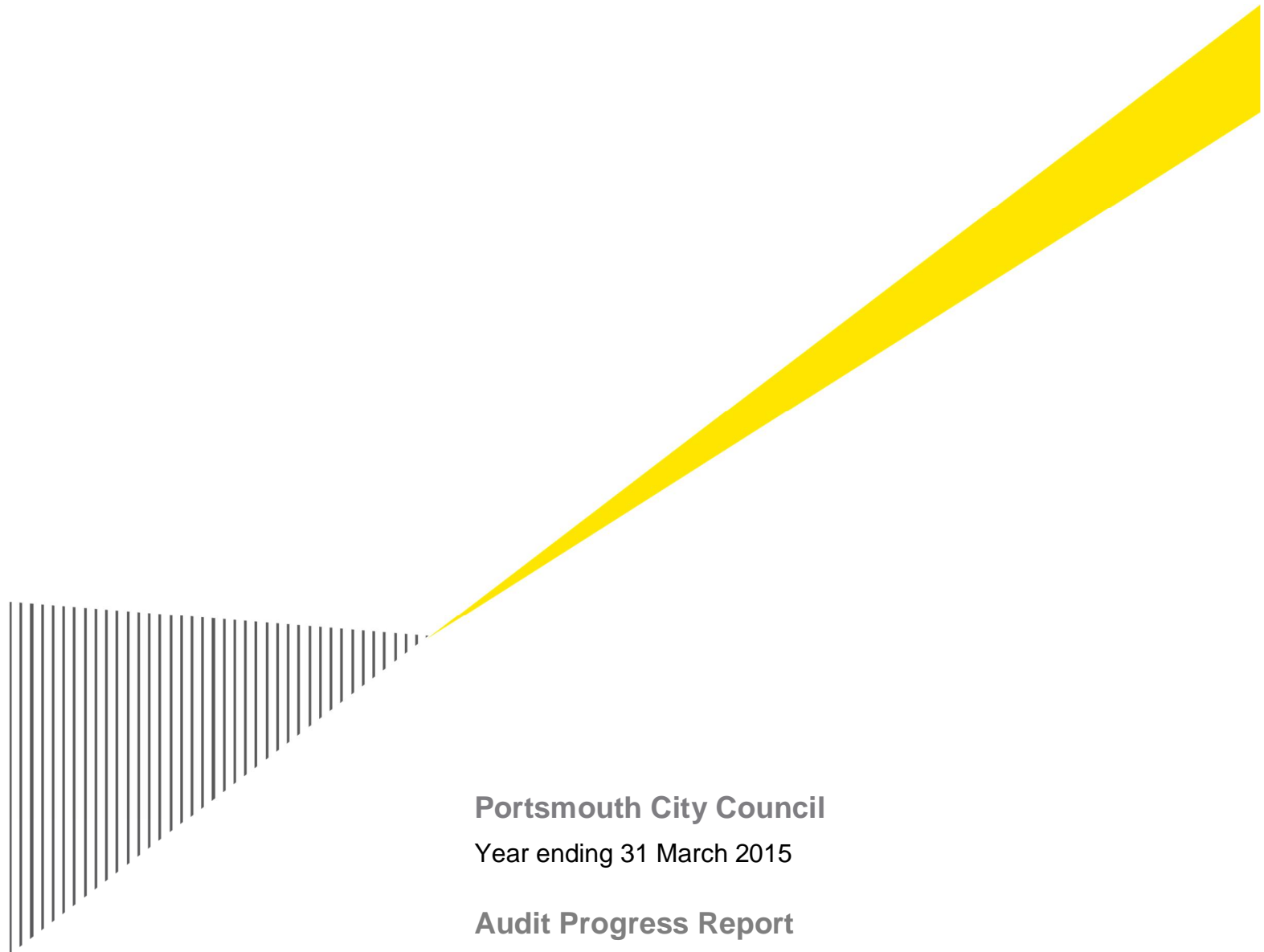
The next meeting is scheduled for 30 January 2015 at 2.30pm in Conference Room A.

The meeting ended at 5.05pm.

Chair

This page is intentionally left blank

Agenda Item 5



Portsmouth City Council

Year ending 31 March 2015

Audit Progress Report

January 2015

Governance, Audit and Standards Committee
Portsmouth City Council
Civic Offices
Guildhall Walk
Portsmouth
PO1 2AL

05 January 2015

Dear Sir/Madam

Audit Progress Report – 2014/15

We are pleased to attach our January 2015 Audit Progress Report. The purpose of this report is to provide the Audit Committee with an overview of progress with the 2014/15 Audit Plan and is the first step in ensuring that our audit is aligned with the Committee's service expectations.

Our audit is undertaken in accordance with the requirements of the Audit Commission Act 1998, the Code of Audit Practice, the Audit Commission Standing Guidance, auditing standards and other professional requirements.

We welcome the opportunity to discuss this report with you as well as understand whether there are other matters which you consider may influence our audit.

Yours faithfully

Kate Handy
Director
For and behalf of Ernst & Young LLP
Enc

Contents

1. Work completed.....	2
------------------------	---

1. Work completed

Audit Plan

We have discussed our initial thoughts on the key risks for the 2014/15 audit with officers but our planning is still underway. We intend to present our audit plan to the March 2015 Governance and Audit and Standards Committee.

Assessment of the Council's internal controls

We plan to review the design of the majority of the Council's core financial systems and test the operation of key controls within those systems in February 2015. This will inform the audit strategy in our Audit Plan referred to above

Year end audit

We plan to commence our final accounts audit in late July 2015 and complete our fieldwork by the end of August. We have been in ongoing discussion with officers on a number of issues;

- with the Oracle team: about obtaining the necessary data for our analytics work;
- with the financial accounting team: about
 - emerging technical and accounting issues (in particular the changed requirements for accounting for infrastructure assets),
 - on improvements to the valuation and disclosure of Plant Property and Equipment, and
 - on bringing forward substantive testing to our interim visit and improving the audit process.
- with internal audit: about relying on their work where appropriate.

Value for Money Conclusion

We have not yet scheduled our work on the VFM conclusion.

Harbour Accounts Audit

The Department for Transport have determined that the harbour accounts need to be prepared and audited, and the Audit Commission has confirmed we are appointed auditors for this engagement.

We are awaiting draft accounts for 2012/13 and 2013/14, and full supporting working papers. No date has yet been agreed for the audits of the accounts.

Ernst & Young LLP

Assurance | Tax | Transaction | Advisory

www.ey.com/uk

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.

© Ernst & Young LLP 2012. Published in the UK.
All rights reserved.

This page is intentionally left blank

Certification of claims and returns annual report 2013/14

Portsmouth City Council

December 2014

Ernst & Young LLP



The Members of the Governance & Audit & Standards Committee
Portsmouth City Council
Civic Offices
Guildhall Square
Portsmouth
Hampshire
PO1 2BG

xx December 2014

Ref: SCC/Claims/2013-14

Direct line: 02380 832043

Email: KHandy@uk.ey.com

Dear Members

Certification of claims and returns annual report 2013/14 Portsmouth City Council

We are pleased to report on our certification work. This report summarises the results of our work on Portsmouth City Council's 2013/14 claims and returns.

Scope of work

Local authorities claim large sums of public money in grants and subsidies from central government and other grant-paying bodies and are required to complete returns providing financial information to government departments. In some cases these grant-paying bodies and government departments require certification from an appropriately qualified auditor of the claims and returns submitted to them.

Under section 28 of the Audit Commission Act 1998, the Audit Commission may, at the request of authorities, make arrangements for certifying claims and returns because scheme terms and conditions include a certification requirement. When such arrangements are made, certification instructions issued by the Audit Commission to appointed auditors of the audited body set out the work they must undertake before issuing certificates and set out the submission deadlines.

Certification work is not an audit. Certification work involves executing prescribed tests which are designed to give reasonable assurance that claims and returns are fairly stated and in accordance with specified terms and conditions.

In 2013/14, the Audit Commission did not ask auditors to certify individual claims and returns below £125,000. The threshold below which auditors undertook only limited tests remained at £500,000. Above this threshold, certification work took account of the audited body's overall control environment for preparing the claim or return. The exception was the housing and council tax benefits subsidy claim where the grant paying department set the level of testing.

Where auditors agree it is necessary audited bodies can amend a claim or return. An auditor's certificate may also refer to a qualification letter where there is disagreement or uncertainty, or the audited body does not comply with scheme terms and conditions.

Statement of responsibilities

In March 2013 the Audit Commission issued a revised version of the 'Statement of responsibilities of grant-paying bodies, authorities, the Audit Commission and appointed auditors in relation to claims and

returns' (statement of responsibilities). It is available from the Chief Executive of each audited body and via the Audit Commission 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.

This annual certification report is prepared in the context of the statement of responsibilities. It is addressed to those charged with governance and is prepared for the sole use of the audited body. We, as appointed auditor, take no responsibility to any third party.

Summary

Section 1 of this report outlines the results of our 2013/14 certification work and highlights the significant issues.

We checked and certified four claims and returns with a total value of £132,313,836. We met all submission deadlines. We issued one qualification letter for the Housing and Council Tax Benefits claim. Details of the qualification matters are included in section 1. We have not made any recommendations for improvement.

Fees for certification work are summarised in section 2.

We welcome the opportunity to discuss the contents of this report with you at the 30 January 2015 Governance & Audit & Standards Committee.

Yours faithfully

Kate Handy
Director
For and on behalf of Ernst & Young LLP
Portsmouth

Enc.

Contents

1. Summary of 2013/14 certification work.....	1
2. 2013/14 certification fees.....	4
3. Looking forward.....	5

1. Summary of 2013/14 certification work

We certified 4 claims and returns in 2013/14. The main findings from our certification work are provided below.

Housing benefits subsidy claim

Scope of work	Results
Value of claim presented for certification	£108,777,392
Limited or full review	Full
Amended	Amended
Qualification letter	Yes
Fee – 2013/14	£23,729
Fee – 2012/13	£22,795
Recommendations from prior year 2012/13 and findings:	
None	

Councils run the Government's housing benefits scheme, and claim subsidies from the Department for Work and Pensions (DWP) towards the cost of benefits paid.

The Council notified us that it had made amendments to the initial claim following submission because the average rent provided by the housing department was incorrect, The impact of this was to increase the claim by £908,178.

Our testing identified a number of errors in the calculation and classification of benefits awarded to claimants during the year, as presented in the subsidy claim:

Rent Rebates

- For 2 of the 20 cases tested, benefit had been underpaid as a result of the Council miscalculating the claimant's average weekly income. As there is no eligibility to subsidy for benefit which has not been paid, the two underpayments identified do not affect subsidy and have not, therefore, been classified as errors for subsidy purposes.
- However, because errors miscalculating the claimant's average weekly income could result in overpayments, an additional random sample of 40 cases was tested. Of the additional 40 items tested, 6 errors were identified across 5 cases. 5 of these errors resulted in underpayment and 1 resulted in overpayment,
- Whilst the error was only for £58.14 over a 34 week period, we are required to report an extrapolated error of £12,683. However, as this is an extrapolation, the Council has not amended the claim form.

Rent Allowances – Modified Schemes

- In 1 of the 20 cases tested local scheme costs had been understated, and in another overstated, as a result of the Authority misstating the claimant's War Disablement Allowance.

- Testing of an additional sample of 20 cases (the total population of cases with War Disablement Allowance in the relevant cell) identified a further 4 cases where the allowance included in a claimants income was incorrect. Of these 4 cases, two resulted in overstatement of costs, and two in understatement.
- As we have tested 100% of cases with War Disablement Allowance, we were able to provide an actual classification error of £358.17.

Rent Rebates – Modified Schemes

- In 1 of the 20 tested the local scheme cost had been overstated as a result of the Authority including the Mobility Support elements of the claimants War Disablement Allowance in income. This will only ever lead to understatement of subsidy. There is no impact on the claim form.

As well as testing the calculation of individual benefits awards, the certification instructions require further tests including reviewing the reconciliation of benefit awarded to benefit paid during the year. We have confirmed the authority has reconciled the in-year reconciliation cells but when input to the claim form, a number of small minor rounding differences were created.

We have reported the above findings and results of the 40+testing to the DWP in a qualification letter.

Pooling of housing capital receipts

Scope of work	Results
Value of return presented for certification	£4,371,490
Limited or full review	Full
Amended	No
Qualification letter	No
Fee – 2013/14	£735
Fee - 2012/13	£1,003
Recommendations from prior year 2012/13 and findings:	
None	

Councils pay part of a housing capital receipt into a pool run by the Department of Communities and Local Government (DCLG). Regional housing boards redistribute the receipts to those councils with the greatest housing needs. Pooling applies to all local authorities that have a housing function, including those that are debt-free and those with closed Housing Revenue Accounts, who typically have housing receipts in the form of mortgage principal and right to buy discount repayments.

We found no errors on the pooling of housing capital receipts return and we certified the amount payable to the pool without qualification.

Local Transport Plan Major Projects

Scope of work	Results
Value of return presented for certification	
Northern Road Bridge	£5,598,411
Tipner Interchange	£13,566,543
Limited or full review	Full
Amended	No
Qualification letter	No
Fee – 2013/14	£4,601
Fee - 2012/13	£4,400

Recommendations from prior year 2012/13 and findings:

We identified a need to strengthen the audit trail from ledger to monitoring spreadsheet, to grant claim.	We noted a general improvement in working papers in 2013/14 but there is still scope to strengthen the audit trail further
---	--

The Department for Transport pays grants, under section 31 of the Local Government Act 2003, to local transport authorities in England. The scheme supports major projects such as large public transport infrastructure or road construction scheme

We undertook testing in accordance with the TRA11 CI, and, finding no errors on the Tipner and Northern Road Bridge project returns, we certified the amount of the claims.

This was the final claim for the Tipner Interchange, but there will be further Northern Road Bridge costs to reclaim in 2014/15.

2. 2013/14 certification fees

The Audit Commission sets composite indicative fee for certification work for each body. The indicative fee for 2013/14 was initially based on actual certification fees for 2011/12, reduced by 40%. This was then further adjusted to reflect the fact that a number of schemes would no longer require auditor certification.

The indicative composite fee for Portsmouth City Council for 2013/14 was £24,464.

We have completed the work required within this indicative fee total.

Claim or return	2013/14 Indicative fee £	2013/14 Actual fee £	2012/13 Actual
Housing and council tax benefits subsidy	23,729	23,729	22,795
Pooling of housing capital receipts return	735	,735	1,003
Teachers' superannuation return	n/a	n/a	1'447
National non-domestic rates return	n/a	n/a	1,255
Subtotal	24,464	24,464	26,500
Local Transport Plan Major Projects	4,601	4,601	4,400
Total	29,065	29,065	30,900

Note: Fees for annual reporting and for planning, supervision and review have been allocated directly to the claims and returns.

Fees fell overall due to the reduction in claims requiring certification and audit efficiencies..

3. Looking forward

The Council's indicative certification fee for 2014/15 is £22,360, made up of the published scale fee of £20,060 and a like for like fee for the remaining TRA 11 grant. This is based on the outturn from 2012/13 certification work, again adjusted for claims no longer requiring review. The actual certification fee for 2014/15 may be higher or lower than the indicative fee, if we need to undertake more or less work than in 2012/13 on individual claims or returns. Details of individual indicative fees are available at the following link:

<http://www.audit-commission.gov.uk/audit-regime/audit-fees/201415-work-programme-and-scales-of-fees/individual-indicative-certification-fees/>

We must seek the agreement of the Audit Commission, or its successor body, to any proposed variations to indicative certification fees. The Audit Commission expects variations from the indicative fee to occur only where issues arise that are significantly different from those identified and reflected in the 2012/13 fee.

The Audit Commission has changed its instructions to allow appointed auditors to act as reporting accountants where the Commission has not made or does not intend to make certification arrangements. This removes the previous restriction saying that the appointed auditor cannot act if the Commission has declined to make arrangements.

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



Local Government Audit Committee Briefing

Contents at a glance

Government and economic news

Accounting, auditing and Governance

Regulation news

Key Questions for the Audit Committee

Find out more

Introduction

This sector briefing is one of the ways that we hope to continue to support you and your organisation in an environment that is constantly changing and evolving. It covers issues which may have an impact on your organisation, the Local government sector and the audits that we undertake. The public sector audit specialists who transferred from the Audit Commission form part of EY's national Government and Public Sector (GPS) team. Their extensive public sector knowledge is now supported by the rich resource of wider expertise across EY's UK and international business. This briefing reflects this, bringing together not only technical issues relevant to the local government sector but wider matters of potential interest to you and your organisation.

Links to where you can find out more on any of the articles featured can be found at the end of the briefing, as well as some examples of areas where EY can provide support to Local Authority bodies. We hope that you find the briefing informative and should this raise any issues that you would like to discuss further please do contact your local audit team.





Government and economic news

EY Item Club: Autumn 2014 Forecast

ITEM Club is the only nongovernmental economic forecasting group to use the HM Treasury model of the UK economy, independent of any political, economic or business bias. The Autumn 2014 report summarises the latest quarterly forecast and gives EY's assessment.

The ONS's recent revisions to the UK's historical economic data have given a very different perspective on the shape of the recession and subsequent recovery.

Consumer spending remains subdued by falling real wages, which has helped to keep inflation at bay. Inflation as measured by the CPI was just 1.2% in September, the lowest reading in five years and ninth successive month that it has been below 2%. Whilst falling prices for food and petrol have played a role in keeping inflation down, underlying price pressures are also well contained. Since consumer spending has been subdued, business investment has now taken over as the engine of recovery; with capital spending accounting for almost half the rise in GDP in the past year. UK GDP has been revised up, meaning it actually passed its previous high-point in 2013, and that output is now well above the 2008 peak.

This picture is more consistent with the strong growth in employment. The upward revisions to business investment have been particularly pronounced; meaning the scope for catch up is less than previously thought. Despite the growing risks and uncertainties, EY Item club is projecting GDP growth of 3.1% in 2014, followed by a slight easing to 2.4% growth in 2015 and 2.3% in 2016, and then a modest uptick in 2017.

Contracting out public services to the private sector

In the last briefing we considered the response of the House of Commons Committee of Public Accounts (the 'PAC') to evidence including the National Audit Office report 'The role of major contractors in the delivery of public services' and submissions from central government bodies.

The PAC made a range of recommendations in four key areas. In the previous briefing we looked at contract management and delivery. We will now consider Capability, Transparency and Ethical Standards.

Capability

The PAC found that, often, there is a lack of expertise within central government to extract the greatest value from contracting with private providers.

We often find that both public and private sector organisations lack clear lines of responsibility for contract management, which falls between procurement, operations and finance functions. A greater focus on contract governance would enable local authorities to ensure that accountability is clear and that experienced contract managers have the necessary training and skills for this important role.

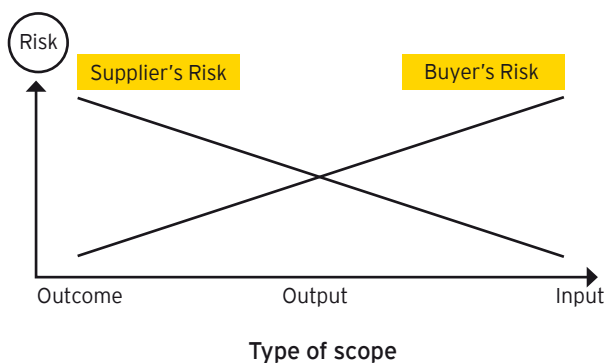
Transparency

Calls for increased transparency include recommendations that the public sector makes greater use of 'open-book' accounting. This is something we would endorse, especially where contracts are constructed around the purchase of 'inputs' such as labour on a daily or hourly rate.



Government and economic news

Furthermore, we would recommend that the public sector considers whether it can purchase services based around outcomes, rather than inputs, as these can help to mitigate the buyer's risk as illustrated below:



Ethical standards

The PAC emphasised the value of effective whistleblowing policies. Our experience shows that many private sector suppliers have whistleblowing policies. However, these tend not to provide a direct link from the potential whistleblower to the public sector buyer, sometimes reducing the effectiveness of these policies.

However, in order for whistleblowing to be a truly effective contract management tool, the buyer needs to have appropriate routes to provide rights of access to a contractor's employees as well as its accounting records, plus the teams with the necessary skills and experience to investigate contract performance.

Summary

At a time when local authorities continue to look for savings, the PAC Report provides a timely reminder that effective contract management can both:

- ▶ Be a means by which savings can be achieved
- ▶ Help to improve public confidence in the use of public funds

Councils face a £5.8 billion shortfall in funding says LGA

The Local Government Association (LGA) has published its Future Funding Outlook 2014, which notes that the funding gap, created by a combination of funding cuts and spending pressures, is growing at an average rate of £2.1 billion per year. Spending on social care and waste management, both of which have significant statutory elements, is taking up an increasing proportion of the funding available to councils, which means that according to the LGA model, funding for other council services will drop by 43% in cash terms by the end of the decade. Council expenditure has fallen significantly since 2010-11 in all areas other than public transport, children's social care, adult social care and waste management and other environmental services. However, assuming consistent service levels, and taking into account cost drivers and assumed efficiency levels, the LGA model predicts that total expenditure will rise from £51.1 billion in 2013-14 to £55.7 billion in 2019-20, whereas total funding will fall by £10.6 billion when the impact of ring-fenced funding for public health is excluded. Bringing together the predicted income and expenditure trends, the LGA forecasts a gap of £12.4 billion between funding and net expenditure by 2019-20. LGA research indicates that in many authorities savings are starting to come from service reductions rather than efficiencies, and that in 2015-16, savings will be achieved more through service reductions than through efficiencies. The funding gap by the end of 2015-16 is forecast to be £5.8 billion, of which £1.9 billion relates to adult social care.



Government and economic news

Independent commission on local government finance

The Local Government Association and the Chartered Institute for Public Finance Accountancy have together established the Independent Commission on Local Government Finance, which is chaired by Darra Singh, a partner in EY's Government and Public Sector team. The Commission aims to build on the work of the LGA and CIPFA, who individually set out proposals for public service reform, and will consider five key challenges:

- ▶ Promoting economic growth and investment in infrastructure
- ▶ Ensuring sufficient housing is provided in every place
- ▶ Integrating the health and social care systems to promote independent living, including preventing unnecessary health intervention
- ▶ Achieving a welfare benefits system that promotes work and protects the vulnerable
- ▶ Supporting families and developing young lives through early intervention

The Commission aims to shape the debate on local government finance, and to influence the next government. It published an interim report in October, and its final recommendations are due out in early 2015.

The interim report contains the following key points:

- ▶ The need for reform is urgent and creates an opportunity to establish a funding system for local government which is largely self-sufficient.
- ▶ Councils have a role to play in addressing the chronic housing shortage, and should be able to borrow to invest in social housing.
- ▶ The Commission will be looking at the option of creating central funds which offer to match-fund local partnership contributions in order to support early intervention for children and families.
- ▶ Larger investment in transformation is needed for the delivery of integrated care.



Accounting, Auditing and Governance

Future of Local Audit

As part of its consultation on Local Audit Regulations associated with the Local Audit and Accountability Act, which ended on 18 July 2014, the government is proposing to bring forward the dates for the accounts to be signed and certified by the Responsible Financial Officer, then approved and published, from 30 June and 30 September respectively to 31 May and 31 July respectively. They propose that this change would take place from the 2017-18 accounts, but hope that authorities will move to the new timetable as soon as possible.

The consultation also covers collective auditor procurement by a specified person. Under the intended regulations, authorities would be able to opt in to sector-led procurement arrangements, and have an auditor appointed on their behalf, rather than appointing their own auditor locally. Under the draft regulations, the Secretary of State may specify the Appointing Person, and may specify different appointing persons for different groups or types of audited bodies.

Grant claim certification results

The Audit Commission has published a report on its findings from the 2012-13 grant claim certification process. As well as adjustments to claims worth £17.3 million, auditors issued qualification letters for 360 claims and returns. This included:

- ▶ 255 Housing Benefit subsidy claims, 78% of the total,
- ▶ 55 Teachers' Pensions returns, 36% of the total,
- ▶ 39 National Non-domestic Rates returns, 12% of the total

From 2013-14, non-domestic rates returns no longer require auditor certification. Teachers' Pensions has decided to make its own certification arrangements for 2013-14, however the Audit Commission and, after March 2015, its successor transitional body will continue to make certification arrangements for housing

benefit subsidy. Council tax benefit was replaced in 2013-14 with local authority run schemes, which do not require auditor certification. Other grant paying bodies will need to make their own assurance arrangements from 2014-15 onwards.

The purpose of qualification letters is to make a grant paying body aware of issues with a claim or return, typically issues for which it is not possible or cost-effective to quantify the full financial impact. The Department for Work and Pensions issued a subsidy circular (HB S4-2014) in May 2014, reiterating the responsibilities of local authorities to ensure their subsidy claims are:

- ▶ Completed accurately and in accordance with HB subsidy guidance and circulars
- ▶ Supported by systems of internal control, including systems of financial control and internal audit
- ▶ Completed in a timely manner
- ▶ Supported by adequate working papers
- ▶ Subject to supervision and review before completion of the authority's certificate
- ▶ Certificate given by an appropriate officer, typically the responsible finance officer

The circular also states the Department's intention to contact all local authorities whose subsidy claims have been qualified. It will require an outline of the actions taken to address the issues raised. In cases with recurrent qualification issues, the Department will also visit those authorities.

Protecting the public purse: 25 years on

Detection of fraud in England in 2013-14 by Councils and other local government bodies was at its highest level since the recording of fraud was established some 25 years ago by the Audit Commission. The total figure of £188mn was a 10 fold increase on



Accounting, Auditing and Governance

the first recorded figure in 1990. The Audit Commission was and is the sole provider of comprehensive data on all types of fraud detected by local authorities. This is due to the statutory powers the Commission has, to demand that local government bodies provide such data.

The Audit Commission's Chairman, Jeremy Newman commented: 'I urge the government to mandate the provision of fraud data from all local authorities, after the Commission's closure, to ensure that future reports are able to provide as complete and authoritative a picture of fraud detection as 'Protecting the Public Purse'. This would help preserve the high levels of transparency and accountability that English councils currently exhibit in their approach to countering fraud and prevent those councils that are not yet playing their part in the fight against fraud, from avoiding public scrutiny.'

The Audit Commission has also released a checklist for elected members, designed to help them analyse their council's results and assess how the NFI is integrated into the council's processes and counter-fraud policies. The Commission recommends that public audited bodies should consider whether it is possible to make better use of matches, and use NFI matches in conjunction with matching services from other providers. It also recommends that local authorities should ensure they retain sufficient capability to investigate non-housing benefit fraud, after the introduction of the Single Fraud Investigation Service.

The Commission's Fraud Team will be moving to CIPFA as part of the closure of the Audit Commission.

The Cabinet Office and the Audit Commission will be working together to ensure the smooth transfer of the NFI functions when the Audit Commission closes in March 2015.

Audit fees at a 25 year low as part of the Audit Commission's legacy

In its last full year of operation before being officially wound down on 31 March 2015 the Audit Commission has announced that it is reducing audit fees by approximately £30 million between 2015-2017. If the government decides to extend and lock in the 2012 and 2014 audit contracts until 2020, it is expected that the total value of savings to local government, police, fire and NHS bodies would be approximately £440mn.

Chairman of the Audit Commission, Jeremy Newman says: 'We have driven down prices for audit services, showing again that bulk procurement is the best way to maintain a competitive market and provide taxpayers with value for money. The resulting savings are part of the legacy the Commission will leave after March 2015, and will be enjoyed by local authorities and NHS bodies for years after our closure. Fees should be preserved at this level for 2016-17 and we hope the government will take the opportunity we have secured to lock in and extend the savings we have achieved up to 2020.'

In addition to the above savings, the Commission also intends to return approximately £6mn as a rebate to Local Government and NHS bodies in 2014-15

A transitional body, Public Sector Audit Appointments Limited (PSAAL), has been established by the Local Government Association to oversee the management of the Audit Commission's external audit contracts until they end in 2017 or are possibly extended until 2020. The PSAAL will be responsible for setting fees, appointing auditors and monitoring the quality of auditors' work. They will also be responsible for publishing the Commission's Value for Money Profile tool.



Regulation News

Open and Accountable Government

The government has introduced a new law allowing the press and public to film and digitally report (including tweeting and blogging) from all public meetings of local government bodies. These rules will apply to all public meetings including town and parish councils, and fire and rescue authorities. The regulations also give members of the press and public rights to see information related to significant decisions made outside meetings by officers acting under general or specific delegated powers.

Whistleblowing

The Department for Business, Innovation and Skills (BIS) has recently launched a consultation, which closed at the end of September 2014, seeking views on the practical implementation of a legal power requiring prescribed persons to report annually on whistleblowing disclosures. Because of the duty of confidentiality binding prescribed persons, and a lack of legal obligation to investigate, BIS found that whistle-blowers do not have confidence that their reports are investigated. The Department is therefore introducing a reporting requirement in order to ensure more systematic processes across prescribed bodies, and to provide greater reassurance to whistle-blowers that their reports are being

acted on. The reports would not provide specific detail enabling the whistle-blower or the organisation about which the report is made to be identified, but would contain more generic information about the number of disclosures made, and the characteristics of those disclosures, such as whether they required further investigation or referral to an alternative body.

Meanwhile, the Parliamentary Commission on Banking Standards (PCBS) has published recommendations for enhancing corporate transparency, governance and integrity. Eleven of the PCBS' recommendations relate specifically to whistleblowing. The Financial Conduct Authority (FCA) and Prudential Regulation Authority (PRA) have indicated their intention to adopt all eleven and consequently we can expect change to the regulatory landscape in the near future. We also noted earlier, that whistleblowing was an area raised by the PAC, who emphasised the value of effective whistleblowing policies.

Whistleblowing is therefore clearly a key area for consideration, for both the public and private sectors.

EY has produced a whistleblowing flyer to help you to consider your whistleblowing framework's effectiveness, and whether your culture encourages employees to raise concerns.



Key Questions for the Audit Committee

What questions should the Audit Committee be asking itself?

- ▶ Do we have clear lines of responsibility for contract management?
- ▶ Have we considered whether use of outcome based contracts could mitigate our 'buyers' risk'?
- ▶ Have we responded to the questions raised in Appendix 2 of the latest NFI report?
- ▶ How effective is our whistleblowing policy?



Find out more

EY Item Club: Autumn 2014 Forecast

Find EY Item Club's Autumn 2014 forecast at:

[http://www.ey.com/Publication/vwLUAssets/EY-ITEM-Club-Autumn-Forecast-2014-full-report/\\$FILE/EY-ITEM-Club-Autumn-Forecast-2014-full-report.pdf](http://www.ey.com/Publication/vwLUAssets/EY-ITEM-Club-Autumn-Forecast-2014-full-report/$FILE/EY-ITEM-Club-Autumn-Forecast-2014-full-report.pdf)

Contracting out public services to the private sector Read the NAO report at:

<http://www.nao.org.uk/wp-content/uploads/2013/11/10296-001-BOOK-ES.pdf>

To find out how EY can help with contract management, contact a member of your engagement team.

Councils face a £5.8 billion shortfall in funding says LGA

Read the LGA's press release, on what they have termed the '£5.8bn funding black hole' at

http://www.local.gov.uk/web/guest/finance/-/journal_content/56/10180/6309034/NEWS.

Find the full report at:

<http://www.local.gov.uk/documents/10180/5854661/L14-340+Future+funding+-+initial+draft.pdf/1854420d-1ce0-49c5-8515-062dcca2c70>

Independent Commission on Local Government Finance

Read the Commission's interim report at:

http://www.localfinancecommission.org/-/media/iclgf/documents/l14536%20interim_report_web_v2.pdf

Future of Local Audit

<https://www.gov.uk/government/consultations/local-audit-regulations>

Grant Claim Certification Results

Read the full Audit Commission report at:

<http://www.audit-commission.gov.uk/wp-content/uploads/2014/06/Local-government-claims-and-returns-final-17-June-2014.pdf>

The DWP circular is also available at:

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/309613/s4-2014.pdf



Find out more

Audit fees at a 25 year low as part of the Audit Commission's legacy

Read the full Audit Commission press release at:

<http://www.audit-commission.gov.uk/2014/10/wpsf1516pr/>

Protecting the Public Purse: 25 years on

Read the final NFI report produced by the Audit Commission before its closure in March 2015 at:

<http://www.audit-commission.gov.uk/wp-content/uploads/2014/10/Protecting-the-Public-Purse-2014-Fighting-Fraud-against-Local-Government-online.pdf>

Open and Accountable Government

The guide for press on attending and reporting meetings of local government is available at:

<https://www.gov.uk/government/publications/open-and-accountable-local-government-plain-english-guide>

Whistleblowing

Feedback from the consultation is currently being analysed. The output from the consultation when it becomes available will be accessed via:

<https://www.gov.uk/government/consultations/whistleblowing-prescribed-persons-reporting-requirements>

To download the EY flyer on whistleblowing, visit:

[http://www.ey.com/Publication/vwLUAssets/EY_-_Whistleblowing_-_change_is_coming/\\$FILE/EY-whistleblowing.pdf](http://www.ey.com/Publication/vwLUAssets/EY_-_Whistleblowing_-_change_is_coming/$FILE/EY-whistleblowing.pdf)

For more information on how EY can help you enhance your existing whistleblowing framework, speak to a member of your engagement team.



About EY

EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

EY refers to the global organization, and may refer to one or more, of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. For more information about our organization, please visit ey.com.

Ernst & Young LLP

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.

© 2014 Ernst & Young LLP. Published in the UK.
All Rights Reserved.

ED 0115

1491313.indd (UK) 11/14. Artwork by Creative Services Group Design.



In line with EY's commitment to minimise its impact on the environment, this document has been printed on paper with a high recycled content.

Information in this publication is intended to provide only a general outline of the subjects covered. It should neither be regarded as comprehensive nor sufficient for making decisions, nor should it be used in place of professional advice. Ernst & Young LLP accepts no responsibility for any loss arising from any action taken or not taken by anyone using this material.

ey.com/uk

Chris Ward
Portsmouth City Council
Civic Offices, Guildhall Square
Portsmouth
PO1 2AL

24 November 2014

Ref:
Your ref:

Direct line: +44 (0) 23 8038 2043

Email: KHandy@uk.ey.com

Dear Chris

Portsmouth City Council - 2013/14 Audit Scale Fee – late variation

We issued our 'Annual Audit Letter' on 29 October 2014, to formally report the outcome from our work in respect of the 2013/14 audit year. Within this report, we set out the 'final' audit fees, as required by the Audit Commission.

However, the Audit Commission has recently consulted on a supplement to the 2014/15 audit scale fees. In that consultation, the Audit Commission applied a permanent variation of £1,070 to the base scale fee. This reflects the additional audit procedures required to gain sufficient audit assurance around business rate income and expenditure within the Collection Fund.

This additional work is required because the certification work on Business Rates (the NNDR3 grant claim) is no longer within the Audit Commission's grant regime - it was withdrawn for 2013/14. Auditors were previously able to use the certification work on the NNDR3 claim as the required assurance for the audit opinion on the financial statements (including the Collection Fund). As a result, the 2013/14 grant certification scale fee was reduced to reflect this.

The Audit Commission has now acknowledged that auditors were required to undertake these additional audit procedures to be able to gain assurance for the 2013/14 financial statements opinion. Indeed, business rates were included as an audit risk within our Audit Plan. In recognizing this applies equally to 2013/14, the Audit Commission has asked us to agree a scale fee variation of £1,070 to that audit fee with you.

The revised final scale fee in respect of the 2013/14 audit is set out in the table below.

	2013-14	2013-14
	Reported final fee (within Annual Audit Letter)	Amended final fee (revised and final)
	£	£
Audit Code Scale Fee	198,180	199,250

I appreciate that any increase to the audit scale fee is unwelcome news, but I hope that the narrative above sets out the Audit Commission's rationale for the increase. I think that this increase should be seen in the context of the Audit Commission reducing the 2015/16 scale fee by a further 25%, as a result of its latest procurement exercise.

If you wish to discuss this in more detail please do let me know, so we can arrange a call or a meeting. Otherwise, I would be grateful if this letter could be included within the agenda for the next Governance and Audit and Standards Committee, as we are required to report the final audit fee to 'those charged with governance' of the Council.

I look forward to catching up with you in due course.

Yours sincerely

Kate Handy
Director
Ernst & Young LLP

Agenda Item 6



Portsmouth
CITY COUNCIL

Agenda item:

Decision maker: Governance & Audit & Standards Committee

Date of meeting: 30th January 2015

Subject: BACS issue - HB payments due 05/01/2015

Report By: Head of Revenues & Benefits

Wards affected: All

Key decision (over £250k): No

Forward Plan: No

1. Purpose of report

This report explains the issue with BACS payments that were paid 2 days late to Housing Benefit claimants in the week commencing 5th January 2015.

It describes the actions taken at the time to deal with the issue and the controls that have subsequently been put in place to prevent a recurrence.

2. Recommendations

- I. That the Committee notes the content of the report
- II. That the Committee endorses the controls put in place to avoid a recurrence of this or a similar problem

3. Background

The BACS payment process should have been completed on 30th December 2014, with payment due into bank accounts on 5th January 2015. This run had payments in it for 5,067 customers.

There are fail safes through the Housing Benefit payment process to ensure that the payments process in the Benefits system (Northgate) will take place according to the schedule. However the final manual step of the process was not completed due to human error (this has not happened before). This meant that the file was not transmitted to BACS.

The problem was identified on the morning of 5th January and the BACS payment process was run immediately, with the payments reaching bank accounts on 7th January 2015. This was a delay of 2 days.

4. Chronology 5th - 7th January 2015

On 5th January 2015, one person requested immediate payment as they couldn't manage until Wednesday 7th. An emergency payment was made and the BACS payment for this person was cancelled.

In addition, one person has made a request to have bank charges refunded, and we are waiting for a bank statement that shows the charge.

Mid-afternoon on 5th January, a media briefing was published and details were posted on Facebook & Twitter. The briefing and postings were done once we had determined what was happening and could clarify when payments would reach our customers.

Queries about the payments were made in person, by telephone & by E-mail through 5th & 6th January 2015. For these two days, contact from customers was relatively high, however, their reaction was good and, for the vast majority of people, understanding. People wanted to know what was happening, however they were happy with the explanation. There is no record of the exact number of people that made contact on this issue.

On Wednesday 7th January 2015 queries through all routes returned to normal with no further payment queries related to the BACS issue.

In the circumstances it is not intended to write out to customers, as the media coverage through the papers, radio, Facebook etc. has provided a high level of coverage, and there would be a significant cost to writing out (around £2,000) that I believe would not be justifiable.

5. Future & process controls

To avoid a recurrence, a new automated process has been introduced. This process will poll the BACS file repository daily at 12:00 to determine if there are any unsent BACS files. If so, an alert will be sent to nominated people in IT and in the Benefits team. Given the knowledge that a file has not been sent, remedial action will be taken in the same day to prevent any delays in payments.

In the light of the issue regarding this event, Information Services has developed a plan to review all manual processes with a view to developing automated fail safes and backup measures. This will ensure that similar issues are captured going forward and that they can be rectified before they become a problem. These will be implemented over the next few months.

6. Equality impact assessment (EIA)

There are no equality implications in the contents of this report.

7. Legal implications

There are no legal issues beyond those described in the body of the report.

8. Head of finance's comments

There are no significant financial implications arising from this report. The only potential additional cost which may arise relates to any claims from recipients for bank charges caused by the 2 day delay in payments.

.....
Signed by:

Appendices:

None

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

Agenda Item 7



Portsmouth
CITY COUNCIL

Title of meeting:	Governance & Audit & Standards Committee
Date of meeting:	30 th January 2015
Subject:	Audit Performance Status Report to 22 nd December 2014 and Audit Strategy for 2014/15
Report by:	Chief Internal Auditor
Wards affected:	All
Key decision:	No
Full Council decision:	No

1. Summary

- 1.1 One new critical risk exception has been highlighted in this report. A further three audits have resulted in "No Assurance" being given. Further details can be found under Section 6 of this report
- 1.2 Since the last meeting 3 full audits have been added to the 2014/15 Audit Plan whilst 9 have been removed. This leaves 114 full audits within the 2014/15 Audit Plan as opposed to the original 134. There are now 46 follow up audits within the 2014/15 Audit Plan as 1 follow up audit has been removed since the last meeting. Further details can be found within Section 5
- 1.3 There are now 160 planned audits for 2014/15 made up of 114 new reviews and 46 follow up audits. Of these 115 (72%) have been completed or are in progress as at 22nd December 2014. This represents 66 audits (41%) where the report has been finalised, 11 audits (7%) where the report is in draft and 38 audits (24%) currently in progress.
- 1.4 In addition to the planned audits there are 11 areas of on-going work and 4 continuous audits which contribute to risk assurance.
- 1.5 Areas of Assurance are shown in Appendix A. Results of completed follow up audits can be found within Appendix B.
- 1.6 150 Days of reactive work have been undertaken to 22nd December 2014, with 200 days set aside within the 2014/15 Audit Plan
- 1.7 The proposed Audit Strategy for Audit coverage for 2015/16 is attached as Appendix C to this report.

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 22nd December 2014 against the Annual Audit Plan, highlight areas of concern and areas where assurance can be given on the internal control framework. The report also contains the proposed Audit Strategy for the 2015/16 Audit Plan

3. Recommendations

- 3.1 That Members note the Audit Performance for 2014/15 to 22nd December 2014
- 3.2 That Members note the highlighted areas of control weakness for the 2014/15 Audit Plan
- 3.3 That Members approve the proposed Audit Strategy for the use of Audit resources for 2015/16

4. Background

- 4.1 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.

5. Audit Plan Status 2014/15 to 22nd December 2014

Percentage of the approved plan completed

- 5.1 72% of the annual audit plan has been completed or is in progress as at 22nd December 2014. 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:

- 44 new reviews (27%) where the report has been issued, 8 in draft form (5%) and 32 (20%) where work is in progress
- 22 planned follow ups (14%) where the report has been issued, 3 in draft form (2%) and 6 (4%) where work is in progress

- 5.3 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) within the Appendix.

Changes to the 2014/15 Audit Plan

- 5.4 Nine full audits and one follow up audit have been removed since the last meeting of the Committee.

- 5.4.1 Young Persons - Children Leaving Care - removed as the Ofsted inspection has already covered the proposed scope in their review.
- 5.4.2 Constitution (Procurement Rules) - removed as the revision of the City Constitution is yet to be started
- 5.4.3 Charges to Leaseholders - removed as a result of additional work being requested by the S.151 Officer.
- 5.4.4 Security of Data - combined with audit of Information Governance.
- 5.4.5 Historic Records - deferred as the records have only recently transferred and it is too early to audit the function at this stage.
- 5.4.6 Education Letting of Contracts (Schools) - deferred to 2015/16
- 5.4.7 Budgeting, Forecasting and Transparency Agenda - combined with the audit of Main Accounting.
- 5.4.8 Northern Quarter - removed as the project has been placed on hold by the Authority
- 5.4.9 Management of Markets - follow up removed as will now be a full audit.
- 5.5 Three audits have been added to the Audit Plan since the last meeting of the Committee. These are Redwood Park Secondary School, Management of Markets (as noted within 5.4.9) and Compliance with Financial Rules

Reactive Work

- 5.6 200 days have been allowed for reactive work and investigations in 2014/15 and 180 have been used to 22nd December 2014.
- 5.7 The 180 reactive days were used for:
 - 22 special investigations
 - 17 items of adviceAs 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 full audits completed so far this year the number of exceptions within each category have been:
 - 4 Critical Risk
 - 79 High Risk

- 27 Medium Risk
- 6 Low Risk (Improvements)

5.9 The table below is a comparison of the audit status figures for December for this financial year and the previous two years.

	2012/13	2013/14	2014/15
% of the audit plan progressed	63%	60%	72%
No. of Critical exceptions	1	15	4
No. of High risk exceptions	62	124	79
No. of reactive days	213	213	180

Ongoing Areas

- 5.10 The following 11 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

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

Updates

6.1. Children's Social Care - Private Foster Carers - In Year Follow Up

6.1.1 A critical risk exception had been raised in August 2014 as testing identified that Disclosure and Barring Service (DBS) Checks had not been requested for 2 (29%) out of 7 arrangements tested.

6.1.2 Agreed Action: The reference number of each DBS check requested will now be recorded within the relevant record of the foster carer. This was followed up by Internal Audit in December 2014. Testing confirmed that the agreed action has been now been implemented. Two new foster placements were checked and in both cases DBS checks had been undertaken and recorded as expected.

6.2 City Development & Cultural Services - Building & Planning Control Follow Up

6.2.1 The 2012/13 Audit of Planning & Building Control audit raised one critical exception as testing identified that work undertaken by the Building Control Surveyor was not being checked. This could result in financial loss to the Authority if discounts are being awarded fraudulently or incorrectly. It could also lead to accusations of favoritism towards certain clients. Initial follow up testing conducted in April 2014 identified that the agreed action had not been implemented. As a result it was agreed that further follow up testing would be conducted in January 2015.

6.2.2 Follow up testing evidenced that there had been three cases between November 2014 and January 2015 where estimates had been provided by the Building Control Surveyor. Two out of the three cases (66%) had been reviewed by the City Development Manager as agreed.

6.2.3 Further testing was undertaken on 12 building control applications. All 12 files contained a building control charge sheet with additional space to record partnership discounts as previously agreed. The charge sheets are now to be countersigned by the Building Control Surveyor's when they have reviewed the applications.

6.2.4 As a result of the follow up testing conducted the critical risk exception has now been closed. Separate audits of both Planning, and Building Control will form part of the 2015/16 Audit Plan.

New Areas of Concern

6.3 Housing & Property - PAT Testing

6.3.1 A critical risk exception was raised after 12 electrical items (33%) of a sample of 36 were found to have either not had a PAT test or to be past their PAT retest

date. The Electricity at Work Regulations 1989 states that any electrical equipment that has the potential to cause injury is maintained in a safe condition. However, the Regulations do not specify what needs to be done, by whom or how frequently. PAT testing is not a legal requirement and legislation states equipment needs to be maintained to prevent danger.

- 6.3.2 Agreed Action: The Health and Safety Unit will include a need for individuals to manage portable electrical equipment in the Health + Safety Audit and Inspection Policy which is due to be placed on Policy Hub in January 2015. The aim of the policy is to increase staff awareness of PAT testing and the risks involved as well as helping them identify potentially dangerous equipment. The guidance within the policy helps the Authority demonstrate that it has taken reasonable measures to provide a safe working environment thereby reducing the risk of litigation should an electrical related incident occur.
- 6.3.3 This will be followed up by Internal Audit in March 2015
- 6.4 **Children's Social Care - Looked After Children's Funds**
- 6.4.1 This audit received no assurance after 4 high risk exceptions were raised.
- 6.4.2 The first exception was raised as testing identified that there was no documented process for the processing of savings payments on the behalf of looked after children.
- 6.4.3 Agreed Action: Formal process to be documented by the Finance Team and held electronically within the team's procedures folder.
- 6.4.5 A second exception was raised as testing highlighted a lack of monitoring of how the finances of looked after children were being administered by fostering agencies
- 6.4.6 Agreed Actions: A number of actions will be implemented including:
- Confirming the balances on children's savings accounts are as expected
 - Confirming the correct savings rates are being applied
 - A move to incorporate savings rate expectations into new placement contracts
- 6.4.7 This will be followed up as part of the 2015/16 Audit Plan
- 6.5 **Finance - Cash Collection**
- 6.5.1 This audit received no assurance after 5 high risk exceptions were raised. As part of the audit unannounced cash ups took place at Portsmouth Dog Kennels, Weacock Farm Housing Office and Somerstown Hub Housing Office.
- 6.5.2 Three high risk exceptions resulted as part of the visit to the Somerstown Hub as testing found that staff had not signed the PCC Cash Handling Instructions, there was no spot checking of cashier's floats and because the safe contained

items which should not have been there (a gift from a tenant's relative and a tenant's bank card).

- 6.5.3 Agreed Actions: The Customer Service Manager has now ensured that staff have signed the Cash Handling Instructions and a system to spot check cashier's floats has also been implemented. The gift from a tenant's relative is to be donated to the Lord Mayors Appeal and the bank card has been destroyed.
- 6.5.4 The final two exceptions related to a lack of separation of duties in the cash ups at the kennels and a failure of staff throughout the Authority to comply with the Anti-Money Laundering Policy (3 of 21 payments over £2000 had not been reported)
- 6.5.5 Agreed Actions: The Built Contracts Team Leader will now carry out spot checks on money held at the Kennels and a reminder is to be sent to staff as to their responsibilities under the Anti-Money Laundering Policy.
- 6.5.6 To be followed up as part of the 2015/16 audit of Cash Collection

6.6 External - Manor Infant School

- 6.6.1 A full school audit of an Manor Infant School resulted in 13 high risk exceptions being raised, as such Internal Audit were unable to give any assurance as to the effectiveness of the financial management controls at the school.
- 6.6.2 The high risk exceptions related to non-compliance with the following PCC policies which has resulted in an audit opinion that the Governor's self-assessment of the financial management of the School is not in line with our findings as per the Schools Financial Value Standard (SFVS):
- Scheme for Financing Schools (Head Teacher spending limits)
 - Financial Rules (location of safe keys, income trail from receipt to banking, administration and stock control of uniforms, administration of purchase cards, poor inventory management, breaching safe limits and petty cash administration)
 - HR Policy (no evidence of references being sought for new employees)
 - H&S Policy (lack of a Business Continuity Plan)
 - CCTV Policy (lack of a CCTV policy)
- 6.6.3 Actions have been agreed and will be followed up in April 2015 as part of the 2015/16 Audit Plan.

7. Comments on the plan to date

- 7.1 The revised plan is on target to be achieved by 31st March 2015. A total of 6 critical exceptions have been reported to date for this financial year (2 from the

2013/14 Plan and 4 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 - 2015/16 Audit Strategy

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	http://www.legislation.gov.uk/uksi/2011/817/contents/made

Regulations		
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?Committeed=148

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

.....
Signed by:

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	No exceptions were raised from this audit. It was found that the Corporate Parenting Strategy follows best practice as set out by the Local Government Association, clearly sets out the governance arrangements. Performance targets are monitored closely by the Corporate Parenting Board and Children's Trust Board and the targets take into account the views of Looked After Children.	
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	Testing has highlighted an improvement in compliance with procedures in comparison to previous reviews in this area. One medium risk exception has been raised as a result of testing in relation to the fact that there was no evidence that 3/10 Children in need Plans for the sample tested had been signed and copied to all concerned within 5 working days of the planning meeting.	
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. 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	0	NAT	NAT	0	Assurance	An audit of the Carbon Reduction Return for 2013/14 was undertaken before submission of the required figures to the Environment Agency. Assurance was given on the accuracy of the return based on the arithmetical checking of the return and sample testing.

APPENDIX A

2014/15 Cont

External																							
1415-119 EXT - Gatcombe Park Primary			4	2			6	1	3	1	0	1	Limited Assurance	The Full Audit resulted in four high risk exceptions relating to the petty cash account being overdrawn, an out of date internet policy, a failure to take up references for a member of staff and a failure of the Friends of Gatcombe Park to submit an audited statement of account within the expected timeframe. Two medium risk exceptions were also raised. Completion of the Schools Financial Value Standard (SFVS) statement for year ending March 2014 is in line with Internal Audit's judgment.									
1415-121 EXT - Northern Parade Primary			1	1			2	0	2	0	0	0	Limited Assurance	The Full Audit, highlighted one high risk exception in relation to non compliance with Cash Handling instructions and one medium risk exception was also raised. Completion of the Schools Financial Value Standard (SFVS) statement for year ending March 2014 is in line with Internal Audit's judgment.									
1415-132 EXT - Meredith Infant			2	1			3	0	1	0	1	1	Limited Assurance	The Full Audit resulted in two high risk exceptions relating to a failure of staff to sign the responsible internet use statement and a lack of internal control in relation to the inventory. One medium risk exception was also raised. Completion of the Schools Financial Value Standard (SFVS) statement for year ending March 2014 is in line with Internal Audit's judgment.									
1415-133 EXT - St Judes Primary			6	2			8	1	7	0	0	0	Limited Assurance	The Full Audit, resulted in six high risk exceptions in relation to retention of DBS documentation, lack of / or out of date hire agreement forms, no signed cash handling instructions by finance staff, non compliance with quotation requirements, an incomplete register of pecuniary interest and a failure of the Friends of St Judes to submit an audited statement of account within the expected timeframe. Two medium risk exceptions were also raised. Completion of the Schools Financial Value Standard (SFVS) statement for year ending March 2014 is in line with Internal Audit's judgment.									
1415-135 EXT - Devonshire Infant & Nursery	0	0	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													

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	The audit highlighted that the checks carried out to ensure that the expenditure incurred is genuine are inadequate. Members of the Finance Team were not provided with the appropriate information as to the agreed use of the Direct Payment as detailed in the young person's care plan or the vetted carers, this is essential when considering the appropriateness of the returns. In addition to this a number of the returns were found to be overdue and identified concerns had not been escalated to the Social Work staff to follow-up. Overall our opinion is that no assurance is given in relation to Children's Social Care Direct Payments.
Customer, Community & Democratic Services - Louise Wilders												
1415-038 CCD - Freedom of Information (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 Baily												
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	Two medium risk exceptions raised. First exception relates to small areas of non compliance in respect of subsistence limits and mileage claims being checked and queried by managers. The second relates to members of staff not providing proof that they have the required insurance to drive their vehicle for work purposes.
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 a previous breach of legislation, Homelessness Order 2003.
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	No exceptions were raised as a result of this audit. Testing reviewed a sample of 25 Housing Benefit and Council Tax support claims, no areas of conflicting evidence were identified. Performance and quality management were also reviewed. At the time of this audit testing established there are good controls in place when monitoring individual performance and overall quality.	
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	Internal Audit reviewed the effectiveness of the Internal Control Framework, specifically, but not exclusively on the financial operations, including preparation, monitoring and oversight. No judgement has been made on the academic side of the school's activities. Overall, areas of weak financial practices and non-compliance with PCC Financial Rules, Ofsted requirements, DBS Code of Practice, Data Protection Act and Keeping Children Safe in Education legislation were identified. Based on audit testing, no assurance overall is given.	
1415-125 EXT - Meon Infant		2		1	3	0	1	0	1	1	Limited Assurance	The Full Audit resulted in two high risk exceptions relating to non-compliance with Insurance requirements in relation to keys to the 'safe' and weaknesses in the administration and control of assets. One low risk improvement was also raised. Completion of the Schools Financial Value Standard (SFVS) statement for year ending March 2014 is in line with Internal Audit's judgment	
1415-128 EXT - Corpus Christi		3	3		6	1	2	2	0	1	Limited Assurance	The Full Audit resulted in three high risk exceptions relating to the petty cash account being overdrawn, the Single Central Register not being current and a failure to take up references and evidence qualifications for 3 members of staff. Three medium risk exceptions were also raised. Completion of the Schools Financial Value Standard (SFVS) statement for year ending March 2014 is in line with Internal Audit's judgment	

APPENDIX A

1415-130 EXT - St Swithuns Primary		2	1		3	0	1	0	1	1	Limited Assurance	The Full Audit resulted in two high risk exceptions relating to a lack of income trail for uniform purchases and a weakness in controls for the administration of school assets. One medium risk exception was also raised. Completion of the Schools Financial Value Standard (SFVS) statement for year ending March 2014 is in line with Internal Audit's judgment
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		

**2014/15 Completed Full Audits
Between 6th October & 22nd
December 2014**

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
Adult Social Care - Julian Wooster												
1415-004 ASC - Maritime Lodge					0	0	0	0	NAT	0	Assurance	Audit testing has not highlighted any exceptions relating to the Four Sites Scheme (Maritime House). As no exceptions have been raised as a result of this review, based on the testing, Internal Audit considers this to be of low risk to the Authority at this stage.
Children's Social Care - Stephen Kitchman												
1415-009 CSC - Looked after Children's Funds		4			4	2	1	0	1	NAT	No Assurance	Four high risk exceptions were raised as part of this review. These related to a formal procedures for the processing of savings payments, a lack of controls throughout the Looked After Children's Funds operation, reviews not being undertaken on Disabled Living Allowance expenditure and incorrect payments of foster allowances being made.
1415-014 CSC - Portsmouth Safeguarding Children's Board		4			4	3	NAT	1	NAT	NAT	Limited Assurance	Four high risk exceptions were raised as part of this review. These related to a lack of clarity within the Boards Constitution, a lack of risk register being in place, no consultation having taken place when forming the business plan and there being no formal escalation process in place
City Development & Cultural Services - Stephen Baily												
1415-018 CDC - Development Control				1	1	0	1	NAT	NAT	NAT	Limited Assurance	1 medium risk exception arose under testing for compliance relating to the length of time taken for decision. From the sample taken 16% breached the statutory 8 week requirement.
Corporate Assets, Business & Standards - Alan Cuffley												
1415-028 CAB - Housing Assistance					0	0	0	0	0	NAT	Assurance	No exceptions were raised during this audit. Testing reviewed the procedures in place for awarding Housing Assistance as well as testing that those procedures had been complied with for a sample of 25 cases.

APPENDIX A

Education & Strategic Commissioning - Julien Kramer												
1415-051 ESC - Health & Safety School Trips					0	0	0	0	NAT	NAT	Assurance	Based on the testing conducted, assurance can be given that the Authority is complying with the Health & Safety at Work Act 1974 in relation to school off-site activities and trips.
1415-053 ESC - School Sufficiency Programme		1			1	0	NAT	0	1	NAT	Limited Assurance	One exception arose regarding an overspend on the project due to unexpected remedial works. Testing confirmed that the processes involved within the School Sufficiency Programme were adequate and assurance can be given on those areas
Financial Services - Chris Ward												
1415-060 FIN - Cash Collection		5			5	NAT	4	NAT	0	1	No Assurance	Five high risk exceptions have been raised in relation to a lack of separation of duties at Portsmouth Dog Kennels, a breach of the PCC anti-money laundering policy at the Main Cashiers, cash handling instructions not being signed by staff at the Somerstown Hub. Testing also identified at the Somerstown hub cashiers floats were not being spot checked in accordance with cash handling instruction and the safe was reviewed which identified a gift of £100 cash and a previous tenants new debt card.
Housing & Property Services - Owen Buckwell												
1415-076 H&P - Claims		2		1	3	1	1	NAT	NAT	1	Limited Assurance	Two high risks were raised as a result of audit testing. The first relates to a lack of process for handling claims under the £500 departmental excess. The second relates to an inconsistency across the services when handling claims resulting in insufficient evidence of the damage, no signed documentation from the tenant, payments being made against incorrect cost codes and a lack of separation of duties.
1415-086 H&P - PAT Testing		1		2	3	1	1	0	1	NAT	No Assurance	Testing found 1 critical risk, 1 high risk and 1 medium risk exception. The critical risk exception relates to coverage of PAT testing throughout the Civic Offices. This lack of coverage poses a risk of damage to property and equipment as well as risk of death and injury from potentially faulty equipment and risk of subsequent litigation claims. The high risk relates to a lack of suitable PAT testing monitoring in investment properties and the medium to incorrect details in recharge forms.
Integrated Commissioning Unit - Preeti Sheth												
1415-088 ICU - Contract Monitoring					0	0	0	0	0	NAT	Assurance	Tested looked at the contract monitoring process for 5 ICU contracts and found no exceptions
External												
1415-123 EXT - Langstone Infant		5			5	1	2	2	0	0	Limited Assurance	The Full Audit resulted in five high risk exceptions relating to unclear definitions of financial responsibility and accountability, lack of clarity of financial reporting to the Full Governing Body, incomplete Business Continuity Plan, a School Improvement Plan that is not linked to the budget and missing bank statements. Completion of the Schools Financial Value Standard (SFVS) statement for year ending March 2014 is not in line with Internal Audit's judgment.

APPENDIX A

1415-129 EXT - Manor Infant		13			13	1	8	2	1	1	No Assurance	Thirteen high risk exceptions have been raised as a result of non compliance in relation to the Head Teacher delegated spending limit, security of safe keys, ICT acceptable use policy, income trail from receipt to banking, Financial reports to Governors, School Emergency Plan, Administration and control of assets, school uniform, petty cash and purchase card, CCTV policy, references and voluntary fund. Overall no assurance can be given on the effectiveness of financial controls. A follow up audit has been arranged for April 2015.
1415-136 EXT - Wimborne Junior		1	1		2	1	0	0	0	1	Limited Assurance	The Full Audit resulted in one high risk exception in relation to weakness in controls for the Voluntary Fund which is being run on behalf of the School. One medium risk exception was also raised. Completion of the Schools Financial Value Standard (SFVS) statement for year ending March 2014 is in line with Internal Audit's judgment
1415-138 EXT - Stamshaw Junior		2	1		3	1	2	0	0	0	Limited Assurance	The Full Audit resulted in two high risk exception in relation to a lack of financial framework for the Interim Education Board and no evidence of obtaining three quotations for replacement windows. One medium risk exception was also raised. Completion of the Schools Financial Value Standard (SFVS) statement for year ending March 2014 is in line with Internal Audit's judgment
Transport & Environment - Simon Moon												
1415-141 T&E - Park & Ride		1			1	0	1	NAT	0	NAT	Limited Assurance	One high risk exception has been raised, at the time of audit testing it was not possible to get live data from the ticketing machine.
Exceptions for the period	1	38	5	1	45							

Total Exceptions for the Year	4	79	27	6	116							
-------------------------------	---	----	----	---	-----	--	--	--	--	--	--	--

APPENDIX B

2013/14 Followed Up Audits - Critical Risk Exceptions		Critical Risk Open		Critical Risk Closed		Total Critical Risk	Comments
Audit Title							
F1314-073 Children's Social Care & Safeguarding - Independent Fostering Team Agreements		0	0%	2	100%	2	
Total		0	0%	2	100%	2	

2013/14 Followed Up Audits - High Risk Exceptions		High Risk Open		High Risk Closed		High Risk Total	Comments
Audit Title							
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 that children's homes appeared twice and four 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 information only and reported on in the 2013/14 Performance Development Review and Mandatory Training audit.
F1314-018 Financial Services - Local Enterprise Partnership funding (e.g. growing places)		0	0%	1	100%	1	
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	
F1314-042 Corporate Assets, Business & Standards - Houses in Multiple Occupation		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, (previously in place then lapsed). Process to identify non compliance now working. City Solicitor to keep a log of actions taken from now on.

APPENDIX B

F1314-059 HR Legal & Performance - Solicitors fees Court Costs	0	0%	1	100%	1	
F1314-071 Children's Social Care & Safeguarding- Targetted Youth Support 9-16 emerging needs	0	0%	3	100%	3	
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	
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 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.
F1314-087 CDCS - Mountbatten Centre Client Monitoring	0	0%	1	100%	1	
F1314-113 Transport & Environment - Fuel purchases	1	50%	1	50%	2	The open exception 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	50%	20	50%	40	

APPENDIX B

2013/14 Audits Followed Up - Medium Risk Exceptions

Audit Title	Medium Risk Open		Medium Risk Closed		Medium Risk Total
	Count	Percentage	Count	Percentage	
F1314-031 Housing Management - Sheltered Housing Service	0	0%	3	100%	3
F1314-035 Housing Management - Sub letting prevention	0	0%	1	100%	1
F1314-042 Corporate Assets, Business & Standards - Houses in Multiple Occupation	0	0%	1	1%	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
F1314-059 HR Legal & Performance - Solicitors fees Court Costs	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	13%	14	88%	16

2013/14 Audits Followed Up - Low Risk Exceptions

Audit Title	Low Risk Open		Low Risk Closed		Low Risk Total
	Count	Percentage	Count	Percentage	
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

APPENDIX B

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%
F1314-018 Financial Services - Local Enterprise Partnership funding (e.g. growing places)	1	0%	100%
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%
F1314-042 Corporate Assets, Business & Standards - Houses in Multiple Occupation	3	0%	
F1314-050 Adult Social Care - Residential and Day Centres self assessments	3	33%	33%
F1314-056 HR, Legal & Performance - Gifts and Hospitality	2	50%	50%
F1314-059 HR Legal & Performance - Solicitors fees Court Costs	2	0%	
F1314-061 HR, Legal & Performance - Data Quality checks	6	0%	100%
F1314-071 Children's Social Care & Safeguarding- Targetted Youth Support 9-16 emerging needs	3	0%	
F1314-072 Children's Social Care & Safeguarding- Youth Offending Team	6	83%	17%
F1314-073 Children's Social Care & Safeguarding - Independent Fostering Team Agreements	2	0%	
F1314-074 Children's Social Care & Safeguarding - YOT Volunteer Recruitment	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%
F1314-087 CDCS - Mountbatten Centre Client Monitoring	1	0%	
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	60	35%	65%

Page 66

2014/15 Audits Followed Up In Year	Critical Risk Open	Critical Risk Closed	Total Critical Risk	Comments	
1415-010 Children's Social Care - Private Foster Carers	0	0	1	100%	1 All 5 exceptions for this audit were followed up in December 2015. Actions have been implemented as agreed for the 1 critical risk and 3 high risk exceptions. The medium risk exception related to working procedures being outdated.
	High Risk Open	High Risk Closed	Total High Risk		
1415-010 Children's Social Care - Private Foster Carers	0	0%	3	100%	
	Medium Risk Open	Medium Risk Closed	Total Medium Risk		0 The new procedures are not due to be updated until January 2015
1415-010 Children's Social Care - Private Foster Carers	1	100%	0	0%	

INTERNAL AUDIT STRATEGY 2015/16

Purpose

1. The purpose of the Audit Strategy is to set out the strategic approach which allows the Chief Internal Auditor to manage the audit service in a way that will facilitate:
 - A sufficient review of the Authority's functions in order to form an annual opinion on the effectiveness of the control framework. This opinion forms part of the Annual Governance Statement, a statutory requirement and must incorporate a statement on Internal Audits conformance with the Public Sector Internal Audit Standards.
 - An assurance on the organisations governance and control arrangements, including risk management, through the annual audit plan in a way that gives suitable priority to the organisations objectives and risks
 - Improvement of the organisations governance, control and risk management, by highlighting exceptions to line management and agreeing mitigating actions
 - The identification of audit resources and that they are suitably qualified and experienced as required by the Public Sector Internal Audit Standards in the UK
 - Effective co-operation with external auditors
 - Value for money including selling of specialist skills to fee paying customers and joint working/shared arrangements
 - Reactive work such as advice, consultancy services and investigations that add value to the organisation in meeting its objectives and aims to improve governance and risk management
 - Horizon scanning to ensure the inclusion in the audit risk analysis of key areas likely to impact on the organisation
2. The Chief Internal Auditor is required to produce an Annual Plan for each financial year that translates into a schedule of audit assignments. It defines the area and duration of each audit based on each audit's programme, risk assessment, national or local impacts, time spent in previous audits, any problems encountered and level and skill of staff involved.
3. All of these activities assist Services and the Organisation to manage governance, risk and assurance as a contribution to achieving the objective of creating a great waterfront city

Scope and Responsibilities

4. The scope and responsibilities relating to Internal Audit are specified in Financial Rules as well as in the Audit Charter and Code of Ethics.

Audit Opinion

5. The overall Annual Audit Opinion will be delivered in the Annual Report and will be based on the adequacy and effectiveness of controls tested within the control framework.

INTERNAL AUDIT STRATEGY 2015/16

- Internal control environment;
 - Reliability and integrity of financial and operational information;
 - Effectiveness and efficiency of operations and programmes;
 - Safeguarding of assets; and
 - Compliance with laws, regulations and rules, policies, procedures and contracts.
6. Evidence for this opinion will be based on the coverage of the Audit Plan and the overall level of critical and high exceptions found on each of the Audits.
7. Critical exceptions are those exceptions seen as “show stoppers” i.e. control failures or weaknesses that could lead to prosecution or the imminent collapse of a system or service that would result in reputational and financial damage These will be reported to Members along with the managers proposed actions or actions that have been taken.
8. High risk exceptions are where 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. If there are several high risk exceptions in one area Internal Audit will highlight these to Members along with the managers response
9. Depending on the level of critical and high risk exceptions in comparison to the number of reviews carried out then the opinion could range from no assurance through limited assurance to full assurance. The levels and control framework areas of critical and high risk exceptions will also be compared to previous year’s levels to give an indication of improvement, or otherwise, in the effectiveness of the control framework.
10. To widen the assurance scope and maximise resources, Internal Audit will, wherever possible, rely on the assurance work of others. This is only where they have satisfactorily tested documentation, the level of testing and reporting for objectivity, integrity, accuracy and sufficiency. To this end self assessment checks are being promoted in some areas which will be spot checked by Internal Audit for integrity.

Service Provision

11. There is an in-house mix of full and one part time member of staff totalling 8.8 FTE for the provision of the Internal Audit and related services (6.8 specifically on audits only), with a proportion being sold to other local authorities and external organisations. This is a decrease from the previous year as the term time Principal Auditor left in August 2014 and has not been replaced. Recruitment for an Apprentice is currently underway and it is anticipated that the level of staff will increase with effect from April 2015 to 9.8 FTE although the Chief Internal Auditor is retiring in November 2015 which will prompt a service review.
12. The Public Sector Internal Audit Standards for Internal Audit in the UK

INTERNAL AUDIT STRATEGY 2015/16

- requires that staff are suitably qualified and experienced. All current staff in Internal Audit either have a relevant qualification (MIIA or CCAB) or are in training to become qualified, in addition senior staff have several years internal audit experience. Staff specialise in specific areas and mentor other staff as successors; for example the Principal Auditor specialising in Contracts and Procurement mentors a junior member of staff in that specialism, as part of their development.
13. Audit skills and resources are matched to the areas to be audited and any high risk audits that will not be covered are brought to the attention of the Corporate Governance Group which consists of the Chief Executive, Monitoring Officer, S151 Officer and Head of Legal HR and Performance as well as the Members of the Governance and Audit and Standards Committee, for them to make a decision on Audit resourcing.
 14. In order to maximise resources between the External Auditors and Internal Audit, the Chief Internal Auditor and the External Audit Manager try to take into account where their resources can be shared. External Audit are allowed to place reliance on Internal Audit work, where they can, in order to form their opinion on the Authority's accounts. It may in some cases be more cost effective for Internal Audit to carry out some of the system work. However, this depends on Internal Audit priorities and resources available at the time. To this end the Audit Plan risk assessment takes into account (amongst other things) the External Audit interest in the Authority's financial systems.
 15. The responsibility for fraud detection and investigation rests with managers. However, investigations have always been part of the audit function because of the independence of the function and the possession of the investigative and evidence gathering skills required and in order to identify weaknesses in control to prevent re-occurrences. Three audit staff are qualified in Internal Investigations, two are qualified in forensic PC investigations and one is an accredited Financial Investigator.
 16. There are some non-audit duties that are carried out because they sit within the audit skill mix and these are RIPA (Regulation of Investigatory Powers Act), and Anti Money Laundering investigations and reporting as well as counter fraud activities.
 17. The Authority no longer has a Corporate Risk Manager, however due to Internal Audit's unique position in the organisation have brought together a new policy and process for the management of risk. The assessment of the Audit Universe is based on this new risk policy.

Consultation

18. The Chief Internal Auditor and Deputy Chief Internal Auditor consult with the Chief Executive and Strategic Directors, all the Heads of Services and the Chair of Governance and Audit and Standards prior to the start of the new financial year, requesting any additional items or other comments as well as

INTERNAL AUDIT STRATEGY 2015/16

the Strategy Unit re Partners and Partnerships.

19. In order to preserve the independence of Internal Audit the final risk assessment and inclusion in the Annual Plan rests with the Chief Internal Auditor.

Assignments

20. The determination of the audit universe and scope of Internal Audit is defined in the Audit Charter and Code of Ethics. The Annual Audit Plan is derived from the audit universe based on risk however the Plan must also make provision for the following areas regardless of any risk assessment;
- **Data matching exercise** – a compulsory exercise matching records between authorities to identify any fraudulent claims. This is carried out every year with specified mandatory areas carried out bi-annually,
 - **External services** - Langstone Harbour Board internal audit provision, Gosport and Eastleigh Councils and Bournemouth Council. We have an agreement with the aforementioned councils to provide IT Audit,
 - **Internal services** - MMD and Schools where Internal Audit is purchased under an SLA or contract.
 - **Follow-up Audits** – To ensure that critical and high exceptions have been implemented as agreed,
 - **Reactive work (Advice and unplanned work)** – To allow for; changes in priorities and issues that arise during the year; extensions to reviews where further testing may be required because of control weaknesses; advice on general control issues and Financial Rule Waiver requests,
 - **Investigations** – To provide an independent investigation service on internal irregularities that require investigative and evidence gathering skills. Also to review controls post investigation as part of the core audit function,
 - **Fundamental Financial Systems** – including Payroll, main accounting and others as agreed with the External Auditors,
 - **Audit slippage-** Audits started at the year end will often be completed in the early part of the new financial year.
 - **Deferred Audits-** High risk audits that have been deferred because the activity has been deferred or the programme has slipped for example delayed implementation of new systems etc,
 - **Counter fraud activities** – including proactive anti fraud checks, education and updating of policies,
 - **Spot checks on Governance Arrangements,**
 - **Certification of some grant claims,**
 - **Emerging high risk areas** (These are generally activities that are identified as high risk from another audit review during the year but due to limited audit resources are deemed priority for the following year's audit plan).
 - **Continuous audit on corporate risks as determined by the Strategic Directors Board**
21. The Financial Management Standard in Schools has undergone significant change and is no longer subject to external assessment. As well as this some

INTERNAL AUDIT STRATEGY 2015/16

schools are no longer under PCC jurisdiction. Therefore, the establishment audits of schools will no longer form part of the Audit Plan unless requested.

Priority

22. The Accounts and Audit Regulations require that Internal Audit provide independent assurance on the control framework (the Audit Opinion) for inclusion in the Annual Governance Statement (AGS) therefore, the priority for the Audit Service must be to carry out and achieve the planned work as contained in the Annual Audit Plan. This currently equates to approximately 24% of the audit universe. This percentage will only decrease in agreement with the s151 Officer.
23. Once the items listed in paragraph 20 have been taken into account all other areas identified as being within the Audit remit will be subject to an Audit Needs Risk Assessment (ANRA).
24. The Audit Needs Risk Assessment takes into account the significant risks facing the organisation and assurance required which includes the drivers behind activities e.g. financial/ legal/ Government and the threats facing achievement of those objectives as well as tested control assessments. These are weighted by the number of years since a previous audit or whether or not it is a mandatory requirement.
25. The Section is resourced to cover only high-risk audits with an allowance for reactive and investigation work.
26. Reactive work is prioritised and may be carried out in preference to items in the Audit Plan if assessed as immediate priority (by either the Investigation Steering Panel if it is a financial irregularity investigation or by the Chief Internal Auditor if a review needs further Audit work) in accordance with the following criteria;
 - Risks if the work is not carried out,
 - Impact on the Audit Plan,
 - Whether the work can be left until the Plan is reviewed or is immediately required.

Horizon Scanning

27. On-going horizon scanning is carried out to identify any new areas of emerging risk that may impact upon the Authority achieving its aims and objectives. The areas of concern identified are:
 - Public Health Duties (Health and Social Care bill) which may bring risks because of increase in workloads or differences in such things as, risk and insurance treatment as well as due diligence, commissioning risks and value for money
 - Delivery of Mental Health Services specifically the role of the Local Authority on Enhancing Mental Health.
 - Reduction in inspection and performance regimes resulting in a possible loss of governance and/or increased work pressures for Internal Audit for example on assisting with assurance reports to support the accounts.

INTERNAL AUDIT STRATEGY 2015/16

- Recessional difficulties as well as the austerity measures introduced by the Government could impact on the financial stability and contingency arrangements of third parties that contract with the Council,
- The impact of budget cuts on the whole of the organisation and in particular care services as these are demand led and impacted by the Care Act 2014,
- The risks to property assets in particular landlord responsibilities and maintenance due to budget cuts,
- Budget savings which could impact on existing system controls and adding risk because of loss of experienced staff, removing layers of management, reducing scope for separation of duties, pressures on service delivery etc.

Flexibility

28. The Audit Plan will be reviewed quarterly and in consultation with the Section 151 Officer to take account of any significant changes in priority that has occurred during the year.

LW Graham
Chief Internal Auditor

References:

Audit Charter and Code of Ethics and Audit Manual;
Public Sector Internal Audit Standards in the UK;
Accounts and Audit Regulations;
Money Laundering Regulations.

Agenda Item 8

Agenda item:

Decision maker: Governance and Audit and Standards Committee

Subject: Treasury Management Monitoring Report for the Third Quarter of 2014/15

Date of decision: 30 January 2015

Report by: Head of Financial Services & Section 151 Officer

Wards affected: All

Key decision: No

Budget & policy framework decision: No

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 31 December 2014 and of the risks attached to that position.

2. Recommendations

1) That the following actual treasury management indicators for the first three quarters of 2014/15 be noted:

(a) The Council's debt at 31 December:

Prudential Indicator	Limit £m	Actual £m
Authorised Limit	511	464
Operational Boundary	445	464

(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%	4%	15%	12%	15%	46%

(c) The Council's sums invested for periods longer than 364 days at 31 December 2014 were:

	Prudential Limit	Quarter 3 Actual
	£m	£m
Maturing after 31/3/2015	170	116
Maturing after 31/3/2016	158	84
Maturing after 31/3/2017	124	8

(d) The Council's fixed interest rate exposure at 31 December 2014 was £257m, ie. the Council had net fixed interest rate borrowing of £257m. This is within the Council's approved limit of £332m.

(e) The Council's variable interest rate exposure at 31 December 2015 was (£194m), ie. the Council had net variable interest rate investments of £194m. This is within the Council's approved limit of (£241m).

2) That the Committee note that an investment was placed with Furness Building Society with a maturity of 2 years and 2 days that exceeded the 364 day duration limit for unrated building societies. This is considered to be a low risk given the inherent nature of building societies and consideration is being given to increasing the duration limit for unrated building societies in the 2015/16 Treasury Management Policy.

3. Background

The Council's treasury management operation has a cash limit of £22m and therefore can have a significant effect on the revenue available to fund the Council's front line services. In addition the Council has investments with 53 institutions amounting to £314m. If an institution defaulted on one of the Council's investments the loss would have to be borne by the General Fund.

The Council's treasury management operation does not fall under any of the Cabinet members' portfolios. Therefore treasury management monitoring reports are brought to the Governance and Standards and Audit Committee for scrutiny.

In March 2009 the CIPFA Treasury Management Panel issued a bulletin on Treasury Management in Local Authorities. The bulletin states that "in order to enshrine best practice it is suggested that authorities report formally on Treasury Management activities at least twice yearly and preferably quarterly". The report in Appendix A covers the first nine months of 2014/15.

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.

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. Finance comments

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

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

Appendices:

Appendix A: Treasury Management Monitoring 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:

<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 Governance and Audit and Standards Committee on 30 January 2015.

.....
Signed by: the Chair of the Governance and Audit and Standards Committee

**TREASURY MANAGEMENT MONITORING REPORT FOR THE FIRST THREE
QUARTERS 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 BACKGROUND

After strong UK GDP growth in 2013 at an annual rate 2.7%, and then in 2014 0.7% in Q1, 0.9% in Q2 2014 (annual rate 3.2% in Q2), Q3 has seen growth fall back to 0.7% in the quarter and to an annual rate of 2.6%. It therefore appears that growth has eased since the surge in the first half of 2014 leading to a downward revision of forecasts for 2015 and 2016, albeit that growth will still remain strong by UK standards. 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 than expected. The Monetary Policy Committee (MPC) is now focusing on how quickly slack in the economy is being used up. It is also particularly concerned that the squeeze on the disposable incomes of consumers should be reversed by wage inflation rising back significantly 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. Unemployment is expected to keep on its downward trend and this is likely to eventually feed through into a return to significant increases in wage growth at some point during the next three years.

Also encouraging has been the sharp fall in inflation (CPI), reaching 1.0% in November, the lowest rate since September 2002. Forward indications are that inflation is likely to remain around or under 1% for the best part of a year. The return to strong growth has helped lower forecasts for the increase in Government debt over the last year but monthly public sector deficit figures during 2014 have disappointed until November. The autumn statement, therefore, had to revise the speed with which the deficit is forecast to be eliminated.

The U.S. Federal Reserve ended its monthly asset purchases in October 2014. GDP growth rates (annualised) for Q2 and Q3 of 4.6% and 5.0% have been stunning and hold great promise for strong growth going forward. It is therefore confidently predicted that the first increase in the Fed. rate will occur by the middle of 2015.

The Eurozone (EZ) is facing an increasing threat from deflation. In November the inflation rate fell to 0.3%. However, this is an average for all EZ countries and includes some countries with negative rates of inflation. Accordingly, the European Central Bank (ECB) did take some rather limited action in June and September to loosen monetary policy in order to promote growth and is currently expected to embark on quantitative easing early in 2015 to counter this threat of deflation and to stimulate growth.

3. INTEREST RATE FORECAST

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

	Mar-15	Jun-15	Sep-15	Dec-15	Mar-16	Jun-16	Sep-16	Dec-16	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18
Bank rate	0.50%	0.50%	0.50%	0.75%	0.75%	1.00%	1.00%	1.25%	1.25%	1.50%	1.75%	1.75%	2.00%
5yr PWLB rate	2.20%	2.20%	2.30%	2.50%	2.60%	2.80%	2.90%	3.00%	3.20%	3.30%	3.40%	3.50%	3.60%
10yr PWLB rate	2.80%	2.80%	3.00%	3.20%	3.30%	3.50%	3.60%	3.70%	3.80%	3.90%	4.00%	4.10%	4.20%
25yr PWLB rate	3.40%	3.50%	3.70%	3.80%	4.00%	4.20%	4.30%	4.40%	4.50%	4.60%	4.70%	4.70%	4.80%
50yr PWLB rate	3.40%	3.50%	3.70%	3.80%	4.00%	4.20%	4.30%	4.40%	4.50%	4.60%	4.70%	4.70%	4.80%

Capita Asset Services undertook a review of its interest rate forecasts on 5 January 2015 after a proliferation of fears in financial markets around the plunge in the price of oil that had caused a flight from equities into bonds and from exposure to the debt and equities of emerging market oil producing countries to safe havens in western countries. These flows were compounded by further fears that Greece could be heading towards an exit from the Euro after the general election on January 25 and financial flows generated by the increasing likelihood that the ECB would soon be starting on full blown quantitative easing (QE) purchase of Eurozone government debt. In addition, there has been a sharp increase in confidence that the US will start increasing the Fed. rate by the middle of 2015 due to the stunning surge in GDP growth in quarters 2 and 3 of 2014. This indicated that the US is now headed towards making a full recovery from the financial crisis of 2008.

The result of the combination of the above factors is that we have seen bond yields plunging to phenomenally low levels, especially in long term yields. These falls are unsustainable in the longer term but just how quickly these falls will unwind is hard to predict. In addition, positive or negative developments on the world political scene could have a major impact in either keeping yields low or prompting them to recover back up again. We also have a UK general election coming up in May 2015; it is very hard to predict what its likely result will be and the consequent impact on the UK economy, and how financial markets will react to those developments.

This latest forecast includes a move in the timing of the first increase in Bank Rate from quarter 2 of 2015 to quarter 4 of 2015 as a result of the sharp fall in inflation due to the fall in the price of oil and the cooling of the rate of GDP growth in the UK, albeit, that growth will remain strong by UK standards, but not as strong as was previously forecast. The Governor of the Bank of England, Mark Carney, has repeatedly stated that increases in Bank Rate will be slow and gradual. The MPC is concerned about the impact of increases on many heavily indebted consumers, especially when average disposable income is only currently increasing marginally as a result of wage inflation now running slightly above the depressed rate of CPI inflation, though some consumers will not have seen that benefit come through for them. In addition, whatever party or coalition wins power in the next general election, will be faced with having to implement further major cuts in expenditure and / or increases in taxation in order to eradicate the annual public sector net borrowing deficit.

4. NET DEBT

The Council's net borrowing position excluding accrued interest at 31 December 2014 was as follows:

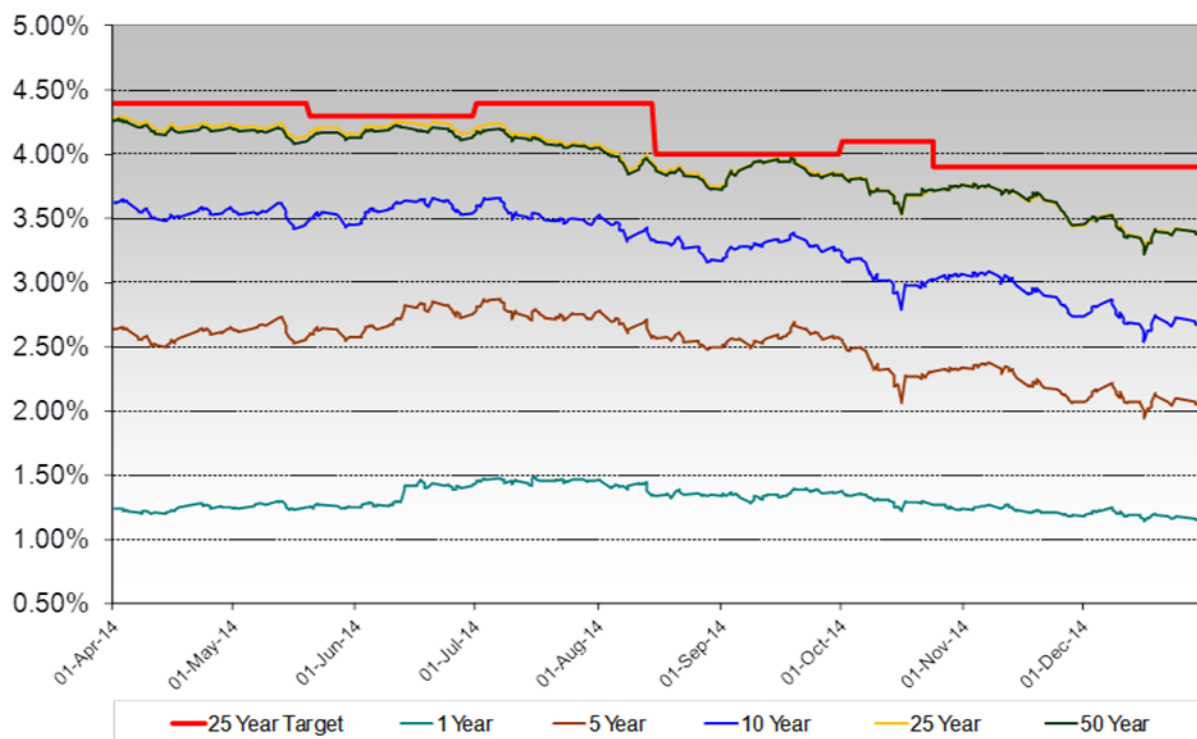
	1 April 2014	31 December 2014
	£'000	£'000
Borrowing	354,822	377,304
Finance Leases	3,775	3,214
Service Concession Arrangements (including PFIs)	83,373	83,144
Gross Debt	441,970	463,662
Investments	(296,761)	(313,594)
Net Debt	145,209	150,068

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 and the receipt of £48.8m of City Deal Grant on 28 March 2014 together with £25m of new borrowing taken out in November have 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. BORROWING ACTIVITY

PWLB Certainty Rates for the first three quarters of 2014/15 are shown in then graph below:



PWLB rates have been generally falling since July. However there have been resurgences of confidence in the financial markets that have led to increases in gilts and PWLB rates in the first half of September, mid-October and early December. However, none of these increases has been sustained.

The City Council has an allocation to borrow £43m from the PWLB at the Project Rate (0.20% below the Certainty Rate) to part fund the City Deal and the development of Dunsbury Hill Farm. It was intended to draw down this borrowing in 2015/16. However because of PWLB rates being relatively low and the forecasts for PWLB rates predicting an upward trend it was decided to borrow part of the allocation early. Consequently £25m was borrowed from the PWLB at the project rate at 3.19% for 15 years on 17 November.

The Council's debt at 31 December was as follows:

Prudential Indicator 2013/14	Limit £m	Position at 31/12/14 £m
Authorised Limit	511	464
Operational Boundary	445	464

The operational boundary is intended to warn the Section 151 Officer and the Council if there is a possibility of the authorised limit being exceeded. The operational boundary differs from the authorised limit in that it is based on expectations of the maximum external debt of the authority according to probable, not simply possible, events and is consistent with the maximum level of external debt projected by the Council's estimates.

The operational boundary has been exceeded through the Council borrowing earlier than planned in order to secure a low interest rate on its borrowing. The fact that the Council's borrowing has exceeded its operational boundary is not indicative of there being a risk of the authorised limit being exceeded in these circumstances. The operational boundary will be reset when the proposed Treasury Management Strategy for 2015/16 is considered by the City Council in March.

6. MATURITY STRUCTURE OF BORROWING

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

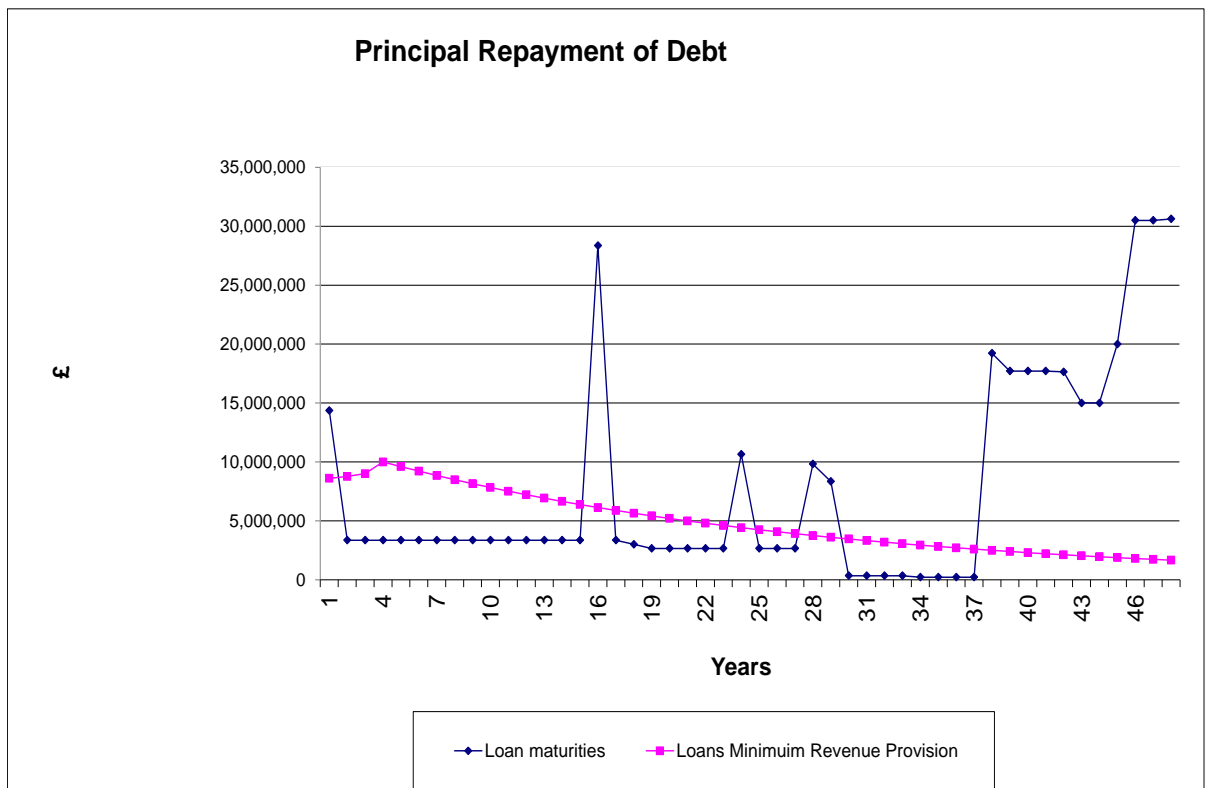
During 2007/08 the Council rescheduled £70.8m of debt. This involved repaying loans from the Public Works Loans Board (PWLB) early and taking out new loans from the PWLB with longer maturities ranging from 45 to 49 years. The effect of the debt restructuring was to reduce the annual interest payable 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 45 years. The remaining £84m is repayable in equal instalments of principal over periods of between 17 and 27 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 46% 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 8 and 10). 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 18 March 2014 together with the City Councils actual debt maturity pattern are shown below.

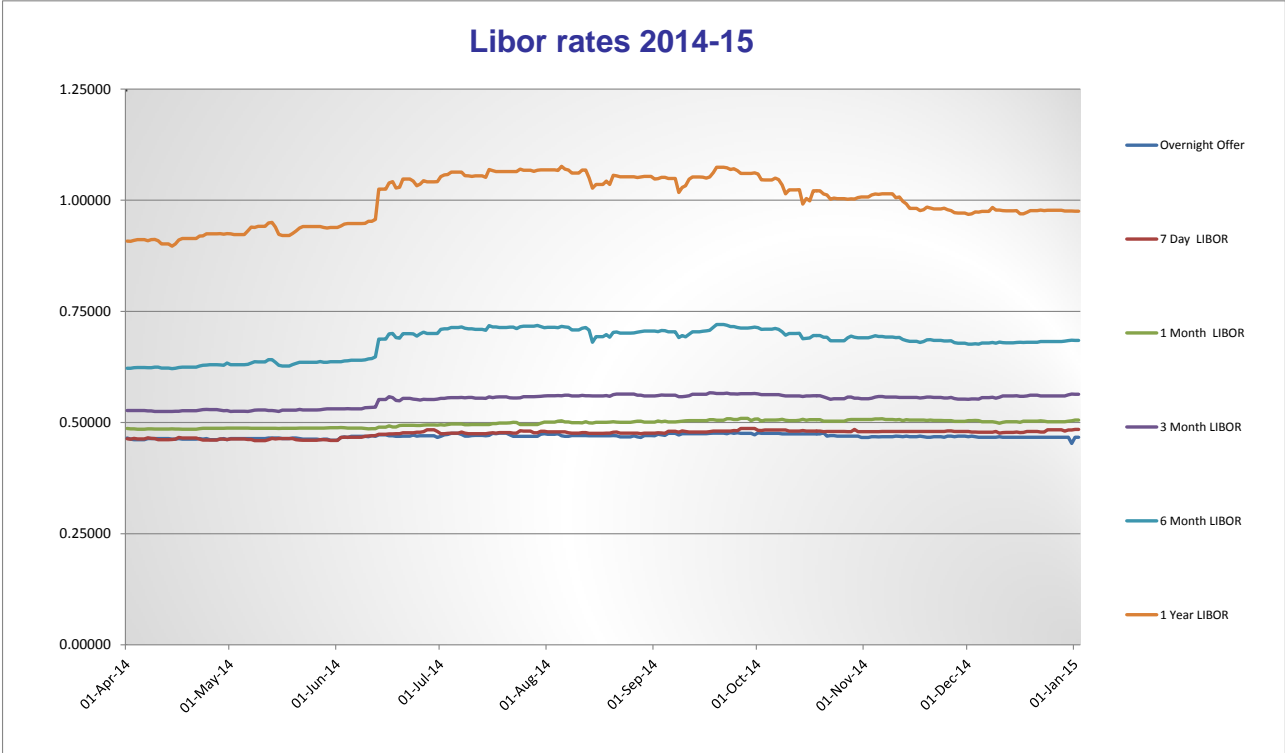
	Under 1 Year	1 to 2 Years	3 to 5 Years	6 to 10 Years	11 to 20 Years	21 to 30 Years	31 to 40 Years	41 to 50 Years
Lower Limit	0%	0%	0%	0%	0%	0%	0%	0%
Upper Limit	20%	20%	30%	30%	40%	40%	60%	70%
Actual	4%	1%	3%	4%	15%	12%	15%	46%

7. INVESTMENT ACTIVITY

In accordance with the Code, 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.

The City Council set a duration limit for all investment counter parties on 18 March 2014. A deposit with a duration of 2 years and 2 days was placed with Furness Building Society which exceeded the duration limit for unrated building societies of 364 days. This is considered to be a low risk given the inherent nature of building societies and consideration is being given to increasing the duration limit for unrated building societies in the 2015/16 Treasury Management Policy so that it better reflects the risks associated with these institutions relative to other institutions on the Council's list of approved investments.

Short term market interest rates for the first three quarters of 2014/15 are shown in the graph below:



Short term market interest rates in excess of a month have increased overall in the first three quarters of 2014/15 although there has been some tailing off in the third quarter.

The Council held £314m of investments as at 31 December 2014 (£297m at 31 March 2014). As existing investments matured, the Council was able to replace them with investments yielding a higher return without significantly increasing the Council's exposure to credit risk. Consequently the investment portfolio yield for the first eight months of the year has increased to 0.88%. The investment yield for the first five months of the year was 0.77%.

The Council's budgeted investment return for 2014/15 is £1,531k, and performance for the year to date is £868k above budget. This is due to having more surplus cash than anticipated to invest and being able to obtain better returns than was anticipated in a low interest rate environment. The receipt of the £48.8m City Deal Grant earlier than had been anticipated at the end of 2013/14 contributed to the higher cash balances in 2014/15. Interest earned on the City Deal Grant will be transferred to an Earmarked Reserve.

8. SECURITY OF INVESTMENTS

The risk of default has been managed through investing only in financial institutions that meet minimum credit ratings, limiting investments in any institution to £26m and spreading investments over countries and sectors.

The 2014/15 Treasury Management Policy approved by the City Council on 18 March 2014 only permits deposits to be placed with the Council's subsidiaries, namely MMD (Shipping Services) Ltd, the United Kingdom Government, other local authorities, certain building societies, Hampshire Community Bank, and institutions that have the following credit ratings:

Short Term Rating

F2 (or equivalent) from Fitch, Moody's (P-3) or Standard and Poor (A-3)

Long Term Rating

Triple B (triple BBB category) or equivalent from Fitch, Moody's or Standard & Poor

Viability / Financial Strength Rating

bbb from Fitch or C- from Moody's

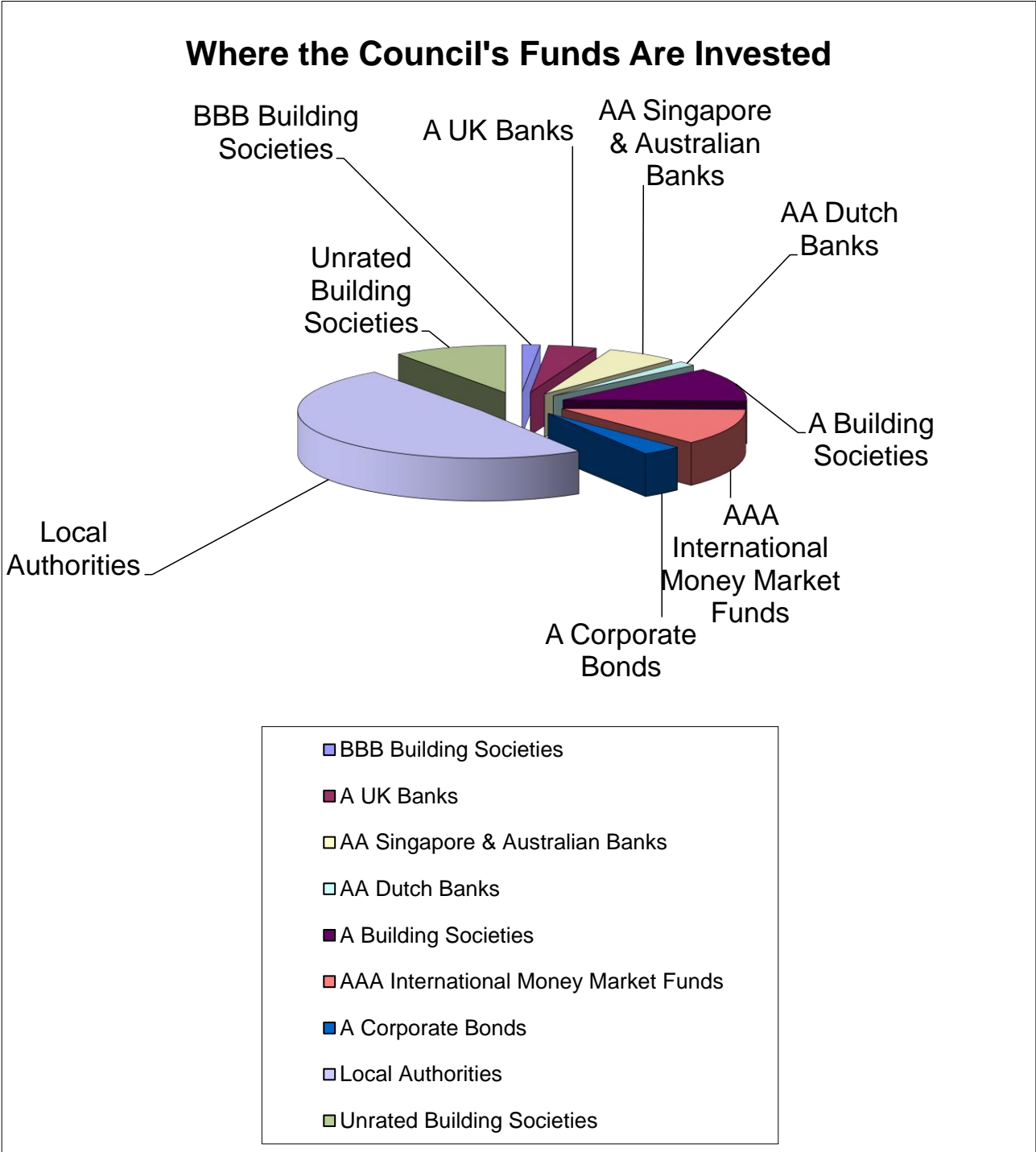
Support Rating

5 from Fitch

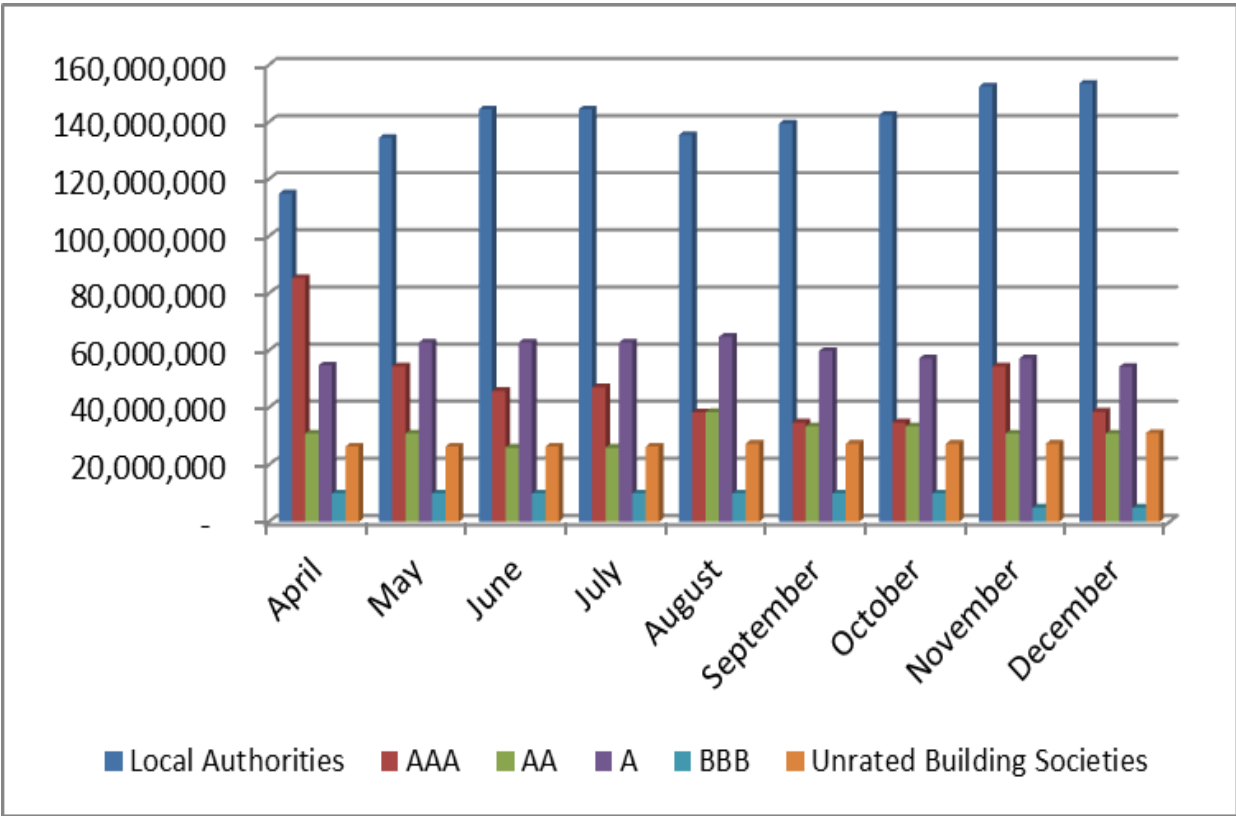
Under the Council's Annual Investment Strategy counter parties are categorised by their credit ratings for the purposes of assigning investment limits.

At 30 June 2014 the City Council had on average £5.9m invested with each institution.

The chart below summarises how the Council's funds were invested at 31 December.



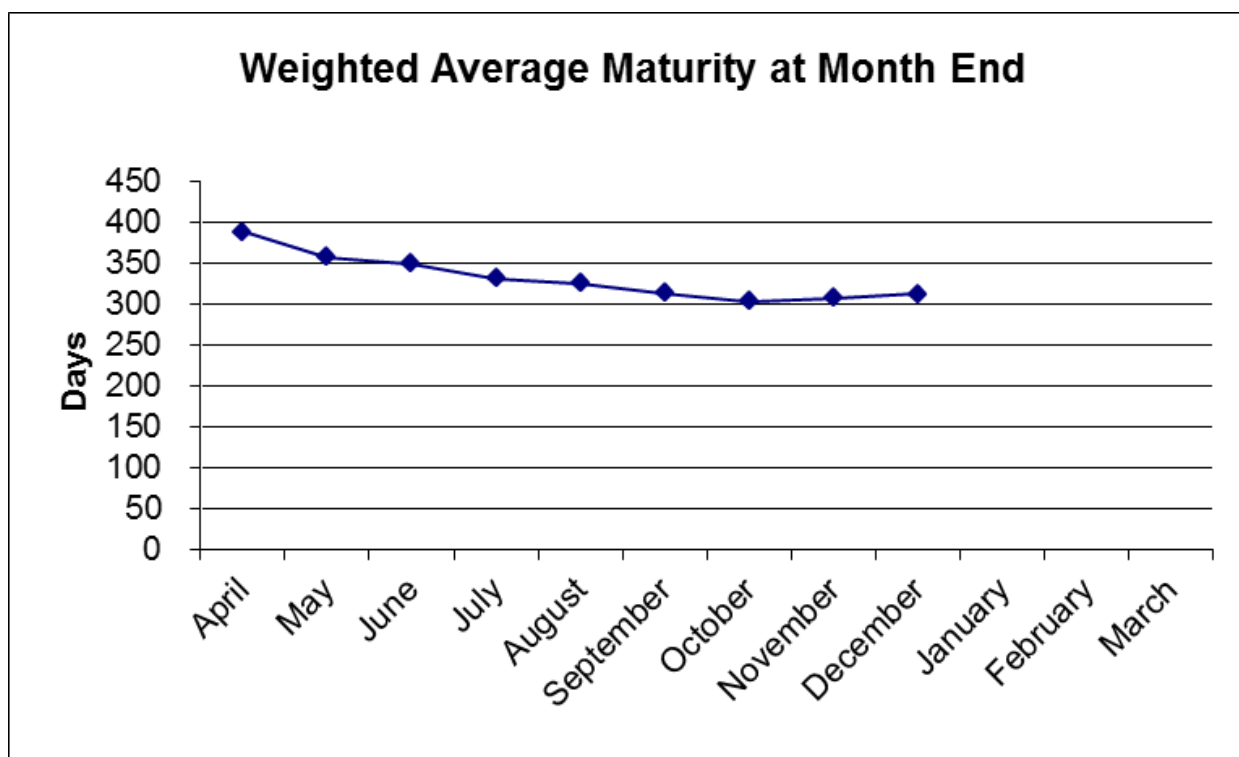
The chart below shows how the Council's investment portfolio has changed in terms of the credit ratings of investment counter parties over the first nine months of 2014/15.



It can be seen from the graph above that investments in AAA rated counter parties, consisting mainly of AAA rated instant access money market funds have declined over the first nine 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.

9. LIQUIDITY OF INVESTMENTS

The weighted average maturity of the City Council’s investment portfolio started at 388 days in April and decreased to 303 days in October 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. The weighted average maturity of the investment portfolio has since increased to 312 days as capital expenditure slipped and the forecasts of when the first increase in base rate will be have been pushed back as confidence within the financial markets has waned. This is shown in the graph below.



The 2014/15 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 31 December £38.6m 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	116
31/3/2016	158	84
31/3/2017	124	8

10. 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	377
Minimum Projected Gross Investments – Fixed Rate	(66)	(120)
Fixed Interest Rate Exposure	332	257

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	Actual
	£m	£m
Minimum Projected Gross Borrowing – Variable Rate	-	-
Maximum Projected Gross Investments – Variable Rate	(241)	(194)
Variable Interest Rate Exposure	(241)	(194)

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. However, this risk is limited by the very low market interest rates available for investments.

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

<u>Effect of +/- 0.5% Rate Change</u>	2014/15	2015/16	2016/17
	£'000	£'000	£'000
Long Term Borrowing	2	55	55
Investment Interest	(31)	(838)	(685)
Net Effect of +/- 0.5% Rate Change	(31)	(783)	(630)



Title of meeting:	Governance and Audit and Standards Committee
Date of meeting:	30 January 2015
Subject:	Project Plan for the Implementation of the Code of Practice on Transport Infrastructure Assets
Report by:	Head of Financial Services and Section 151 Officer
Wards affected:	All
Key decision:	No
Full Council decision:	No

1. Purpose of report

The purpose of this report is to disclose the Project plan for the Implementation of the Code of Practice on Transport Infrastructure Assets contained in the Appendix.

2. Recommendations

That the project plan for the implementation of the Code of Practice On Transport Infrastructure Assets contained in Appendix A be noted

3. Background

The Chartered Institute of Public Finance and Accountancy Code of Practice on Transport Infrastructure Assets is concerned with changing the valuation basis for highways assets from depreciated historic cost to depreciated replacement cost for the 2016/17 financial statements. The Council is required by statute to have regard to the Code of Practice on Transport Infrastructure Assets.

4. Reasons for Recommendations

Work already undertaken has identified that the new basis for valuing the Council's highways infrastructure (depreciated replacement cost) will increase the value of the transport infrastructure assets by an estimated £1.7bn from £87m to £1.8bn. To put this into context, the Council's net assets are currently £0.6bn, but would increase to £2.3bn.

In addition the annual depreciation charge for transport infrastructure assets will increase by an estimated £29.4m from approximately £2.6m to £32m. Again, to put this into context, the Council's gross expenditure on highways and transport services, currently £44m, would increase to £73m.

Whilst this will represent a significant increase in the balance sheet value of the Council's assets, and a corresponding significant increase in the cost of the Council's services, these increases will not affect the Council's overall budget and financial position.

Implementing the Code of Practice on Transport Infrastructure Assets will amount to a major project over three years and will require input from the Transport and Environment Service and the Council's Highways Private Finance Initiative Contractor in addition to Financial Services. As a statutory obligation, this work will need to take priority over other important activities of a more discretionary nature.

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. Finance Comments

Failure to follow the Code would be likely to result in the auditors qualifying the Council's financial statements in 2016/17 with consequent poor publicity and reputational damage to the Council.

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

Appendices:

Project Plan for the Implementation of the Code of Practice on transport Infrastructure Assets

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:

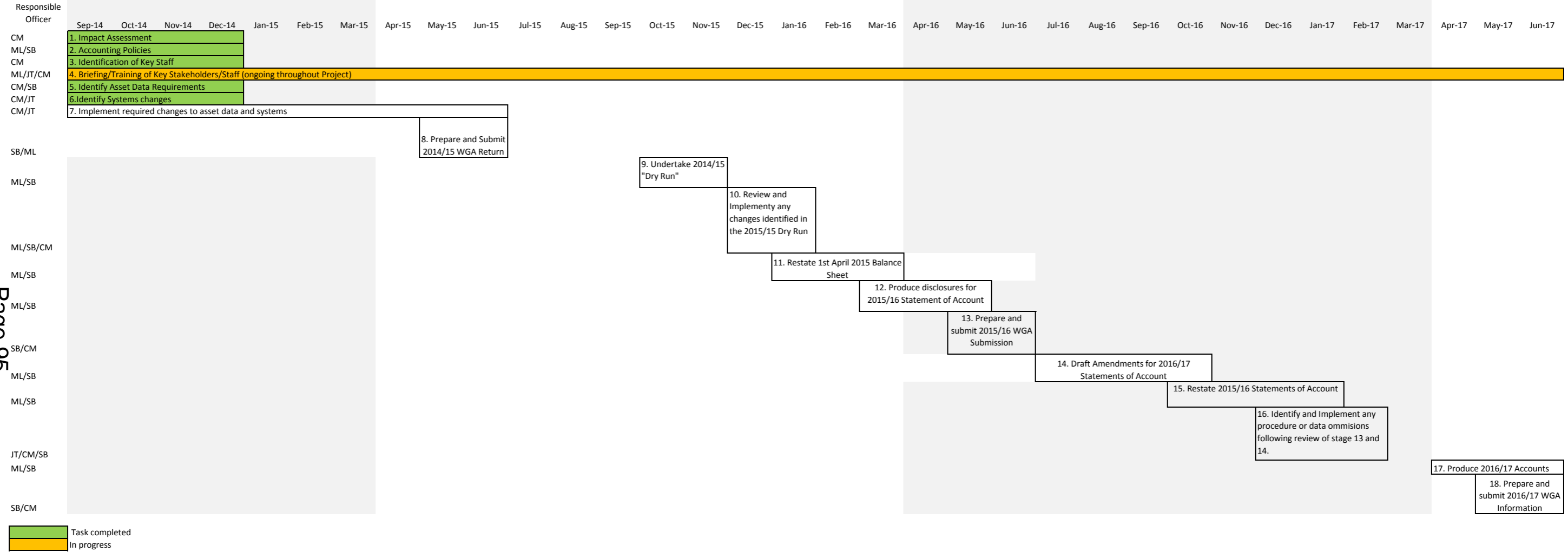
Title of document	Location
Closing of accounts files	Financial Services

The recommendation(s) set out above were approved/ approved as amended/ deferred/ rejected by the Governance and Audit and Standards Committee on 30 January 2015.

.....
Signed by: the Chair of the Governance and Audit and Standards Committee

This page is intentionally left blank

Appendix



Task completed
In progress

This page is intentionally left blank



Title of meeting:	Governance and Audit and Standards Committee
Date of meeting:	30 th January 2015
Subject:	Performance Management update - Q2, 2014-15
Report by:	Head of HR, Legal and Performance
Wards affected:	n/a
Key decision:	No
Full Council decision:	No

1. Purpose of report

- 1.1 To inform members of performance issues arising in the first quarter of the 2014-15 reporting period.

2. Recommendations

The Governance and Audit and Standards Committee are asked to:

- 1) note the report; and
- 2) comment on the performance issues highlighted in section 4, including agreeing if any further action is required

3. Background

- 3.1 This report is part of the regular series of quarterly report highlighting significant performance issues across the organisation. The reports are based on the quarterly highlight reports prepared by Heads of Service, which are in turn based on the priorities for their services identified by Strategic Directors.
- 3.3 Reports are considered by Strategic Directors to identify where action is required and where there are themes of collective interest for the organisation emerging. There is also a much closer relationship with the risk register than has previously been the case.

4. Reasons for recommendations

- 4.1 Appendix 1 contains a full summary of the quarterly responses provided by Heads of Service, against the service priorities.
- 4.2 What becomes apparent from the reports are that whilst there are some service-specific issues highlighted, there are also some common themes that might be worth considering, along the lines of **demand**, where this is seen to be

increasing despite an accepted need to reduce demand; challenges in delivering on change projects already in the pipeline to **reduce costs** and particularly to **deliver on income**; workforce **capacity** in some areas critical to longer term objectives, linked to **sustainability of services**; some difficulties in describing **impact**.

4.3 Examples could include (although there are others throughout the report):

- Service demand in Children's Social Care and Safeguarding continues at a high rate - open cases and child protection plans show an increase on the same period for last year (**demand**), and the service budget is predicting an overspend of c£2m (**reduce costs**)
- In Adult Social Care, the implementation of the Care Act raises issues in relation to **capacity** to undertake the necessary finance work, and the anticipated increase in assessments required. There are also concerns about the ability of current financial and IT systems and their ability to support the implementation of the Care Act in 2015 (**capacity and sustainability of service**). We need to achieve a shift to more people receiving direct payments (**reduce costs**), particularly around Adult Mental Health.
- For Revenues and Benefits, the challenge of achieving savings requirements and balancing this with pressure on subsidy and income are highlighted (**reduce costs**).
- Corporate Assets, Business and Standards report increased **demand** in a number of areas, including pollution control and to enforce illegal sales of age-restricted products, and there are clearly challenges with driving out the required levels of **increased income** in key areas including rentals from assets (due to the pipeline of leases due for review).
- **Capacity** issues are highlighted as a significant challenge for the Environment and Transport service across a range of areas - PFI modernisation, highways development control, particularly in relation to large city developments.

5. Significant governance issues

5.1 It was agreed at a previous meeting of the Governance, Audit and Standards Committee that significant governance issues arising from the most recent Annual Governance Statement would also be considered alongside the quarterly performance report, and that lead officers for the issues would attend to provide updates to the committee on developments. The three issues that will be considered this quarter are:

- a) The governance, partnership and management arrangements for Portsmouth Youth Offending Team (YOT) were judged to be ineffective by Her Majesty's Inspectorate of Probation (Stephen Kitchman, Head of Children's Safeguarding and Social Care to provide an update)

- b) Work undertaken by the Building Control Surveyor is not checked (Lyn Graham, Chief Internal Auditor to provide an update)
- c) Member training and political development is not systematic or sufficiently championed and would benefit from more robust succession planning (Michael Lawther, City Solicitor and Liz Aplin, Operational Training Manager, to provide an update).

6. Equality impact assessment (EIA)

- 6.1 Any equality matters arising through performance or value for money consideration will be considered as a discrete process, as separate EIAs will be completed for these areas of work.

7. Legal Implications

- 7.1 The report has incorporated legal implications and accordingly there are no other immediate legal implications arising from this report.

8. Finance Comments

- 8.1 There are no financial implications to bring to member’s attention at this stage. However, it should be noted that there could be further financial implications following further exploration of any of the performance issues raised in this report, and related future reports could result in financial implications. These will be flagged to members at the appropriate time.

.....
Signed by: Jon Bell, Head of HR, Legal and Performance

Appendices: Appendix 1 - Summary of service performance issues

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. reports to, and minutes of, SDB meetings	Strategy Unit
2. Summary business plans	Strategy Unit

The recommendation(s) set out above were approved/ approved as amended/ deferred/ rejected by Governance and Audit and Standards Committee on 30th January 2015.

.....
Signed by:

This page is intentionally left blank

Appendix 1 – Service Summaries Q2 July 2014 – Sept 2014

Children's Social Care and Safeguarding : Overall Summary

Highlights

- The main elements of the Social work Matters programme have now become 'business as usual'; evaluation indicates service delivery and workforce development objectives met, the next phase of this programme will focus on the development of our Social Work Academy set to launch in March 2014.
- New Belongings Pilot is concluding, external national evaluation completed with a positive reflection of work in Portsmouth
- Ofsted Inspection has graded Looked After Children (LAC), Adoption Leadership & Management & Safeguarding Board as 'Good.'
- Independent Fostering Agency carers are at an all time low in line with savings projections; reduced from 83 in 2013 to currently 60.
- Fostering recruitment continues to be a strength with targets met/exceeded; 38 carers currently in assessment, with 14 new placements delivered since April 2014.
- Focus on permanence planning has allowed successful rehabilitation of children to their parents, good use of Special Guardianship Orders (SGOs) and Adoption. There have been 19 adoptions and 6 SGOs this year to date.
- We have joined a large South Coast Consortium to increase choice and matching of children to adopters, to further improve our performance.
- Sufficiency duties are well met regarding accommodation for children and young people, with expansion of offer planned via commissioning of more bespoke semi-independence provision.
- Despite increasing demand LAC numbers are stable (303 as of 14/10/14)
- The majority of our PI's are good or better, we are clear regarding which areas of performance need improvement & plans are in place to deliver this.

Areas that need watching

- Timescales for matching of adopters needs improvement; currently at 205 days year to date from court approval against the England average of 121.
- Targeted recruitment of adopters is required as there is a growing mismatch between the needs/ages of our children waiting and the profile of adopters waiting for a match.
- More teenage foster carers/remand foster carers are needed.
- Joint Action Team/Early help developments are progressing via 'Priority E' work.
- Demand for service is increasing with higher open cases & Child Protection (CP) plans than same period 2013/14; CP numbers are 252 Sept 2014 , last year at same point 206.

Areas requiring improvement

- Service budget is predicting c£2m+, plans are in place to reduce in year budgets as well as 2015/16
- Strengthening service provision for children on the edge of care offer, particularly for the 6-13 year olds.
- Sickness is reducing albeit over PCC averages, a programme is in place to address; Year ending 1st August 2013 average sickness per person was 12.20. Year ending 1st August 2014 average per person (days) was 11.97. PCC average as of 01 August is 8.26.
- Youth Offending Team performance whilst progressing still requires improvement across a range of national standards

Adult Social Care : Overall Summary

Highlights

- Better Care Fund programme has been submitted to and agreed by Department of Health – KPI's identified
- Development of a Resource Allocation System (RAS) for Older People & Physically Disabled People (OP/PD) – now 'LIVE' whilst the Learning Disability RAS is currently being developed
- Changes to the statutory reporting requirements are progressing – Zero Based Review project established
- Overhaul of client recording system started, removal of unnecessary fields / creation of outcome based fields. Mandatory training being developed to ensure accurate data capture and management reporting
- Statutory returns completed and submitted to Department of Health
- Delayed transfers of care from hospital attributable to ASC are some of lowest in country at 0.8 people per 100,000
- Direct payments improved with an increase to 361 service users (well above England average of 19%)
- Service user reported quality of life is on par with the England average
- Proportion of people who use services who state they have control over their daily life is higher than England average (Portsmouth 80.6% v England average 76.7%)

Areas that need watching

- RAS upgrade to Version 28.1.SP5
- Zero Based Review implementation- accurate recording of data and data quality checks
- Care Bill Implications.
- Implications of savings targets on performance.

Areas requiring improvement

- Numbers of people with a mental health problem in employment -preliminary results indicate areas for improve include – proportion of adults in contact with secondary mental health services in paid employment rate is lower than England average (Portsmouth 2.5% v England – 7.1%)
- Preliminary results for admissions to residential and nursing care suggest that we are higher than England average and nearest neighbours – 18-64 permanent admissions is 19.1 people per 100,000 and 65+ permanent admissions is 747.9 people per 100,000

Integrated Commissioning Unit (ICU) : Overall Summary

Highlights

ICU has continued to deliver a diverse range of work programme for the Council and CCG, some of the key highlights:

- Supported the submission of the revised Better Care Plan;
- Completed the options appraisal for pre-birth to 5 pathway;
- Implementation of Personal Health Budgets across Adults and Children with continuing health care;
- Savings targets achieved through the Supporting People services;
- Learning Disability day service transformation project initiated;
- Evaluation of third sector re-ablement services completed;
- Working across Solent, PCC and Clinical Commissioning Group (CCG) to identify areas of joint working, planning and managing budgetary pressures;
- Sexual Health service remodelling work initiated to manage increasing demand and service pressures.

Areas that need watching

Increasing number of priorities for the ICU as budget pressures requires service remodelling and transformation.
ICU's capacity to continue to deliver on the priorities and expectations.

Areas requiring improvement

Prioritisation of work across the Council and CCG;
Clarification of the role of ICU in the various projects and programmes led by other service areas.

Positive Family Steps Service : Overall Summary

Highlights

- All troubled families commitments met
- Early results claim complete and submitted in August 2014
- Phase 2 details released by Department for Communities and Local Government – Portsmouth able to start Phase 2 early January 2015
- Phase 2 implementation recommendations presented to main partnership, cabinet, boards during September 2014
- Recommendations presented to Public Service Board 3rd October 2014
- Priority B performance reports now include all services performance and trending detail
- Main indicator adjusted to make more prominent the contribution of priority B services to preventing escalation of families into tier 4 service
- Think Family Mentors actively supporting wider workforce teams and targeted to support Ofsted feedback (Common Assessment Framework quality etc)
- Multi-systemic Therapy (MST) business case complete – partnership endorsed sustainability plan. Approaching funders October 2014
- Positive Family Futures work continues to develop in Paulsgrove and Wymering

Areas that need watching

- National evaluation of troubled families programme have requested more detailed information about families
- LAC overall numbers remain static/increasing (depending on age range); analysis underway to demonstrate impact of priority B service. Attribution issue in LAC performance reporting continues to be challenged. ICU commissioned to undertake impact assessment.
- Maintaining MST business case timetable to secure funding from March 2015
- Preserving the Positive Family Futures as different to the emergent “locality models”

Areas requiring improvement

- Families Moving Forward service operating waiting list (work underway to increase capacity of the service) – keyworkers recruited
- Positive Family Futures suite of measures

Education and Strategic Commissioning : Overall Summary

Highlights

- KS2 performance in 2014 in combined Reading, Writing and Maths has improved considerably – 145th to 112th in league tables up from 70% to 75%
- Provisional KS4 GCSE performance suggest a narrowing of the gap between Portsmouth and national average – up from 48% to 51% (provisional); gap between FSM and non FSM has (provisionally) reduced from 30% to 23% for gold standard
- % of schools that are either good or outstanding is now above 70%
- Good progress in implementing Special Educational Need and Disability (SEND) reforms – Portsmouth fully compliant with the new duties; local offer website launched
- School Attendance Strategy – resources pack sent to schools, publicity campaign for parents
- Early Years and Foundation Stage profile – 8 out of 10 achieve good level in the prime areas of communication & language, personal social & emotional and physical
- Full options analysis completed for transfer of commissioning responsibility for Health Visitors
- Successful implementation of Universal Infant Free School Meals following trial of three schools in July 2014
- Academy transfers completed for Priory and Charles Dickens Primary
- Expansion of school places at Highbury Primary and Ark Ayrton Academy completed on time

Areas that need watching

- 6 schools stuck at “Requires Improvement”; some coasting good schools, leadership in vulnerable schools and school governance
- Impact of cluster work on school improvement
- Additional funding sought from Education Funding Agency (EFA) to fund pressures on high needs budget. Review and remodelling of SEN provision, including resourced provision within mainstream schools
- Capacity to deliver implementation of SEND reforms over next 3 years – first round of recruitment unsuccessful
- Implementation of new home to school transport assistance policy and personal budgets / direct payments
- Impact of Health restructure on delivery of Early Support Services in Children’s Centres + impact of potential budget reductions
- Budget pressure of £0.55m on existing school sufficiency programme; capital bid to Members for next sufficiency programme (£32m) and school modernisation programme (£7m) and implications if schemes are not funded
- Challenge to EFA on meeting the £2m funding shortfall for the rebuild of King Richard School

Areas requiring improvement

- Three schools remain of particular concern to the local authority (City Boys’, Mayfield School and Stamshaw Junior) – warning letters sent to all three.
- % of young people who are NEET (not in education, employment or training) remains relatively high (7.7%). Priority D strategy in draft; proposed transfer of functions from Integrated Targeted Youth Support Service.
- Secondary pupil attendance (6.2%) & persistence absentees (7.9%)
- Primary fixed period exclusions (predicted primary national average 2013/14 = 0.88%, Portsmouth Primary average 2.2%)
- Implement changes to panel / decision making processes to take into account SEND reforms
- Quality of child minding in the City – plan has yet to have impact
- Year R and 1 school places remain very tight – 45 in Year R and 23 in Year 1 (end of Q2)
- East Playing Field at Mayfield School remains closed due to contamination – options appraisal to be completed
- Condition of Harbour @ Fratton continues to be monitored / negotiations continue with NHS regarding Harbour @ Milton lease

Revenues and Benefits : Overall Summary

Highlights

- Overall a good 1st half year, with key measures achieved. This continues to be a remarkable performance considering the Service has seen staff reductions of over a third and work increases of over 20% in less than 5 years.

Areas that need watching

- Single Fraud Investigation Service – transfer of work and potentially staff will occur in September 2015. Work continues to prepare for this change
- Universal Credit introduction is planned to take place across the country in February 2015. Planning for this has started, with the expectation that it will be a slow start and we will be able to learn from the initial take up so as to develop a Local Support Service that is fit for purpose

Page 107

Areas requiring improvement

- Work is in progress to finalise the details of 2015/16 savings. This savings requirement will place severe pressure on Housing Benefit subsidy & tax income
- As it is currently anticipated that Government will not provide funding for Local Welfare Assistance from April 2015, work is in progress on a matched funding bid with EC Roberts to provide some level of support.
- Sickness absence is around 9.17 days per person per annum – actions are ongoing to reduce the level of absence

Corporate Assets, Business and Standards : Overall Summary

Highlights

- Impact of the Additional Licensing scheme: Of the 2,600 Houses in Multiple Occupation identified in Portsmouth under this scheme, we have so far ensured that 1,800 of them are of a satisfactory standard for living in.
- A major Trading Standards intervention, stopping a rogue builder who had caused harm to a number of vulnerable people, and would have continued to harm many more.
- The disposal of underperforming, smaller assets, providing capital receipts of £80,000. This is part of the Corporate Asset strategy to dispose of properties with low rental yields.
- Rent reviews completed on the property portfolio, generated new income of £94,000 in Q2. This is a significant increase in income from our assets.
- The Employment, Learning and Skills team have secured Skills Funding Agency support for a further 20 apprenticeships and traineeships. This is the beginning of our involvement in the national drive to deliver more apprenticeships.
- The Enterprise Centres have provided new premises for 11 businesses. We have also been working with Enterprise First to support fledgling businesses, and have secured work placements and jobs for PCMI clients within the tenant businesses. This is in line with the purpose of the Enterprise Centres to fulfil the dual role of income generation and business support.

Areas that need watching

- Due to high demand for the pollution control service there are capacity issues. Careful management of the team is necessary to meet all demands on the service.
- There is likely to be a shortfall in rent revenue compared to the increases required this year to meet the budget requirements. This is because there are insufficient high value leases due for renewal in the remainder of this year.

Areas requiring improvement

- Sales of age restricted products and illicit tobacco are increasing. We will be working with our council partners, HMRC and the Police to tackle this over the coming year.
- The number of non-PCC sheltered Telecare customers remains lower than anticipated. The service will remodel the Telecare business plan to overcome the barriers to expansion of this service.

Housing and property services : Overall Summary

Highlights

- Somerstown Central community centre officially opened by the lord Mayor and now open to residents (see further detail below).
- Schools build programme ahead of schedule
- New residents centre opened

Areas that need watching

As reported last quarter the HRA is currently forecast to run in deficit over the next three years, from £3.6m in 2014/15, to £2.0m in 2015/16, however, the HRA will continue to hold balances in excess of the minimum required level of balances, set at £3.2m.

It should be noted that any further budget decisions that require the HRA to assist the General Fund in meeting any future savings, will result in a balances falling below the minimum level, which will require a corresponding reduction in the cost of managing and maintaining its stock, to the detriment of the HRA's viability.

109

Areas requiring improvement

Transport and Environment (T&E): Overall Summary

Highlights

- Budgets for 2014/15 are on target
- The office transformation project, aimed at moving the service from the Brunel wing, improving data management, improving archiving and increasing mobile and flexible working, is going very well
- Parking income up.
- Park and Ride successful during the summer months with higher than expected usage
- Dunsbury Hill Farm highways scheme Phase 1 underway.
- North Portsea Coastal Scheme presented.
- The Hard Interchange has progressed up to Pre –qualification questionnaire stage and now awaiting Local Transport Board funding approval.
- Works at Osborne Road and Palmerston Road commenced
- Local Transport Plan and Local Sustainable Transport Fund schemes continue to be delivered successfully.
- Park and Sail service provided during the summer holidays very successful this year with high numbers using the service and positive comments received by PCC.
- Successful delivery of Special Events with high volume of input from T&E.
- Determination of preferred bidder for new Professional Services Contract.

Areas that need watching

- PFI modernisation – relationship with day to day delivery. Team capacity.
- Recycling rates continue to slowly decline, although at a slower rate than the national average.
- Income generation, and rates of charge, are being reviewed with an aim to meet the administration's aim to increase income generation. However this cannot be done in a blanket way due to the (in)elasticity of prices in different services/markets.
- Traffic flows into the city continue to raise concerns by the administration.

Areas requiring improvement

- Budget provision - continual shrinkage will not be possible without a radical reduction in services or a major change in provision.
- Recruitment process for School Crossing Patrols
- Highways Development Control relationships and processes

City Development and Cultural Services : Overall Summary

Highlights

Visitor Economy and City Brand: Seafront events on target to reach 1 million visitors for 2014 - 600,000 more than 2013. The robust numbers are due a number of visitor economy initiatives such as the success of the destination marketing campaigns, development of Victorious Festival which delivered a footfall of 80,000 plus success of D-Day 70. Key impact measures are increase in overnight stays, day visitor spend, and Value Added Equivalent (VAE) are to be assessed.

Regeneration and Business Growth: The ARTches project will convert the currently vacant arches at the Hotwalls into artist studios spaces, so as to breathe new life into these historic structures. With the recently awarded £1.75 million from Big Lottery, this scheme will create 13 artist studios, support 114 jobs and visually enhance this key part of the city's visitor offer.

Skills Interns: The success of the Intern bid with SCC to the Creative Employment and Enterprise Support (CREES) board to create 25 paid internships across Portsmouth continues to progress with our private sector partners in the creative and cultural industries. The interns recruitment phase will begin from March 2015 to July 2015 and continue for 6 months. It is hoped the final stages of the project and a longer term vision will help develop a number of apprenticeship positions in the sector.

Areas that need watching

Culture/ PRED budgets: the projected year end outturn position indicates that both expenditures will be within budget. The forecasted variances between services in the Portfolio will continue to be managed during the remainder of the year to achieve a minimal variance to the budget. There is pressure to deliver the programmed events within the budget available. Provision has been made to fund this shortfall from underspending in other service areas.

City Centre management: The city council is reviewing options to deliver city centres regeneration.

Realising current savings targets: whilst delivering long term sustainability of the services to deliver the strategic outcomes for the city – exploration of national and international funding / shared services / partnership working / alternative delivery models and income generation, continues to be explored.

Areas requiring improvement

Health, Safety and Licensing : Overall Summary

Highlights

- Considerable progress being made across all service priorities
- Design of 0-19 Healthy child offer being developed
- Mental Health Alliance has been established with priorities identified
- All annual childhood vaccination rates continue to increase
- All health protection areas were reviewed and assurance received at the July health protection assurance group
- Civil Contingency - New Chemical and Oil Pollution Plan completed
- Licensing - Cost recovery model for discretionary fees charged for licences in development with finance. Report to Licensing Committee in Nov to review approach
- Percentage of repeat victims subject to Multi-Agency Risk Assessment Conference (MARAC) for the first time is lower than Co-ordinated Action Against Domestic Abuse (CAADA) recommendations (20%)
- Physical Activity Strategy development underway
- Sexual Health service user consultation now closed, and report is being finalised to inform Sexual Health strategy and service modelling
- Alcohol related hospital admissions continue below the England average rate
- Making Every Contact Count (MECC) – training rolled out to the whole of Public Health team; training manual resource produced; requests for training continue to increase across PCC and schools.
- 5 Transformation seminars now organised to facilitate collaborative working across PCC services to achieve better health outcomes
- Links forming with primary care development and CCG commissioners to ensure appropriate recognition of prevention and prioritisation of pathways
- Public Health team linked into primary care and Learning Disability services redesign focusing on self management, social enterprises and community contacts

Areas that need watching

- Majority of health work areas are highlighting concerns (varying reasons) notably capacity
- Number of alcohol patients in specialist treatment reduced and likely to continue due to corresponding reduction in capacity within services
- Sub Misuse service provider reporting increased pressure prescribing budget; action needed to increase successful completions.
- Workplace health within PCC is progressing, but slowly
- Better Care prevention programme needs strengthening
- Anti-Social Behaviour – impact of community trigger and other new legislation
- Civil Contingency - Business continuity desktop exercises across the council - 30% target each year

Areas requiring improvement

- Staff resource overstretched. Workload needs to be reviewed and prioritised to reflect capacity against vacancies and recruitment restrictions to avoid overall impact on transformation
- Council wide plan to develop cultural shift so that health is recognised and owned as a key driver for transformational change
- Developing primary and secondary care networks to support system change
- City obesity levels a major concern

Customer, Community and Democratic Services : Overall Summary

Highlights

- Budget Consultation – 2460 responses
- High-profile case media handling
- 52% increase in online transactions
- 87% of registrations for elections done online
- Corporate Freedom Of Information targets met this quarter
- Annual target for Equivalent Advertising Value (EAV) exceeded in first 6 months
- Individual Electoral Registration (IER) match rate 86%

Areas that need watching

- Web Search functionality needs improving – working with supplier
- Mod-Gov - project in place to use to full potential
- Evidence to demonstrate compliance with Equality Act
- Costs of IER and canvassing
- National issues leading to 2015 elections
- Engagement with Citizens Panel
- Income from advertising

Areas requiring improvement

- Data breaches - 3 this quarter
- Responding to complaints within agreed timescale – could lead to Local Government Ombudsman action

Information Services : Overall Summary

Highlights

- Operational Performance continues to be high – System Availability @ 99.96%; Incident Resolution and Requests Completion both @ 96% within Service Level Agreement
- IT Security Programme is well progressed with the design to CESA (Communications-Electronics Security Group) guidelines complete, ordering is underway, with installation/implementation to be undertaken through November & December
- Customer Satisfaction remains at 100%
- The first pilot sites for Super Connected Cities are now live offering public access to 'My City WiFi'
- Overall staff morale within the Information Service remains high

Page 114

Areas that need watching

- Public Service Network Compliance - this provides a critical communication channel between PCC and Central Government, the security criteria has been substantially tightened requiring complete replacement of our Security Firewall / DMZ infrastructure, must be implemented by mid-January 2015 to ensure service continuity
- The demand for new work and thereby IT related projects remains very high but staffing is being cut to meet the financial constraint facing the Authority

Areas requiring improvement

HR, Legal and Performance : Overall Summary

Highlights

- Excellent progress with recruiting apprentices
- Childcare team in legal now top performing in county
- Sickness absence below 8 days per employee
- 2 year traded service orders received from all Local Authority maintained schools
- Internal Audit plan on track for 100% completion
- Procurement compliance remains high
- Significant savings achieved through strategic contract review

Areas that need watching

- Sickness rates still high in some areas
- Recruitment and retention becoming difficult for some services
- Need to ensure adequate robust challenge for performance reporting
- Capacity and skills within procurement and across wider organisation to support contract review and management

Areas requiring improvement

- Workforce data and other management information still inadequate
- Talent management requires further development across council
- Longer term approach to employee wellbeing
- Only 54% of agreed audit recommendations are implemented

Finance Services : Overall Summary

Highlights

- All financial reporting obligations to Council met on time and approved by full Council
- City Deal grant - £30m has been applied in accordance with terms and conditions of grant
- Financial Outturn position improved by £3m arising from election to account for business rate appeals in full and trigger a “safety net” payment from Government
- Financial Statements completed to time and quality and audited with unqualified audit opinion
- Smooth implementation of new Income Management System - on budget with very few snags
- Budget savings achieved with 2014/15 budget on target

Page 116

Areas that need watching

- Bank change over from CO-OP to Barclays in December 14
- City Deal Grant – Expected to be able to apply the remainder of City Deal Grant (£19m) within Terms and Conditions by March 2015 and avoid any repayment

Areas requiring improvement

- Bank reconciliation for Q1 largely complete but Q 2 remains outstanding. Resources are severely stretched due to the implementation of the new Income Management System and the Bank change-over from CO-OP to Barclays



Title of meeting:	Governance & Audit & Standards Committee
Date of meeting:	30 January 2015
Subject:	Annual report to Governance & Audit & Standards Committee on complaints received into alleged breaches of the Code of Conduct by Members of the Council
Report by:	City Solicitor
Wards affected:	N/A
Key decision:	Yes/No
Full Council decision:	Yes/No

1 Purpose of report

- 1.1 To update Members of the Committee on current progress in relation to complaints which allege that Councillors may have breached the Code of Conduct.

2 Recommendations

- 2.1 It is recommended that Members of the Committee note the report
2.2 It is recommended that Members of the Committee consider whether any further action is required by them.

3 Background

- 3.1 Upon acceptance of office all Councillors undertake to comply with the Code of Conduct. In the event that a Councillor may have failed to comply with the Code of Conduct, a complaint may be made. The City Solicitor, as the Council's Monitoring Officer, is appointed to receive such complaints. The complaints are then considered in accordance with the guidance provided under the Local Government Act 2000.
- 3.2 The City Solicitor, as requested by the Governance & Audit & Standards Committee, maintains records on the progress of complaints and each year produces a report to this Committee. This year's report is attached at Appendix A.
- 3.3 The Monitoring Officer has, in this report, detailed the nature of the complaints, but is constrained by the information which can be provided in an open report, to protect the identity of the Subject Member, particularly in those cases where the Sub-Committee has decided that the Code has not been breached. In the circumstances the Monitoring Officer advises that if Members require more detailed information they should seek it from the Monitoring Officer prior to the

Committee meeting or during the meeting. If the latter, the meeting will be moved into exempt session.

- 3.4 After having considered Appendix A, Members are asked to decide whether there are any matters of concern or whether further action is required by the Committee or City Solicitor.

4 Reasons for recommendations

- 4.1 To make Members of the Committee aware of the current position with regard to complaints and ensure that appropriate action is taken.

5 Equality Impact Assessment (EIA)

- 5.1 Not applicable.

6 Legal implications

- 6.1 The City Solicitor's comments are included in this report.

7 Finance comments:

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

.....
City Solicitor

Appendices: Appendix A - Schedule of Complaints

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

Appendix A - Schedule of Complaints (year 2014)

	Date complaint/s received	Summary & outcome of alleged complaint	Complaint by public or Councillor
1.	07.02.14	The subject member failed to treat a member of the public with respect (personal details disclosed un-redacted). G & A & S Committee decided no further action required.	Public
2.	19.03.14	The subject member failed to treat member of public with respect (no response to correspondence). No further action - subject member had copied Chief Executive into correspondence	Public
3.	05.02.14	The subject member did not conduct herself impartially but made public her view concerning a current complaint. No action - subject member was considering the complaint with an open mind.	Councillor
4.	29.03.14	The subject member had compromised the impartiality of PCC employees by publishing images of himself with them in political literature. No action - the subject member had taken action to prevent publication.	Public
5.	17.07.14 - 23.07.14	The subject member had failed to carry out appropriate consultation. No action - at the date of the complaint the	Public x 25

		subject member had not reached a decision	
6.	18.07.14 - 31.07.14	The subject member had failed to carry out appropriate consultation, act transparently and treat people with respect. No action - the complaint did not allege any conduct which if proved would breach the Code.	Public x 4
7.	28.08.14	The subject member had failed to act impartially when sitting on the Assessment Sub-Committee panel. Referred for investigation.	Councillor
8.	07.08.14	The subject member prevented freedom of information, failed to treat people with respect, brought the authority into disrepute Referred for investigation.	Public x 2
9.	28.04.14	The subject member did not conduct herself impartially No action - no politicisation of role occurred.	
10.	28.04.14	The subject member allowed pictures to be used for political purposes. No action - the subject member had tried to prevent publication.	Public
11.	07.08.14	The subject member acted with disrespect. No action - no prima facie evidence of breach of Code.	Public
12.	07.08.14	The subject member acted with disrespect. No action - no prima facie evidence of breach of Code.	Public
13.	28.07.14	The subject member acted with disrespect and brought the authority into disrepute. Referred for investigation	Public x 2

14.	20.10.14	The subject member acted inappropriately. Referred for investigation.	Public x 2
-----	----------	--	------------

This page is intentionally left blank



Title of meeting:	Governance & Audit & Standards Committee
Date of meeting:	30 January 2015
Subject:	Whistleblowing
Report by:	City Solicitor
Wards affected:	
Key decision:	No
Full Council decision:	No

1 Purpose of report

- 1.1 To update Members of the Committee on the nature and handling of any whistleblowing concerns which have been raised in the past year.

2 Recommendations

- 2.1 It is recommended that Members of the Committee note the report
2.2 It is recommended that Members of the Committee consider whether any further action is required by them.

3 Background

- 3.1 The Public Interest Disclosure Act 1998 gives employees certain rights in relation to whistleblowing. An employee has a right to make a protected disclosure to prescribed persons where the employee reasonably believes:
- 3.1.1 A criminal offence has, or is going to be committed;
 - 3.1.2 There is a breach of a legal obligation;
 - 3.1.3 A miscarriage of justice;
 - 3.1.4 There is a danger to the health and safety of any individual;
 - 3.1.5 There will be damage to the environment; or
 - 3.1.6 There is deliberate concealment of information tending to show any of the above five matters.
- 3.2 The Act provides that employees shall suffer no detriment to their employment as a result of blowing the whistle, including disciplinary action.
- 3.3 The Policy applies to all Council staff, including employees, temporary workers, agency staff and any contractor remunerated by the Council.

- 3.4 The City Solicitor, as requested by the Governance & Audit & Standards Committee, produces a report each year in respect of whistleblowing concerns. This year's report is attached as "Appendix A".
- 3.5 After having considered "Appendix A" Members are asked to decide whether there is any cause for concern and to consider whether any further action is required by the Committee, or the City Solicitor.
- 3.6 Three investigations were undertaken in 2014. No further actions were recommended and each case was closed.
- 3.7 The Whistleblowing Policy has recently been reviewed as part of the Bullying Investigation which considered that the policy was fit for purpose and no further recommendations were made in this regard.

4 Reasons for recommendations

- 4.1 To make Members of the Committee aware of the current position with regard to whistleblowing and ensure that any appropriate action is taken.

5 Equality Impact Assessment (EIA)

- 5.1 Not applicable.

6 Legal implications

- 6.1 The City Solicitor's comments are included in this report.

7 Finance comments:

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

.....
City Solicitor

Appendices: Appendix A - Schedule of Whistleblowing Concerns

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
Whistleblowing Policy	https://www.portsmouth.gov.uk/intranet/documents-internal/fin-whistleblowing-revised0213.pdf

Appendix A - Schedule of Whistleblowing (2014)

Date	Concern	Investigated?	Outcome
14.04.2014	Payments made in advance to contractor	Yes	No further action - case closed 09.05.14
26.06.2014	Multiple concerns in relation to Children's Social Care	Yes	No further action - case closed on issue of report 25.11.14
05.09.2014	Concerns in relation to a grant of a lease (delays)	Yes	No further action - case closed 26.09.14

This page is intentionally left blank



Agenda item:

Title of meeting: Governance and Audit and Standards Committee

Date of meeting: 30th January 2015

Subject: Procurement Management Information

Report by: Head of HR, Legal and Performance

Wards Affected: Not Applicable

Key decision: No

Full Council decision: No

It is recommended that the attached appendices 2 & 3 be considered as an exempt/confidential matter and that the press and public are excluded for the following reasons:

- Exempt information is defined in section 100A and, by reference, Schedule 12A of the Local Government Act 1972 ("the 1972 Act"). To be exempt, information must fall within one of the categories listed in paragraphs 1 to 7 of Schedule 12A, must not fall within one of the excluded categories in paragraphs 8 and 9 and the public interest in maintaining the exemption must outweigh the public interest in disclosing the information;
- The attached Appendices 2 & 3 contains some information relating to the financial or business affairs of particular companies as well as PCC; and
- Although there is a public interest favouring public access to local authority meetings, given the financial and commercially sensitive information contained in the report the public interest in maintaining the exemption outweighs the public interest in disclosing the (exempt) information.

1. Purpose of report

- 1.1. The purpose of the report is to update Members on steps being taken to demonstrate that PCC is achieving value for money from its contracts for goods and services.

2. Recommendations

- 2.1 That members note we have surpassed the target of 95% conformance and achieved 97% for October 2014.
- 2.2 That members note the performance of our suppliers and contractors and action in progress to address poor performance.

3. Background

3.1. Conformance Checks

- 3.2. In September 2010 the Head of Procurement submitted a report to the Governance and Audit Committee outlining steps that are being taken to demonstrate that PCC is achieving value for money for its contracts for goods and services.
- 3.3. Fundamental to this is that the City Council has the ability to demonstrate that we are paying competitive rates by subjecting Procurement to a competitive process (where practical). In addition we need to ensure that we obtain the quality of service that we are paying for.
- 3.4. Members approved a recommendation of a target of 95% conformance with Contract Procedure Rules be achieved by 31/03/2011. This report takes Payments to Contractors from the Oracle System and matches them to contracts held on the Contracts Register. Legal services have commented that whilst this methodology is indicative of good practice, is not definitive as to compliance with legal requirements.
- 3.5. The purpose of this the report is to update members on progress made by services up to the end of October 2014 and to provide Members with a progress report to monitor the situation (see appendix 1 for year to date performance).
- 3.6. An explanation of those service areas where conformance requires improvement is detailed in appendix 2 (Exempt).
- 3.7. Conformance has been above target for the last two financial years with the exception of one occasion which was 92% November 2013.
- 3.8. In October 2014 there was £372,126 value of admin errors that were compliant with Contract Procedure Rules but not registered correctly on the E Sourcing system "InTend", had these contracts been entered correctly the conformance figure would have been 99% .

Category Business Partners from Procurement are working in partnership with services to implement solutions to resolve non-conformance and reduce administration issues.

4. Performance of our Suppliers and Contractors

- 4.1. The following table shows the performance of our suppliers and contractors comparing information from Sept 2010 to October 2014.

4.2. The results of the contracts being monitored are:

	No of Contracts	Gold	Green	Amber	Red
Sept 10	162	19%	57%	22%	2%
Dec 10	294	21%	61%	15%	2%
May 11	306	18%	64%	15%	2%
Aug 11	399	14%	70%	15%	1%
Dec 11	407	20%	65%	14%	1%
April 12	458	19%	64%	16%	1%
August 12	392	17%	71%	11%	1%
April 13	382	14%	72%	12%	2%
Oct 13	353	12%	74%	13%	1%
March 14	462	18%	70%	11%	1%
Oct 14	328	18%	69%	12%	1%

Gold Flag – Excellent Provider

Green Flag – Performing to Standard

Amber Flag – Some areas of improvement required

Red Flag – Failing to perform

4.3. There are four contracts where the suppliers are performing to an unsatisfactory level and remedial action is taken place (see appendix 3 - exempt). Contract Managers inform providers of their red status as they seek improvements / remedies.

5. **Reasons for recommendations**

5.1. To satisfy the Governance and Audit and Standards Committee reporting requirements.

6. **Equality impact assessment (EIA)**

6.1. An Equality Impact Assessment is not required as this is not a change to policy or service delivery

7. **City Solicitor's Comments**

7.1. The comments of the City Solicitor are contained within the body of this report. It is within the powers of the Governance and Audit and Standards Committee under Part 2 section 2 of the Constitution to approve these recommendations.

8. Head of finance's comments

8.1. There are no financial implications directly arising from the recommendations in this report. However, the report has identified issues which could have value for money implications and consequently will need addressing in the short term. It should also be noted that the report on contract compliance is based upon orders raised over £5,000 although orders up to £10,000 do not have to be included on the contracts register.

.....
Signed by:

Appendices:

- Appendix 1 - Year to Date Performance
- Appendix 2 - Conformance required Improvement (Exempt)
- Appendix 3 - Contract Performance (Exempt)

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
Contracts on the Contracts Register	Intend System
Payments to Contractors	Oracle System

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

.....
Signed by:

Service	Total Year to Date			October 2014		
	Total Non Conforming Value	Total Transaction Value	% Non Compliant	Total Non Conforming Value	Total Transaction Value	% Non Compliant
Chief Executive Service	70,292.70	272,230.17	26%	£6,340.70	£17,864.15	35%
Corporate Assets, Business & Standards	403,606.86	1,380,633.74	29%	£12,871.17	£105,916.81	12%
HR, Legal and Performance Improvement	304,544.39	3,309,343.69	9%	£77,708.55	£443,423.72	18%
Health Safety and Licensing	57,916.21	1,121,983.20	5%	£14,580.00	£218,898.70	7%
City Development and Culture Services	360,053.90	1,320,683.13	27%	£29,209.69	£133,909.32	22%
Customer Community and Democratic Services	267,182.14	560,042.18	48%	£80,867.09	£132,306.98	61%
Education & Strategic Commissioning	36,101.19	6,557,734.91	1%	£824.00	£783,748.91	0%
Financial Services	136,876.24	7,718,087.96	2%	£35,992.72	£766,382.69	5%
Information Services	323,488.77	2,431,188.94	13%	£18,800.20	£195,372.54	10%
Housing & Property Services	1,181,933.99	35,865,066.19	3%	£200,992.69	£4,906,594.00	4%
Port	38,819.77	1,865,799.29	0%	£5,000.00	£127,471.38	4%
Revenues and Benefits	11,000.00	112,868.44	10%	£0.00	£8,512.42	0%
Childrens Social Care & Safeguarding	80,667.25	3,721,543.40	2%	£5,538.49	£762,211.23	1%
Adult Social Care	71,838.70	3,616,537.67	2%	£2,679.79	£258,968.28	1%
Swift Interface	0.00	24,385,295.29	0%	£0.00	£2,952,336.45	0%
Transport and Environment	547,543.55	23,042,632.77	2%	£20,876.03	£2,100,820.30	1%
Other (Insurance Accounts)	63,217.56	174,817.25	36%	£0.00	£34,833.33	0%
Agency Staff	10,880.00	17,882.92	61%	£0.00	£0.00	0%
Public Health	0.00	0.00	0%	£0.00	£2,016,741.30	0%
Grand Total	£3,965,963.22	£ 117,474,371.14	3%	£512,281.12	£15,966,312.51	3%

