

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

MINUTES OF THE MEETING of the Governance & Audit & Standards Committee held on Friday, 6 November 2015 at 2.30 pm at the The Executive Meeting Room - Third Floor, The Guildhall

(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 (Chair)  
Councillor Ian Lyon (Vice-Chair)  
Councillor Steve Hastings  
Councillor Hugh Mason  
Councillor Phil Smith

### **Officers**

Michael Lawther, Deputy Chief Executive and City Solicitor  
Jon Bell, Director of HR Legal & Procurement  
Julian Pike, Deputy Director of Finance and Section 151 Officer  
Elizabeth Goodwin, Chief Internal Auditor  
Louise Northcott, Principal Auditor, Internal Audit  
Paddy May, Corporate Strategy Manager  
Greg Povey, Assistant Director of Contracts, Procurement and Commercial  
Michael Lloyd, Directorate Finance Manager (Technical & Financial Planning)

### **External Auditors**

Kate Handy  
Mark Justesen, External Auditor  
(Ernst & Young)

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

Apologies for absence were received on behalf of Councillor John Ferrett.

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

There were no declarations of members' interests.

#### **69. Minutes of the Meeting held on 25 September 2015 (AI 3)**

**RESOLVED that the minutes of the meeting held on 25 September 2015 be confirmed and signed by the Chair as a correct record.**

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

It was confirmed that the actions referred to in the resolution relating to Section 5 were underway.

**71. External Audit (Ernst & Young) Annual Audit Letter and a Verbal Update on Planning for 2015/16 (AI 5)**

(TAKE IN LETTER)

Kate Handy introduced the annual audit letter explaining that its purpose was to communicate to members and external stakeholders including members of the public the key issues arising from the work of the external auditors. She said that detailed findings from the audit work in the 2014/15 audit had already been reported to the 25 September 2015 Governance & Audit & Standards Committee meeting.

She said that both she and Mark Justesen would no longer be auditing Portsmouth City Council as external auditors rotated after a number of years as a matter of policy. She advised that her replacement would be Helen Thompson. She thanked officers and members of the Governance & Audit & Standards Committee for their co-operation over the years and said that there would be a series of hand-over meetings.

Mr Mark Justesen said that item 1 of the report provided a summary of the areas of work undertaken by external audit and the results. He said that on 28 September 2015 the external auditors issued an unqualified audit opinion on the council's financial statements and an unqualified value for money conclusion. Mr Mark Justesen drew members' attention to Section 4 of the report that identified a number of matters of particular note. These included the Highways Network Asset (formerly Transport Infrastructure Assets). The requirement will now be to account for Highways Network Asset on a depreciated replacement cost basis from 1 April 2016. Mr Justesen said that this represents a significant exercise for the Council but that it is relatively well prepared. In addition, he advised that the accounts and audit regulations 2015 were laid before parliament in February 2015. A key change in the regulations is that from the 2017/18 financial year the timetable for the preparation and approval of accounts will be brought forward. As a result, the council will need to produce draft accounts by 31 May and these accounts will need to be audited by 31 July. He said that the council will need to work with its auditors on how it will produce accounts one month earlier and enable the audit to be completed two months earlier than has previously been the case.

In response to queries the following matters were clarified:-

- Under "key findings" it was confirmed that the significant risk identified headed "Management Override" will always be there and appears in all plans as it will always be the case that management can override

controls. However, the auditors confirmed that their work did not identify any instances of management override.

- It was confirmed that in relation to the other risk identified under Property, Plant and Equipment, officers had reviewed the assets to ensure they are valued correctly and that all assets are depreciated in accordance with the council's accounting policy. This was the case for all assets over £10,000.

Mr Michael Lloyd agreed to email members of the committee more details about this.

The Chair thanked the external auditors Kate Handy and Mark Justesen for all their work over the years whilst working with Portsmouth City Council.

## **72. Audit Performance Status Report to 6 October 2015 (AI 6)**

(TAKE IN REPORT)

The Chief Internal Auditor, Lizzie Goodwin introduced the report which updates the Governance & Audit & Standards Committee on the internal audit performance for 2015/16 to 6 October 2015 against the Annual Audit Plan, highlights areas of concern and areas where assurance can be given on the internal control framework.

During discussion the following matters were clarified:-

- Since the report was written matters outlined in paragraph 6.2 as being unresolved have now largely been resolved. The main issue appears to be problems in marrying up databases to ensure accurate information is recorded.

The Deputy Chief Executive said that checks are made on an ad hoc basis on taxi drivers to check that they are properly licensed.

In addition education services need proof of a DBS check having been carried out on drivers before children can be transported in their taxis.

The Chair said that it was evident that joined up thinking needed to be employed in order to resolve the issues raised and that a meeting would take place involving him, the Chief Internal Auditor, the Deputy Chief Executive and the Chair of Licensing in order to discuss this matter.

- With regard to paragraph 6.4 and 6.5, members were pleased that the issues relating to the two schools involved had now been resolved.
- With regard to item 6.6 - Portsmouth International Port - income dues, it was confirmed that no interest would be charged on the undeclared income outstanding.
- With regard to paragraph 6.9 - Information Governance Security Sweeps, the Deputy Chief Executive said that the main concern is not information included on lap-tops as these are encrypted but on the

replacement of these lap-tops which is expensive and also embarrassing to the council. It was very difficult to persuade members of the public that there is no risk of the data being compromised. He said that there was much more risk with paper information being left unsecured and that even in secure areas it was essential that confidential data is locked away.

The Chair of the committee said that regular security sweeps should take place and it was confirmed that these would happen.

- With regard to 6.10 - Ground Floor Security and Reception Arrangements, it was confirmed that there are sufficient private meeting rooms available but that sometimes people become agitated very quickly making it difficult to predict when a conversation will become inappropriate to hold in the reception area.

**RESOLVED that**

- 1. Members note the Audit Performance for 2015/16 to 6 October 2015; and**
- 2. That members note the highlighted areas of control weakness for the 2015/16 Audit Plan.**

**73. Treasury Management Mid-year Review. (AI 7)**

(TAKE IN FOR INFORMATION REPORT)

Mr Michael Lloyd introduced the report and circulated a revised Appendix B which contained some minor amendments. He advised that the purpose of the report is to review the current treasury management position and strategy and make recommendations to improve the strength and performance of the treasury management operation. The report seeks to amend the minimum revenue provision (MRP) policy for the repayment of unsupported borrowing, to allow a wider range of investments to be made on the basis of a single credit rating, and to review the investment counter party limits. Appendix A aims to inform members and the wider community of the Council's Treasury Management position at 30 September 2015 and of the risks attached to that position. He advised that the report was coming to this committee for information and would be going to Cabinet and also to Full Council for decision.

During discussion the following matters were clarified:-

- Mr Lloyd advised that the city council changed its supplier of investment counter party information on 1 May 2015 and some new investment counter parties were suggested by the new supplier.
- With regard to a query relating to categories 10 and 11 in Appendix B of the report, it was confirmed that the strengths of the Building

Societies mentioned is determined by using information from KPMG and the Building Society Association.

- It was confirmed that with regard to Appendix A, the information influences the Banks used by PCC and that PCC only invests in those countries that have a double AA+ average rating.

**RESOLVED that the Governance & Audit & Standards Committee notes the recommendation set out in paragraph 2 of the report which will go to Cabinet and Full Council for decision.**

**74. Changes to the designated independent person dismissal procedures (AI 8)**

(TAKE IN REPORT)

As this matter concerns the designated statutory officer posts that includes the monitoring officer, Michael Lawther left the meeting for the duration of this item.

Mr Paddy May introduced the report stating that its purpose is to inform members of a change to the process (as recently agreed by Employment Committee) that must be followed for the dismissal of designated statutory officer posts (Head of Paid Service, Monitoring Officer or Chief Finance Officer) and to seek, from Governance & Audit & Standards Committee (G&A&S), a recommendation to council to amend paragraph 10 of the Council's Officers' Employment Procedure Rules in Part 3D of the Constitution to reflect this new process. He explained that the reason for the amendment was to allow for an appeal process which had been absent from the original report. Jon Bell said that it was not expected that the procedure outlined in the report would need to be invoked very often as it was rare to dismiss these officers. Members accepted the amendment.

**RESOLVED that Governance & Audit & Standards Committee recommend that Full Council approves the changes to paragraph 10 of the revised new Officers Employment Procedure Rules as shown in Appendix 2.**

**75. Compliance with the Gifts and Hospitality Protocol (AI 9)**

(TAKE IN REPORT)

Michael Lawther introduced the report and apologised that the appendices were not succinct advising that there was a difficulty in obtaining data owing to database problems. He advised that the data needed to be updated and that typographical errors should be eliminated. He said that the purpose of the report was to provide an annual update to members on compliance with the Gifts and Hospitality protocol to enable this committee to make any necessary recommendations for change.

The Chair of the committee agreed that the report and appendices needed to be tidied up. However, the compliance had improved dramatically as compared with previous years. During discussion the following matters were clarified:-

- Members noted that with regard to some entries for certain named individuals, things of the same value had been accepted in some cases and rejected in others. The Deputy Chief Executive said that the rules relating to when an item should be rejected could be made clearer.
- In response to a query the Deputy Chief Executive said that it was very important that even relatively low value gifts i.e. where they exceeded £5 in Adult Social Care as this was a very sensitive area and a likely cause of problems.

**RESOLVED that the report be noted.**

**76. Review of Members' Code of Conduct and Committee Arrangements for Assessment, Investigation and Determination of Complaints (AI 10)**

(TAKE IN REPORT)

The Deputy Chief Executive introduced the report and explained the suggested changes were to clarify the procedure when there is no finding of fault and to avoid additional formal meetings having to be held when the procedure can be dealt with under delegation to the City Solicitor in consultation with the members of the Initial Filtering Panel.

The Chair commented that he felt the revisions would ensure that the procedure was now as efficient as it can be.

**RESOLVED that Members of the Committee**

- (i) Agreed the proposed changes to the Arrangements for Assessment, Investigation and Determination of Complaints set out in the appendix and**
- (ii) Recommended the agreed changes to Council for adoption.**

**77. Contract Procedure Rules (AI 11)**

(TAKE IN REPORT)

The Deputy Chief Executive introduced this item and explained that its purpose was to seek the adoption of revised Contract Procedure Rules to be implemented in place of those approved on 20 July 2010. He said that the proposed changes had to be agreed at the Governance & Audit & Standards Committee and then their recommendation would go to Full Council for the rules to be adopted and brought into force from 1 January 2016. He invited Mr Greg Povey to outline the main changes to the committee.

Mr Povey said that the contract procedure rules had been modernised and that hyperlinks had been introduced so that they could be easily updated going forward. The revised rules would enable better management of contracts and improved processes for going out to tender.

Mr Povey outlined the changes and invited questions from members.

In response to queries the following matters were clarified:-

- Where a contract was worth under £5000, a written contract would not be drawn up as it was relatively low risk and not cost effective to document in writing. Instead the order would be raised on our standard purchase order terms and conditions.
- Mr Povey confirmed that he would be bringing a report to the January meeting of this committee and would provide a presentation on how the new Procurement Dashboard had bedded in.
- With regard to the contract manager role, Mr Povey said that there were two Contract Management Business Partner posts in his team and that they would provide mentoring and training for the Contract Managers in the business.
- With regard to existing contracts, Mr Povey said that Strategic Contract Management Board would apply to all strategic contracts from December onwards.
- With regard to where a contract has been sub-contracted out, Mr Povey said that it would depend on the budget holder and officers as to what had been initially decided as to how that would work going forward.
- With regard to Section 19 - Consultants, this was not time limited and the situation had never arisen.

**RESOLVED that the Governance & Audit & Standards Committee**

- 1. Agree the proposed changes to the Contract Procedure Rules as set out as Appendix 1 to this report; and**
- 2. Recommend the revised Contract Procedure Rules be adopted by Council and brought into force from 1 January 2016.**

**78. Date of Next Scheduled Meeting (AI 12)**

The next meeting is scheduled for 29 January 2016.

The meeting concluded at 4.55pm.

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Chair

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Councillor Simon Boshier  
Chair