

GOVERNANCE & AUDIT & STANDARDS COMMITTEE

MINUTES OF THE MEETING of the Governance & Audit & Standards Committee held on Friday, 11 March 2016 at 2.30 pm at the Conference Room A, Floor 2, 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 Ian Lyon (Vice-Chair)
Councillor John Ferrett
Councillor Steve Hastings
Councillor Hugh Mason
Councillor Phil Smith

Officers

Michael Lawther, Deputy Chief Executive and Monitoring Officer,
Jon Bell, Director HR, Legal and Procurement,
Michael Lloyd, Directorate Finance Manager (Technical & Financial Planning)
Elizabeth Goodwin, Chief Internal Auditor,
Kelly Nash, Corporate Performance Manager
Liz Aplin, Operational Training Manager, HR

External Auditors

Helen Thompson, Executive Director, Ernst & Young
Adam Swain, Manager, Audit and Assurance

16. Apologies for Absence (AI 1)

There were no apologies for absence.

17. Declarations of Members' Interests (AI 2)

There were no declarations of Members' interests.

18. Governance and Audit and Standards Committee Minutes - 29 January 2016 (AI 3)

Minutes of the meeting held on 29 January 2016.

RESOLVED that the minutes of the meeting held on 29 January 2016 be confirmed and signed by the Chair as a correct record subject to the following amendments -

- (1) Paul Somerset attended the meeting not Mark Somerset.**
- (2) That an extra bullet point be added to the minutes concerning the agenda item on the Performance Management Update Quarter 2 2015/16.**

- "It was suggested that reports including the relevant extracts from the directors' returns should be submitted to individual portfolio holder meetings."

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

A copy of events data information was circulated by Elizabeth Goodwin as requested by Members at the last meeting.

**20. Briefing from External Audit - Ernst & Young (AI 5)
2015/16 Audit Plan**

Ms Helen Thompson advised that the audit plan sets out the auditor's responsibilities and said that the plan provides the committee with a basis to review the proposed external audit approach and scope for the 2015/16 audit in accordance with the requirements of the Local Audit & Accountability Act 2014; the National Audit Office's 2015 Code of Audit Practice; the Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA) Ltd; Auditing Standards and other professional requirements. She explained that the plan summarised their initial assessment of the key risks driving the development of an effective audit for the council and outlines their planned audit strategy in response to those risks. Mr Adam Swain advised that the specific risks facing Portsmouth City Council were set out in the report in Section 2 and Section 3 sets out the value for money risks.

During discussion the following matters were clarified -

- Under Investment Properties mention was made of the requirement for councils to apply IFRF13 fair value measurement. This change in the code requires investment properties to be recognised at fair value and in response to a query the auditors confirmed that there were limited differences between this measurement and what was previously done. It was mainly in relation to the basis for classifying assets as investment properties.
- Some Members expressed disappointment about the generic nature of the document. In addition, some Members felt that it was overly long. In response, the external auditors said that there was a high degree of commonality among various councils as they were facing many of the same issues. The auditors said that the results report would be more specific to Portsmouth but reassured Members that detailed work had

been done specifically on Portsmouth to identify any particular risks. The external auditors said that they appreciate there is a large amount of paperwork and said that if it would be helpful, cover reports could be done highlighting the salient points with an appendix containing the details. It was agreed that this format would be used as a trial going forward.

- The external auditors drew attention to paragraph 4.5 which detailed the fees. The indicative fee scale for the audit of Portsmouth City Council is £149,438 but more would be charged for additional out of scope work such as dealing with correspondence from third parties.

21. Audit Performance Status Report to 9 February 2016 (and two appendices - A and B) (AI 6)

(TAKE IN REPORT AND APPENDICES)

The Chief Internal Auditor updated the Committee on the internal audit performance for 2015/16 to 9 February 2016 against the Annual Audit Plan highlighting areas of concern and areas where assurance can be given on the internal control framework. The Chief Internal Auditor advised Members that there was an error in the report in that Appendix B, page 1 Home to School Transport states that the critical exceptions are still open whereas the actual position is that whilst audit had not issued an updated report, verbal updates had been given to the Committee that these exceptions had almost been resolved.

In response to queries the following matters were clarified -

- With regard to 5.3 of the report the Internal Auditor explained that there had been a number of changes to the requirements for audits by schools. School audits are a traded service and as such the timing of the audits are at the discretion of the school. Ultimately the responsibility for making sure that schools carry out audits rests with the Section 151 Officer. The Chief Internal Auditor estimated that there were around six schools that had not been audited for the last three years. Members asked for an update from the Section 151 Officer confirming whether he was satisfied that schools were taking the audit requirements seriously and suggested this could perhaps be part of the next audit report.
- With regard to the Coroner's Office, a query was raised as to whether in relation to paragraph 6.1.3 all staff in the Coroner's Office had now signed to acknowledge receipt and compliance with the expected standards. The Chief Internal Auditor undertook to find out the answer to this query and would send an email to members of the committee to let them know. The Chief Internal Auditor explained that the Coroner himself is not employed by PCC but his staff are.

- With regard to schools, the Chief Internal Auditor explained the sanctions available should the Section 151 Officer not be satisfied with regard to the assurance level.
- Members said that they had no idea from the Internal Audit report how much money is involved for the systems under review, for example, how much debt the Authority has or the value that was tested during the audit review. The Chief Internal Auditor said she would put in monetary values and context when matters are reported for future meetings. However, she said that she would not be able to quantify risks raised from a financial perspective as the overall risk may be reputational not financial.

RESOLVED that Members note -

- (1) The audit performance for 2015/16 to 9 February 2016 and**
- (2) The highlighted areas of control weakness for the 2015/16 audit plan.**

22. Treasury Management Policy and Strategy for 2016/17 (AI 7)

(TAKE IN REPORT)

Michael Lloyd introduced the report explaining that it sets out the Council's policies on borrowing, providing for the repayment of debt and investing for 2016/17. Mr Lloyd explained that the report was before this Committee for information and had already been to Cabinet and would be going to Full Council on 22 March 2016.

During discussion the following matters were raised -

- A comment was made by a member of the Committee that 4.11 states 'no provision is being made for the repayment of debt incurred by the Housing Revenue Account apart from the self-financing payment.' The fact that this is not a problem is mentioned elsewhere in the report and he would find it more reassuring for the explanation as to why this is not a problem being mentioned at this point in the report.
- Michael Lloyd said that investing in something that follows the stock market was less risky than investing directly into the shares of a company.
- With regard to page 94 and Hampshire Community Bank a query was raised about whether this is new investment for the same policy. Mr Lloyd said that the community bank is in the process of being established - the £5m is in the Capital Programme for this. Investments would be made as the bank reaches certain milestones.

Members noted the report which came to this committee for information purposes only.

23. Performance Management update - Q3, 2015-16 (AI 8)

(TAKE IN REPORT)

Kelly Nash introduced the report which advises this committee about significant performance issues arising from Quarter 3 Performance Monitoring and highlights areas for further action or analysis. She explained that the returns from directors were much better than for the last quarter but that there was still room for improvement.

During discussion, the following comments were made -

- Members felt that the information was now much more comprehensive and would be useful for members of the public to see.
- Members wanted the individual directors' reports to go through to the relevant portfolio holder's meetings and through Employment Committee in cases where relevant.
- Members felt that this committee should consider the report particularly with regard to omissions such as in the current report. The report on Housing advised that there were no areas of concern whereas the Committee felt that this could not be the case.
- Members were pleased to note that the report looked at internal and external risks.

The Deputy Chief Executive advised that he had provided a commentary in the absence of the Chief Executive who had taken annual leave. He further commented that it may be appropriate to discuss the issues raised in the directors' reports at the informal briefing meetings of the various portfolios where these were held.

- Members requested that a fourth column be added to the table to show performance against the previous quarter.
- Members asked that the use of acronyms be avoided or at least that the protocol be observed so that when an acronym is first mentioned its meaning is set out in full and thereafter the acronym can be used.
- Members asked that some context be given to figures included in the report as they were unable to understand the information given in its current form without also receiving relevant context.
- Members singled out the report received from the Director of Housing & Property stating that it was surprisingly brief and that the content did not meet the expectation or requirements of this committee.
- Members noted that it is not always clear from the reports where 'tipping' points will be reached where services may become non-viable, or where a worsening trend becomes an area of critical concern.

Reassurance was given that this would be explored as part of the base-lining of directorates for 2016/17.

- A query was raised about whether any audit process was in place to ascertain the hours worked by the entire staff. Members were advised that the council has strong flexible working policies in place and it was down to managers to ensure that their staff worked their hours. Members were advised that often owing to the nature of work and also the flexible working policies fewer than 50% of staff could be in the Civic Offices.
- Members noted that with regard to the Directorate of Traffic & Transportation the lack of parking in streets had not been mentioned at all even though their experience showed that members of the public regarded this as being of major concern. Similarly, the report from the Director of Housing & Property made no mention of waste management.

The Committee thanked Kelly Nash for her report and asked that this be brought on a regular basis in its current format. In addition, Members asked that all directors be invited to attend a meeting during the year so that Members could ask questions of them direct. It was suggested that the directors of Adult Social Care and Housing & Property be prioritised.

Members also asked that the individual reports from the directorates be taken to the relevant portfolio as part of their meeting cycle so that matters raised could be addressed.

RESOLVED that the Governance & Audit & Standards Committee -

- (1) Noted the report.**
- (2) Noted the overall improvement and quality of reports and the commentary from the Deputy Chief Executive at Section 6.**
- (3) Commented on the performance issues highlighted in Section 4 and governance issues in Section 5, including agreeing if any further action is required.**
- (4) Agreed the actions proposed in Section 4.**

24. Proposed change to Standing Order 32 (as submitted by Councillor Swan) (AI 9)

The Chair of the Committee agreed a change to the order of the agenda to allow this item to be heard first (but it is being minuted in the correct order to avoid confusion). Councillor Swan was invited to make her deputation during which she explained that the suggested amendment basically was that where the proposer and seconder of a Notice of Motion do not accept the Monitoring Officer's ruling on it, the matter should be referred to the Lord Mayor (or Deputy Lord Mayor in his absence) to take the final decision on whether or not it may be presented to Council.

Members were advised that if this change were to be accepted a recommendation would need to go from this Committee to Full Council for decision. If this Committee decided that it did not wish to pursue a change to standing orders, the matter would end here.

During discussion Members made the following points -

- Some Members felt that it was preferable for the Monitoring Officer to make this decision as opposed to the Lord Mayor for reasons of consistency.
- The Monitoring Officer and Deputy Chief Executive advised that frequently Notices of Motion were submitted that cannot proceed in the form in which they are presented. The process is then to discuss and agree modifications in light of custom and practice over time. He further advised that this standing order had been in place for a considerable time without causing difficulty. The Deputy Chief Executive also advised that in order to preserve the neutral political status of the Lord Mayor it was not usual to ask the Lord Mayor to rule on matters such as this.
- Some Members felt that the change to the standing orders was being sought in relation to one particular incident. Members' experience was usually that a conversation took place with officers on how to word the Notice of Motion to fit the criteria and that this appeared to have worked well over a long period of time. A majority of Members on the Committee agreed that if the standing orders were changed as proposed, it could have the effect of politicising the role of Lord Mayor. For example, where one group put forward a Notice of Motion that the Monitoring Officer advised did not fit the criteria, the Lord Mayor would have to decide on its admissibility.
- Another view put forward by a member of the committee was that the Lord Mayor should be trusted to make such decisions and should be given the power suggested in the proposal.

In response to a query the Monitoring Officer and Deputy Chief Executive advised that the Lord Mayor is a Councillor and as such would be provided with advice on ethics and conduct. Part of the Monitoring Officer's role is to provide legal advice to the Lord Mayor.

On balance, Members felt that Standing Order 32 appeared to work satisfactorily in its current form and that as a result the majority felt that there was no need to make the proposed change. It was proposed by Councillor Simon Boshier, seconded by Councillor Steve Hastings that no change be made to Standing Order 32 and this was agreed.

The Chair commented that standing orders had not been reviewed generally for a while and that Standing Order 32 could be looked at as part of a general review as and when this took place.

RESOLVED that Standing Order 32 would remain unchanged.

25. Member Training - Presentation (AI 10)

(TAKE IN PRESENTATION)

Liz Aplin, Operational Training Manager gave a presentation to the committee on the training that had been available over the past year to Members and the take up. She advised that feedback varied on the various training that had been carried out and that adaptations were being made to reflect the responses received. She confirmed that almost all Councillors had now attended the training on Safeguarding and Looked After Children. The Deputy Chief Executive said that a reminder had been sent about the need for all Members to carry out Safeguarding and Looked After Children training. He also advised that Sarah Newman would be delivering the training on Looked After Children. In addition external training on Equality Impact Assessments had been commissioned.

The Chair of the Committee asked that all Members be given notice of the specific training on Governance & Audit & Standards, Planning, Licensing and Employment as soon as possible after the May Election. In addition he asked that a start time of 5 pm be avoided as this is difficult for those Members in full-time employment. He said that a 6 pm start time was better. He said that the training programme should be regularly publicised to Members and that this could perhaps be done via the Group secretaries. It was also suggested that prospective new members be advised at an early stage about training to enable them to make a note of when the training sessions would be. It was also suggested that the Group secretaries be provided with details of who has attended what training and the Operational Training Manager agreed to arrange for this to happen.

The Operational Training Manager also advised that general feedback received from Members was that they would value courses giving practical information such as procedures at meetings, how to conduct themselves at meetings; which standing orders were most useful to them and to include specific training on how to behave at certain committees such as Licensing, Planning and Full Council.

The Chair of the Committee offered his help if needed to encourage Members to attend training. The Operational Training Manager would be given the names of the Group secretaries after the meeting.

The Chair thanked the Operational Training Manager for her presentation which was noted.

26. Update on the council's compliance with its Equality Duty and Equality Impact Assessment Process (AI 11)

(TAKE IN REPORT)

The Deputy Chief Executive introduced the report which updates members of the committee on the compliance of council services with the equality duty and the Equality Impact Assessment (EIA) process since the last report in November 2014. He advised that Section 3.5 of the report shows those services that have reviews outstanding. He said that report authors often under estimate the time required for EIAs. He further advised that all services had been advised that from now on any report requiring either a preliminary or a full equality impact assessment would be required to attach the completed assessment to the report as evidence that it had been carried out.

During discussion members asked for more detail to be included in the table in paragraph 3.5 and that members be provided with an update at the next meeting.

RESOLVED that members of the committee -

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

Finally, the Chair placed on record on behalf of the committee, its thanks to Councillor Phil Smith for all his work and input whilst on this committee and wished him well for the future.

The meeting concluded at 5.15 pm.

Councillor Simon Boshier
Chair