

## **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](http://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 .....