

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

MINUTES OF THE MEETING of the Governance & Audit & Standards Committee held on Friday, 30 June 2017 at 11.30 am in Conference Room A, Civic Offices.

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

### **Present**

Councillor John Ferrett (in the chair)  
Councillor Scott Harris (Vice-Chair)  
Councillor Steve Hastings  
Councillor Leo Madden  
Councillor Hugh Mason  
Councillor Alicia Denny (deputising for Councillor Neill Young)

### **Officers**

Michael Lawther, Deputy Chief Executive, City Solicitor and Monitoring Officer  
Julian Pike, Deputy Section 151 Officer  
Elizabeth Goodwin, Chief Internal Auditor  
James Hill, Acting Director of Property and Housing  
Paul Somerset, Deputy Chief Internal Auditor  
Kelly Nash, Corporate Performance Manager  
Steve Groves, Asset Manager

### **External Auditors**

Helen Thompson, Executive Director, Ernst & Young

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

Apologies for absence were received on behalf of Councillor Neill Young. Councillor Alicia Denny deputised for him at this meeting.

The new Chair of the committee, Councillor John Ferrett, welcomed everyone to the meeting and advised that he would be changing the order on the printed agenda papers so that item 13 - Annual Internal Audit Report for the 2016/17 Financial Year would be heard immediately after agenda item 6, although the exempt appendix would not be considered until the end of the meeting.

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

There were no declarations of members' interests.

**29. Minutes of the Meeting held on 3 March 2017 (AI 3)**

**RESOLVED that the Minutes of the meeting held on 3 March 2017 be confirmed and signed by the chair as a correct record.**

**30. Updates on Actions identified in the Minutes (AI 4)**

Members received updates on actions identified in the minutes of the previous meeting as follows:-

- Michael Lawther said he would brief the Chair about MMD and members were content with that approach.
- Kelly Nash confirmed that consideration was being given to how to bring issues raised in her report to the portfolio holders' meetings.
- It was confirmed that the Audit Letter had now been circulated to members.
- With regard to member training, the Chair confirmed he had met with Liz Wylie and the training grid appeared to show a gap in member training and this needed to be addressed. Members said that more sessions should be arranged on different days and at different times to enable everyone to attend a training session that is convenient for them. Members also requested clarification as to which training was voluntary and which "mandatory". The Chair said that sometimes training had been arranged that members said they would attend and then nobody had turned up.
- With regard to Members' Allowances, Michael Lawther confirmed that this would be progressed over the Summer and members would be contacted in order to seek information.

**31. 2017 to 2018 Audit Fee Letter (AI 5)**

(TAKE IN LETTER)

The external Auditor, Helen Thompson, Executive Director Ernst & Young, introduced this item advising that this was the final year under the current PSAA contract.

She advised that the expectation was that the fee is likely to be broadly similar to this year and said that more work is being undertaken by the Council in-house.

Members noted the Audit Fee Letter and there were no questions.

**32. 2016 to 2017 External Audit Progress Report (AI 6)**

(TAKE IN REPORT)

Helen Thompson introduced the report which summarises the work undertaken since the last meeting of the Committee in March 2017. The purpose of this report is to provide the Committee with an update for plans for the 2016/17 audit, to ensure they are aligned with PCC's service expectations.

The audit results report, setting out findings and overall conclusions, will be presented to the Committee at its September meeting. Appendix 1 sets out an outline timetable for the audit.

Ms Thompson advised that one significant risk to the value for money conclusion, as reported in the Audit Plan had been identified. In response to a query, she advised that this risk was common to most councils because of the reduction in funding from central government. The external auditors would be looking at the Council's medium term financial plan, assumptions made and how it would deliver outcomes.

With regard to the 2016/17 Grant Certification work, Portsmouth City Council will be carrying out initial testing of cases for the 2016/17 housing benefit subsidy claim from June until August 2017. External Auditor's repeat performance work will be conducted in October 2017. The grant claims certification report will be reported to a meeting of the Governance and Audit and Standards Committee early in 2018.

The section headed "Looking Ahead" in the report advised that, the Council has joined the PSAA Ltd sector-led process to carry out the procurement and appointment of external auditors on behalf of local government bodies for 2018/19 onwards.

Existing external audit arrangements for the financial statements remain unchanged for the 2016/17 and 2017/18 financial years.

Existing external audit arrangements for housing benefit grant claim certification will remain unchanged for the 2016/17 and 2017/18 financial years.

The Chair thanked the external auditors for their report which was noted.

The Chair said he would now be moving onto agenda item 13 advising that most of the report was open and could be discussed now. He reiterated that the exempt part of the report would be dealt with at the end of the meeting.

*[The Minutes have been drafted keeping the item in its original place]*

### **33. Performance Management Update - Q4, 2016 - 17 (AI 7)**

(TAKE IN REPORT)

Kelly Nash, Corporate Performance Manager, introduced the report which updated the committee on significant performance issues and highlighted areas for further action or analysis. She said that as this was quarter four she would appreciate feedback from the committee on the format of the report and in particular whether any changes would be helpful. She advised that she intended to link the performance details more closely to the risks.

The Chair thanked the Corporate Performance Manager for her report and said he considered the format to be useful and although lengthy, not too onerous.

Members made the following comments about the format of the report:-

- It would be useful to invite a relevant director to attend the meeting if it looked like there was an area of concern;
- A suggestion was made that where staff are diverted from their ordinary work to doing other things such as for example to deal with the issue of fire safety, that there should be something in the report to allude to this;
- It would be useful to include something about how it is intended to improve areas rather than just stating that they are not improving;
- Perhaps the information given by directorates could be tested by putting it to the relevant portfolio holder for comment;
- The attention of the committee was being drawn in the report to issues being faced by the directorates, but there was no mechanism in the meeting for the committee to address their concerns to the officers who would be able to provide answers to their questions.

Kelly Nash thanked members for their feedback and said that one of the problems she encountered was with directorates omitting to disclose any problem issues. She also acknowledged that one of the matters to be checked in the performance management update report is whether all essential work is being covered.

Members agreed that the format of the report was good and hoped that the feedback given would be useful going forward.

**RESOLVED that the committee**

- (1) noted the report;**
- (2) noted the overall improvement in quality of reports and the commentary from the Deputy Chief Executive at section 5;**
- (3) commented on the performance issues highlighted in section 3 including agreeing if any further action is required;**
- (4) agreed the actions proposed in section 4.**

**34. Draft Annual Governance Statement (AI 8)**

(TAKE IN REPORT)

Kelly Nash, Corporate Performance Manager, introduced the report which seeks comment from the Governance and Audit and Standards Committee for the council's draft Annual Governance Statement (AGS) for 2016/17 and for the associated framework for monitoring progress. She advised that the authority has a duty to produce and publish an annual governance statement that sets out how Portsmouth City Council has complied with the local code of governance and how the authority meets the requirements of Regulation 4 (3) of the Accounts and Audit (England) Regulations 2011. She said that a key role of the committee is to monitor governance issues across the authority and ensure they are performance managed.

She said that the report had been written before the limited assurance audit opinion had been finalised and therefore the report needs to be updated to reflect this.

The City Solicitor agreed that there are significant governance issues and that these are monitored at regular meetings.

During discussion a comment was made that updating the constitution was mentioned on the risk appendix whereas this did not seem to be critical. Members also considered that the risk appendix should have an extra column to make required actions time limited.

Kelly Nash said that she would bring some additional in-depth reports about some of the items raised by the committee during the last year.

**RESOLVED that the committee**

- (1) noted the progress and recommendations made against the 2016/17 annual governance issues as set out in appendix 1;**
- (2) commented on the draft Annual Governance Statement 2016/17 (appendix 2);**
- (3) noted the updated local code of governance as set out in appendix 3.**

**35. Consideration of the political balance rules in relation to the constitution of sub-committees considering complaints against Members (AI 9)**

(TAKE IN REPORT)

Michael Lawther, Deputy Chief Executive, City Solicitor and Monitoring Officer, introduced the report. He explained that its purpose was to ask the committee to consider whether it wishes to dis-apply the political balance rules in respect of its sub-committees which consider complaints against members and to agree that the same rule shall apply to the initial filtering panel.

He explained that this meant the sub-committees' membership would not be made up of members in the same proportion as the political groups are represented on the council. Instead sub-committees would be 'cross-party as far as reasonably practicable'.

He went on to say that the decision is one which only this committee could make but it must be made without any of the members present voting against it. He said that the reason for bringing this report to the committee was that the decision made last year to dis-apply the political balance rules is only effective for one year. If the Committee decided to dis-apply the political balance rules this would only be until the end of this council year in May 2018 when the decision would again have to be reconsidered.

The recommendations in the report were proposed by Councillor Leo Madden seconded by Councillor Steven Hastings and were agreed unanimously.

**RESOLVED that the political balance rules are dis-applied in respect of Governance and Audit and Standards Sub-Committees which are considering complaints against members and also the same arrangement applied in respect of initial filtering panel membership.**

**36. Proposed amendments to the Complaint Form submitted in relation to the Councillor Code of Conduct (AI 10)**

(TAKE IN REPORT)

The Deputy Chief Executive advised that the purpose of the report is to ask members to consider a proposed revision to the content of the complaint form submitted in relation to Councillor Code of Conduct complaints. He explained that the proposed change simply added a tick box for complainants to complete to identify the part of the code that the alleged conduct breaches.

**RESOLVED that the committee**

- (1) considered the proposed amendments to the complaint form attached as appendix 1 to the report;**
- (2) recommended to council that the revised complaint form be adopted.**

**37. Exclusion of Press and Public (AI 11)**

It was proposed by Councillor John Ferrett seconded by Councillor Steve Hastings that the meeting move into exempt session in respect of items 12 and 13 for the reasons set out on the agenda. This was agreed.

**RESOLVED that the meeting move into exempt session in relation to the remaining items on the agenda.**

**38. Data Security Breaches Report (AI 12)**

(TAKE IN REPORT)

The Deputy Chief Executive introduced the report which informs the committee of any data security breaches and actions agreed or taken since the last meeting. He said that most of the data breaches occurred as a result of human error as reported in the exempt appendix. He said that the fines that can be issued by the Information Commissioner's Office can be substantial and it was therefore important to keep reinforcing the message.

Members raised specific queries about the incidents recorded in the exempt appendix which were answered to the satisfaction of the committee. The Deputy Chief Executive said that security sweeps were arranged from time to time and that training videos were available about the importance of guarding against breaches of the Data Protection Act and Privacy and Electronic and Communications Regulations.

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

**39. Annual Internal Audit Report for the 2016/17 Financial Year (AI 13)**

(TAKE IN REPORT)

The Chair advised that the report would be considered in open session other than when considering exempt appendix D.

The Chief Internal Auditor introduced the report which

- (i) gives the annual audit opinion on the effectiveness of the control framework based on the internal audit findings for 2016/17 and highlights areas of concern;
- (ii) advises members of the audit plan for 2017/18; and
- (iii) provides a summary of the counter fraud cases investigated and sanction results. Details of corporate cases investigated are contained within exempt appendix D.

She advised that of the 2016/17 fraud audits either completed or at the draft report stage, the number of exceptions within each category have been:

- 6 critical risk
- 128 high risk
- 15 medium risk
- 11 low risk (improvements)

Section 5 of the report provides details of the audit plan status for 2015/16.

The Chief Internal Auditor went on to say that areas of concern were set out in paragraph 6 of the report. She advised that in relation to 6.4 of the report housing and property - compliance with fire policy - James Hill, Interim Director of Property and Housing with effect from 19 June 2017 was in attendance today to provide information to the committee in light of the recent tragedy of Grenfell Tower. The Chair invited Mr Hill to speak to the committee which he then did. Mr Hill said that the City Council's approach to fire across its housing stock has been tested thoroughly. He gave assurances that a high standard of fire protection is in place. The Interim Director of Property and Housing confirmed that:

- All blocks of six storeys and above in the city have fire risk assessments in place and no reviews are currently outstanding. Wilmcote House is the exception as it is currently undergoing extensive renovations which began in 2014. He advised that in such situations it is the responsibility of the contractor on site to assume responsibility for the management and production of evacuation / fire safety plans for both residents and workmen while they are in control of the building. However, fire officers and PCC have visited the site on numerous occasions and a fire risk assessment was undertaken there on 29 June.

The Interim Director of Property and Housing acknowledged that the City Council should not have been in a situation where fire risk assessments had expired. The minimum should be that all properties requiring a fire risk assessment have a valid fire risk assessment in place. The audit report had highlighted an issue where PCC had not reviewed fire risk assessments as part of its policy. He said that there appeared to have been a lack of clarity on where responsibilities lay. He said that the stock data systems lacked consistency and that there had been misreporting of the position. The Interim Director of Property and Housing said that he accepted the audit findings from December 2016 and that actions had been identified and were well underway before the Grenfell Tower disaster. He explained all the actions that had been taken to ensure full compliance in the future and welcomed Internal Audit's plan to re-audit the area in the near future. He also said that measures concerning fire risk will form part of the performance indicators reported in the regular Performance Management Update coming to this committee.

Finally, he apologised formally for the anxiety and stress that had been caused by the contents of the audit report. He gave his assurance to the committee that PCC would not be in this position again.

The Chair thanked James Hill for his verbal update. The Chief Internal Auditor verified the position as presented by the Interim Director of Property and Housing.

The Chair said that he had been shocked at the audit report relating to compliance with the fire policy and that this had been brought into even sharper focus following the Grenfell Tower tragedy. He said that it was good



to hear that remedial actions were in place and that no blocks will have a review outstanding by the end of August 2017.

In response to queries the following matters were clarified:

- The installation of sprinklers would be investigated throughout all blocks in the city as part of the general investigations;
- In response to a query about cladding, the Interim Director of Housing and Property said that cladding was designed to improve insulation and weather proofing and that these need to comply with building regulations;
- In response to a query about gas safety certificates, it was confirmed that all 11 non-compliant properties identified within the December extract have since received gas safety checks. One of the problems was in gaining access to residencies but there were procedures in place to address this;
- In relation to a query about fire alarms not being heard in some parts of properties such as Grenfell Tower, the committee heard that this was because tower blocks were often designed for the 'stay put' policy. Smoke detectors are activated in the particular dwelling and only the part of the property that is affected is evacuated. The Interim Director of Property and Housing said that the 'stay put' policy was regarded as being the correct policy for tower blocks. This had been tested throughout Hampshire;
- The Interim Director of Property and Housing confirmed that all the information given at the special public meeting that was held following the Grenfell Tower disaster went out to residents of affected properties. In addition joint community information events were held;
- The Interim Director of Property and Housing confirmed that the policy is to be updated to show that the requirement to review high risk properties every two years will be replaced with a time scale that is decided by the competent person undertaking the assessment. He also said that following the Grenfell Tower incident, legislation is likely to be reviewed. Meanwhile PCC will work with Hampshire Fire and Rescue Authority.

The Chief Internal Auditor drew members' attention in particular to paragraph 7 of the report that advised that the audit opinion for 2016/17 is that only limited assurance on the effectiveness of the control framework can be given. She advised that whilst this opinion is the same level as for previous years, the direction of travel is deteriorating not improving.

In response to a query about mainland market deliveries (Shipping Services) (MMD), the Chief Internal Auditor said that although the audit of MMD Insurance and Claims was given no assurance, she advised that a follow-up

would be brought to the next meeting that was expected to show that things had moved on considerably from the findings included in this report.

It was confirmed by the external auditors that it was relatively unusual to have limited assurance as the internal annual audit opinion.

A question was raised about the CCTV issue mentioned in the report and the Chief Internal Auditor said that CCTV is very fragmented. The services managing their own CCTV do not have any policy relating to its use (other than for body worn videos). There was no joined up working and no overall co-ordinator. However, agreed action was set out in paragraph 6.6.2.

The Chief Internal Auditor summarised the internal investigations that had taken place during 2016/17 for the panel.

Members considered Exempt Appendix D in closed session. Members raised a small number of queries regarding exempt appendix D that were all answered to their satisfaction. The meeting resumed in open session.

**RESOLVED that members**

- (1) noted the audit and counter fraud performance for 2016/17;**
- (2) noted the highlighted areas of control weakness from the 2016/17 audit plan;**
- (3) noted the annual audit opinion on the effectiveness of the system on internal control for 2016/17;**
- (4) endorsed the audit plan for 2017/18; and**
- (5) considered any additional actions to be taken in response to matters raised within this report relating to the reviews undertaken.**

The meeting concluded at 1.50 pm.

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Chair