

GOVERNANCE & AUDIT & STANDARDS COMMITTEE

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

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

Present

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

Officers Present

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

External Auditors

Mark Justesen
Tom Watkins

45 Apologies for Absence

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

46 Declarations of Members' Interests

There were no declarations of members' interests.

47 Minutes of the Meeting held on 27 June 2014

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

48 Updates on Actions identified in the Minutes

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

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

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

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

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

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

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

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

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

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

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

RESOLVED

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

51 Annual Governance Statement 2013/14

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

During discussion the following matters were clarified:

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

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

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

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

RESOLVED that the Governance & Audit & Standards Committee

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

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

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

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

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

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

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

53 Statement of Accounts 2013/14

(TAKE IN STATEMENT OF ACCOUNTS)

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

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

54 Performance Management Update Quarter 1 2014-15

(TAKE IN REPORT)

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

During discussion the following matters were raised:

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

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

RESOLVED that the Governance & Audit & Standards Committee

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

55 Review of Polling Districts and Polling Places

(TAKE IN REPORT)

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

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

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

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

(TAKE IN REPORT)

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

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

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

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

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

During further discussion the following matters were confirmed:

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

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

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

RESOLVED that members

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

57 Risk Register July 2014

(TAKE IN REPORT)

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

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

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

58 Treasury Management Outturn 2013/14

(TAKE IN REPORT)

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

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

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

(TAKE IN REPORT)

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

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

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

60 Date of Next Meeting

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

The meeting concluded at 5.10 pm.

Chair