
NOTICE OF MEETING

GOVERNANCE & AUDIT & STANDARDS COMMITTEE

FRIDAY, 15 JANUARY 2021 AT 2.00 PM

VIRTUAL REMOTE MEETING

Telephone enquiries to 023 9283 4058
Email: Vicki.plytas@portsmouthcc.gov.uk

Membership

Councillor Leo Madden (Chair)
Councillor Simon Boshier (Vice-Chair)
Councillor John Ferrett
Councillor Judith Smyth
Councillor Tom Wood
Councillor Neill Young

Standing Deputies

Councillor Matthew Atkins
Councillor Ben Dowling
Councillor Graham Heaney
Councillor Donna Jones
Councillor Terry Norton

(NB This Agenda should be retained for future reference with the minutes of this meeting.)

Please note that the agenda, minutes and non-exempt reports are available to view online on the Portsmouth City Council website: www.portsmouth.gov.uk

Deputations

A written deputation stating to which agenda decision item it refers must be received by the officer named at the top of the agenda **by 12 noon two working days preceding the meeting.** Any written deputation received by email will be sent to the Members on the relevant decision making body and be referred to and read out at the meeting within permitted time limits

AGENDA

1 Apologies for Absence

2 Declarations of Members' Interests

3 Minutes of the Meeting held on 20 November 2020 (Pages 5 - 14)

RECOMMENDED that the minutes of the meeting held on 20 November 2020 be approved and signed by the Chair as a correct record.

4 2019 to 20 Audit Results report (Pages 15 - 74)

The Committee is asked to note the 2019 to 2020 External Audit Results report.

5 RIPA Inspection 2020 (Pages 75 - 76)

The purpose of the report is to update Members on the inspection results and the Authority's use of Regulatory Powers for the period from 6th July 2019 to 6th January 2021.

RECOMMENDED that Members of the Governance and Audit and Standards Committee

(1) Note that there have not been any RIPA applications authorised since the last report to this Committee on the 29th July 2019

(2) Note the inspection carried out by the IPCO Surveillance Inspector and results presented.

6 Whistleblowing Report (Pages 77 - 88)

The purpose of the report is to update Members of this Committee on the nature and handling of any concerns raised under the Whistleblowing Policy for the period January 2020 to December 2020. In addition, the report highlights the review of the Whistleblowing policy, although there are no current amendments.

RECOMMENDED that Members of the Governance and Audit and Standards Committee:

(1) Note this report and the attached Appendix A and consider whether any further action is required

(2) Note that a review of the Whistleblowing policy has taken place resulting in no proposed amendments. (Appendix B)

7 Complaints received into alleged breaches of the Code of Conduct by

Members of the Council for the calendar year 2020 (Pages 89 - 100)

The purpose of the report is to update Members of the Committee in relation to complaints which have been progressed within the calendar year 2020 and which allege that Councillors may have breached the Code of Conduct.

RECOMMENDED that the Committee

- (1) Notes the report**
- (2) Considers whether any further action is required by them**

This meeting is webcast (videoed), viewable via the Council's livestream account at <https://livestream.com/accounts/14063785>

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Agenda Item 3

GOVERNANCE & AUDIT & STANDARDS COMMITTEE

MINUTES OF THE MEETING of the Governance & Audit & Standards Committee held remotely on Friday, 20 November 2020 at 2.00 pm.

(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 Leo Madden (in the chair)
Councillor Simon Boshier (Vice-Chair)
Councillor John Ferrett
Councillor Judith Smyth
Councillor Tom Wood
Councillor Neill Young

Officers

Julian Pike, Deputy Director of Finance and S151 officer
Michael Lloyd, Directorate Finance Manager
Paddy May, Corporate Strategy Manager
Sophie Mallon, Head of Commercial Property and Regeneration
Elizabeth Goodwin, Chief Internal Auditor
Helen Magri, Corporate Information Governance Officer
Richard Lock, Assistant Procurement Manager

External Auditor

Helen Thompson, Executive Director, Ernst & Young
David White, Manager, Assurance - Government and Public Sector, Ernst & Young

41. Apologies for Absence (AI 1)

There were no apologies for absence but apologies for lateness were received from Councillor John Ferrett.

The Chair varied the order of the agenda to allow items 5 and 6 to be dealt with first. For ease of reference, the minutes will follow the order of the original agenda.

42. Declarations of Members' Interests (AI 2)

There were no declarations of members' interests.

43. Minutes of the meetings held on 3 March and 25 September 2020 (AI 3)

RESOLVED that the minutes of the meetings held on 3 March 2020 and 25 September 2020 each be approved and signed by the Chair as a correct record.

44. 2019/20 Audit Results Report (AI 4)

(TAKE IN REPORT)

Helen Thompson advised that as a result of Covid-19, new regulations - the Accounts and Audit (Coronavirus) (Amendment) Regulations 2020 No. 404 - were published and came into force on 30 April 2020. This announced a change to the publication date for final, audited accounts from 31 July to 30 November 2020 for all relevant authorities.

Owing to the second lockdown, a key member of the external audit team was unavoidably unable to complete the work and there was no viable alternative that would have resulted in the audit work being completed by 30 November. The revised expected completion date would be in the first two weeks of December and certainly by Christmas.

During discussion

- it was confirmed that a list of authorities that had not completed the work by a particular deadline would no longer be compiled for publication anywhere and that no reputational damage would attach to PCC owing to the deadline being missed. An explanation would be published on PCC's website
- Members requested sight of the proposed wording for the explanation before it was published and this was agreed.

45. Annual Governance Statement (AI 5)

(TAKE IN REPORT)

Paddy May, Corporate Strategy Manager, introduced the report which seeks approval from the Committee for the council's Annual Governance Statement (AGS) for 2019/20 (Appendix 1). Previous drafts of the AGS have already come to the Committee and this is the final version that has been signed off by the Leader and the Chief Executive. The Annual Governance Statement also includes the annual opinion on the effectiveness of the internal system of control from the Chief Internal Auditor.

Portsmouth City Council have completed a number of actions over the last year, that have addressed or alleviated significant governance issues - as identified on page 13 of the Appendix.

Page 15 sets out governance risks and exposures relating to Covid-19 and actions being put in place to address them.

Regular updates will continue to be received by the Committee.

RESOLVED that the Committee agreed the Annual Governance Statement 2019/20 (Appendix 1)

46. Risk and assurance management policy (AI 6)

(TAKE IN REPORT)

Paddy May introduced the report which presents the council's risk and assurance management policy to the Committee for approval.

He advised that the Corporate Risk Directory is usually considered by the Governance and Audit and Standards Committee on a quarterly basis as part of the regular performance monitoring from the organisation. This monitoring has been suspended as the organisation has focused on the response to the Covid-19 pandemic, but it is expected that this reporting will resume in 2021.

RESOLVED that the Governance and Audit and Standards Committee

- 1) Approved the attached Risk and Assurance Management Policy**
- 2) Agreed to review the risk management policy in November 2022, including risks current at the time and lessons learnt over the previous year.**

47. Annual Statement of Accounts 2019/2020 (AI 7)

(TAKE IN REPORT)

Julian Pike and Michael Lloyd introduced the report.

Under the Accounts and Audit Regulations 2015 the Council must publish its accounts together with any certificate or opinion entered by the auditor by 30 November. The audit of the Statement of Accounts is ongoing. Therefore it is recommended that authority be delegated to the Chair of the Governance and Audit and Standards Committee to sign an amended 2019/20 Statement of Accounts after 20 November should this be required following comments by the auditor.

Michael Lloyd advised that members of the committee had been sent details of the non-trivial amendments that appeared in the Appendix to the report.

RESOLVED

- (1) That it be noted that the Statement of Accounts is not yet ready for approval**
- (2) That authority be delegated to the Chair of the Governance and Audit and Standards Committee to sign an amended 2019/20 Statement of Accounts after 20th November as this is required following comments by the auditor**

48. Treasury Management Mid-Year Review (AI 8)

(TAKE IN REPORT)

Michael Lloyd introduced the report that comes to this Committee for scrutiny and noting and then goes on to Cabinet and then to Council for decision. He advised that the report informs members and the wider community of the Council's Treasury Management position, ie. its borrowing and cash investments at 30 September 2020 and of the risks attached to that position.

This report outlines the Council's performance against the treasury management indicators approved by the City Council on 17th March 2020. The Council borrowed £60m in quarter 1 of 2020/21. No further borrowing was undertaken in quarter 2 of 2020/21.

Investment returns have continued to be on a downward trend in line with the expectation that increases in Bank Rate are unlikely to occur before 2023.

Mr Lloyd said that when the report went to Cabinet pre-agenda, some changes were requested to increase clarity. These were in the appendix -

- paragraph A3 to list the main alternative borrowing sources
- paragraph A4 to explain the meaning of a credit default swap.

RESOLVED to note

- (1) That the Council's Treasury Management activities have remained within the Treasury Management Policy 2020/21 in the period up to 30th September 2020.**

(2) The actual Treasury Management indicators as at 30th September 2020 set out in Appendix A.

49. PCC companies - Shareholder Committee terms of reference (AI 9)

(TAKE IN REPORT)

Sophie Mallon, Head of Commercial Property and Regeneration, introduced this item explaining that a report was taken to and approved by cabinet on 26 March 2020 (the Report") that can be found at

<https://democracy.portsmouth.gov.uk/documents/s26711/PCC%20Company%20Directors%20report.pdf>).

The purpose of the report was to provide Members with advice on the board composition of companies to which the Council is the sole shareholder and in particular to approve the necessary constitutional internal decision making structures in terms of exercising the Council shareholder function going forward. Appendix A shows the Shareholder Committee terms of reference. Appendix B shows best practice guidance.

During discussion

- It was confirmed that item 2(4) would be changed to refer to "Chair" rather than "Chairman"
- In response to a query concerning mention in Appendix 2 of oversight and the role of the Governance & Audit & Standards Committee, Ms Mallon said that this committee is not currently referenced but that there was still some tidying up of the wording to be done. The Chair asked if in that case another report would be coming to the committee that would also go on to Council. Ms Mallon said that once the terms of reference were agreed and the committee is set up it would then be delegated to the City Solicitor to see that they are incorporated within the Council's constitution and that he works with all PCC owned companies to ensure the necessary constitutional changes and guidance is on boarded by the Shareholder Committee post incorporation. At that stage a further report would need to come to this Committee and would go on to Full Council.
- Councillor Smyth wanted it to be minuted that she had reservations about the report for a number of reasons; basically in her view it lacks detail in the following respects - the purpose of the committee and what would happen in the event of a disagreement. It is not set in its wider context for example it does not give details of the various companies' guiding principles. She said that she was happy with what is included but is more concerned about what is not included.
- Other committee members said they did not share these reservations. The committee would be cross party and would want to work by consensus. Each of the companies would be bound by its own Memorandum and Articles of Association.

It was

proposed by Councillor Leo Madden

seconded by Councillor Tom Wood

That the recommendations in the report be agreed.

Following a vote, this was agreed by majority.

RESOLVED that the Committee

- (1) Approved the Shareholder Committee terms of reference at appendix A and delegate to the City Solicitor they are incorporated within the Council's constitution; and**
- (2) Noted the Local Government Lawyer best practice guidance (at appendix B) and delegation provided to the City Solicitor to work with all PCC owned companies to ensure the necessary constitutional changes and guidance is on boarded by the Shareholder Committee post incorporation**

50. Compliance with Gifts & Hospitality protocol (AI 10)

(TAKE IN REPORT)

Sophie Mallon introduced the report explaining that the protocol requires an annual report by the City Solicitor on compliance to enable this committee to make any necessary recommendations for change - this report addresses that requirement.

She advised that section 4 of the report clearly sets out the main requirements of the protocol.

During discussion

- It was confirmed that the incidences of gifts and hospitality had remained at about the same level as last year
- It was noted that there is a duplicate entry in Appendix 2 - the City Treasurer is shown as going to Dieppe twice.

RESOLVED that

- (1) The Committee considered whether or not to make any recommendations for change and**
- (2) In the absence of any changes, noted the report**

51. Internal Audit Performance Status Report to 6 November 2020. (AI 11)

(TAKE IN REPORT)

Elizabeth Goodwin, Chief Internal Auditor, introduced the Internal Audit Performance Status Report for the 2020-21 planned audit activities. Appendix A includes the detail of progress made against the annual plan and documents individual audit findings.

At the moment internal audit are working within plan - pg388 /pg4 mentions ongoing items of work. A number of investigations are ongoing and a report will be brought - probably in March - to highlight all those items of work. There are some proposed changes; to include some grant work that the service is duty bound to undertake and in relation to the Covid 19 income loss compensation claim. Page 5 lists audits that have been taken out of the plan. They have been removed because it is impractical to carry them out from a risk perspective. The work needs to be done at some stage but it will be deferred to the 21/22 plan. Page 8 gives a narrative of work completed and a summary of results. Follow up work is also noted.

There is one item of work outstanding from last year relating to VESL and this was omitted by mistake but will be included in the next report.

In response to queries

- It was confirmed that the bullet points listed on page 4 are the general areas for audit involvement but also include some matters outside audit activity such as Regulation of Investigatory Powers Act (RIPA) and Anti Money Laundering. This is because they may impact on the statutory role of audit and gives the committee sight of additional areas of audit involvement.
- It was confirmed that that where there are tranches of government money attached to particular schemes such as the Elmgrove Cycle Lane, these are part of the audit programme. Some - such as the Home to School Transport additional money - require the Chief Executive and the Chief Internal Auditor to sign them off. The terms and conditions will be looked at and sampling will take place. Some areas eg infection control grant and enforcement action - do not have a requirement for audit sign-off, but it is good practice to do so as it is government money. It also provides some support to Chris Ward as section 151 officer. This will be detailed either in the plan or in assurance work. Page 10 for example shows that in relation to the infection control grant, testing under phase one has confirmed that payments to adult social care providers have been made in accordance with grant terms and conditions.
- With regard to the reasonable assurance rating given to the Solent LEP item on page 10, this relates to travel expenses. There is a HMRC link to boundaries beyond 60 miles so sometimes a waiver is required. This has not happened in a number of cases. However, these are fairly minor and a follow up will be done to check for compliance.

RESOLVED that Members noted the Audit Performance and results for 2020/21 to 6 November 2020.

**52. Consideration of the political balance rules in relation to the constitution of Sub-Committees considering complaints against Members. (AI 12)
(TAKE IN REPORT)**

Sophie Mallon introduced the report advising that this is brought to the Committee regularly in the circumstances outlined in the report to ensure a wider range of membership. The Committee is asked to consider whether it wishes to disapply the political balance rules in respect of its Sub-Committees and the Initial Filtering Panels which consider complaints against Members.

RESOLVED unanimously that the political balance rules are disapplied in respect of Governance and Audit and Standards Sub-Committees which are considering complaints against Members and also the same arrangement should apply in respect of Initial Filtering Panel membership.

**53. Data Security Breach Report (AI 13)
(TAKE IN REPORT)**

Elizabeth Goodwin, Chief Internal Auditor, introduced the report saying that it last came to this Committee in March. Helen Magri was also in attendance to help answer any questions. Since March, the format of the report has been changed to try to include some analysis of the incidents that have occurred.

The Chief Internal Auditor then went through the headings on each page and said she welcomed any feedback members had on the revised report format.

Response Time - the number of incidents within the ICO recommended response time and those outside it.

Medium - the format in which the data breach occurred

Number Impacted - how many people are likely to have been impacted - although sometimes this is unknown.

Root Cause - shows in cases where there has been an investigation, the reason why there is a data breach eg deliberate error, human error etc

Action Taken Apologies are always given so has not been included

Data breach summary - reports and actions taken since last reported to this Committee in March 2020.

(Councillor Ferrett arrived at this point having given his apologies for lateness and had no interests to declare.)

In response to questions

- Where a staff member is found to have taken inappropriate action (ie where there has been a deliberate breach) there is consultation with HR to make sure actions taken are consistent from one person to another. There are not many of these incidents
- In response to a query about Children Families and Education seeming to have the highest number of breaches, it was confirmed that the service is regularly audited. It is possible to see where for example a social worker has accessed a file not on their case load. In addition there is Information Governance Board with representatives across the Council and they are aware of the incidents in that Service. Consequently they are working with the relevant people to see what the issues are and whether additional actions are needed. This has also gone to the Corporate Governance Board so the situation is being closely monitored.
- It was confirmed that often data breaches come to light as the member of staff concerned comes forward voluntarily. However sometimes data breaches come to light when someone else raises a concern.
- It was confirmed that the General Data Protection Regulations (GDPR) requires the Council to be proactive.
- It was confirmed that there is enough clarity particularly in relation to practical barriers when working with children and more checking procedures have been instigated. Whenever there is a breach, the Information Governance team works to see whether anything can be done to prevent any further breaches. A high percentage of breaches relate to incorrect email addresses being used. The recently rolled out Microsoft 365 has new mechanisms that can be used to give prompts before an email is sent and work is being done to decide on what should be asked before an email is sent
- It was noted that the number of people impacted by data breaches appears to be very small
- It was confirmed that the difference between human error being recorded as the reason for the breach as opposed to inappropriate action is that the latter is perceived to have been deliberate.

RESOLVED that Members of the Governance & Audit & Standards Committee noted the breaches (by reference to Appendix A) that have arisen and the action determined by the Corporate Information Governance Panel (CIGP).

54. Exclusion of Press and Public (AI 14)

RESOLVED to adopt the following motion:

“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 be excluded for the consideration of the following item on the grounds that the appendices to the report contains information defined as exempt in Part 1 of Schedule 12A to the Local Government Act, 1972”

55. Procurement Management (information only) (AI 15)

(TAKE IN REPORT for information only)

Richard Lock, Acting Procurement Manager, introduced the report explaining that it covers some of the last cycle and there is a small amount of duplication in the waivers and Key Performance Indicators sections. He summarised the contents of the three sections of the report.

With regard to section 1- Spend Compliance, the raw system compliance for September has been maintained at approximately 60% which following adjustment is approximately 96% - slightly down from 97% reported for August. There is a need to get things uploaded to the Intend system in order to improve the compliance figure.

There are now 2 new team members plus another person performing the contract manager role so resources are now in place to move things forward. In addition, procurement are continuing to participate in the Fusion Project - which will greatly improve data recording and retrieval from finance systems. This includes investigating how greater compliance data capture can be achieved across all council systems. A summary of the nature of the non-compliant spend by service area and assessment of risk by the Procurement Manager is included on page 4 of the report.

During discussion

- It was noted that the matter of accessing PPE was a topical matter nationally as well as locally especially in relation to how it was decided who to award contracts to. It was confirmed that in the early days of the pandemic, PCC had to "shop around" owing to the scarcity of supply so approached existing providers and looked at the providers the NHS was using. Whenever PCC engaged with a new supplier this was followed up each time by a supplier requirements questionnaire. Benchmarking across prices was also carried out. PCC also employed a testing house in case any particular issues arose and where appropriate obtained refunds. Mr Lock said he was confident that PCC had not paid "over the odds". PCC is in a central buying consortium and is comfortable with how we engaged. Going forward Central Government have said PCC has to go through their portal so PCC will need to do that in order not to jeopardise any recompense for that

expenditure. PCC will keep our relationships with previous suppliers in case of future need. PCC has a reasonable stock of PPE.

The acting procurement manager said that the service was now in a better position to take the KPIs forward and improve their reporting as a new contract manager had been recruited

Section 2 - Contracts awarded via waiver

Richard Lock said there had been significant dovetailing between this and the previous report- the significant waiver concerning the waste contract still appears in this report so skews the value of the business as usual direct award. Beyond that, he said he had no other concerns. The exempt appendix contains details.

Covid 19 slowed things down as contract managers had to move to other roles, but there are good processes in place and no extensions have been agreed.

In order to be transparent, for any significant extensions an award notice will be issued in the official journal.

With regard to waivers in response to Covid, the number is expected to go down significantly in the next report.

Section 3 - Contract Management KPI Indicators

Richard Lock said that there is still work to be done but the service is better resourced now. There are no contracts on red. There are some contracts on amber and the exempt appendix explains the reasons. The issues are either with the administration or business processes - not with the core function not being delivered. Some of the ambers are as a result of the kpi being incorrectly calculated so there is a need to simplify the process and to ensure that the kpis are completed promptly.

Overall, there is still room for improvement and the service now has the resources to take this forward.

Members thanked Richard Lock for his report which they considered to be well set out.

The information only report was noted.

The Chair thanked everyone for their attendance.

The meeting concluded at 4.00 pm.

Councillor Leo Madden
Chair

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Portsmouth City Council Audit results report

Year ended 31 March 2020

January 2021

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Agenda Item 4

The EY logo consists of the letters 'EY' in a bold, white, sans-serif font. A yellow triangle is positioned above the 'Y'.

Building a better
working world

5 January 2021



Dear Governance and Audit and Standards Committee Members

We are pleased to attach our audit results report for the forthcoming meeting of the Governance and Audit and Standards Committee. This report summarises our audit findings in relation to the audit of Portsmouth City Council for 2019/20.

We have substantially completed our audit of Portsmouth City Council for the year ended 31 March 2020.

Subject to concluding the outstanding matters listed in our report, we confirm that we expect to issue an unqualified audit opinion on the financial statements in the form at section 3. Our opinion will include an Emphasis of Matter paragraph to draw the attention of readers of the financial statements to the disclosures regarding the valuation material uncertainty arising due to Covid-19. This is not a qualification of our audit opinion. We also expect to have no matters to report on your arrangements to secure economy, efficiency and effectiveness in your use of resources.

This report is intended solely for the use of the Governance and Audit and Standards Committee, other members of the Authority, and senior management. It should not be used for any other purpose or given to any other party without obtaining our written consent.

We would like to thank your staff for their help during the engagement.

We welcome the opportunity to discuss the contents of this report with you at the Governance and Audit and Standards Committee meeting on 15 January 2021.

Yours faithfully

Helen Thompson

Associate Partner

For and on behalf of Ernst & Young LLP

Encl

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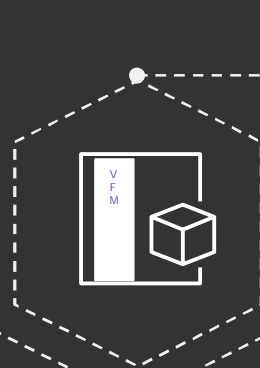
03 Audit Report



04 Audit Differences



05 Value for Money



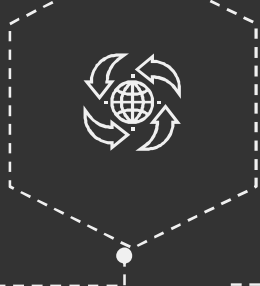
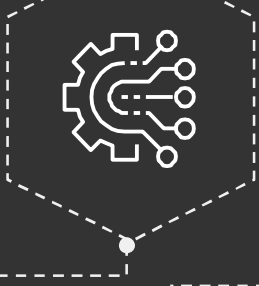
06 Other reporting issues

07 Assessment of Control Environment

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Public Sector Audit Appointments Ltd (PSAA) have issued a 'Statement of responsibilities of auditors and audited bodies'. It is available from the Chief Executive of each audited body and via the PSAA website (www.psa.co.uk). This Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The 'Terms of Appointment (updated April 2018)' issued by PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and statute, and covers matters of practice and procedure which are of a recurring nature.

This Audit Results Report is prepared in the context of the Statement of responsibilities. It is addressed to the Members of the audited body, and is prepared for their sole use. We, as appointed auditor, take no responsibility to any third party.

Our Complaints Procedure - If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, you may take the issue up with your usual partner or director contact. If you prefer an alternative route, please contact Hywel Ball, our Managing Partner, 1 More London Place, London SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, you may of course take matters up with our professional institute. We can provide further information on how you may contact our professional institute.



01

Executive Summary



Executive Summary

Scope update

In our audit planning report presented at the 3 March 2020 Governance and Audit and Standards Committee meeting, we provided you with an overview of our audit scope and approach for the audit of the financial statements. We carried out our audit in accordance with this plan, with the following exceptions:

Changes to reporting timescales

As a result of Covid-19, new regulations, the Accounts and Audit (Coronavirus) (Amendment) Regulations 2020 No. 404, were published and came into force on 30 April 2020. This announced a change to publication date for final, audited accounts from 31 July to 30 November 2020 for all relevant authorities.

Changes to our risk assessment as a result of Covid-19

We provided an update to our audit planning report at the 24 July 2020 meeting of the Governance and Audit and Standards Committee. This highlighted the following changes to our risk assessment:

- Valuation of Property Plant and Equipment and Investment Property - The Royal Institute of Chartered Surveyors (RICS), the body setting the standards for property valuations, issued guidance to valuers highlighting that the uncertain impact of Covid-19 on markets might cause a valuer to conclude that there is a material uncertainty. Since late March 2020 in the UK, Covid-19 had a dramatic impact on the occupation of buildings due to the forced closure of restaurants, retail stores, leisure, offices and hotels due to government regulation. We do not know how long the government's measures will last or how long businesses will be impacted. Rental income is expected to fall as tenants may default on their rents or seek to negotiate rent reductions as they can no longer trade effectively. This could have a significant impact on investment properties and we have therefore raised a significant risk in relation to investment property valuations. Since our update was issued, we have also judged it necessary to associate this risk with property, plant and equipment valued on the basis of market information (existing use value).
- Disclosures on Going Concern – Financial plans for 2020/21 and the medium term will need revision for Covid-19. We considered the unpredictability of the current environment gave rise to a risk that the Authority would not appropriately disclose the key factors relating to going concern, underpinned by managements assessment with particular reference to Covid-19 and the Authority's actual year end financial position and performance.
- Adoption of IFRS16 – The adoption of IFRS 16 by CIPFA/LASAAC as the basis for preparation of Local Authority Financial Statements has been deferred until 1 April 2022. The Authority will therefore no longer be required to undertake an impact assessment, and disclosure of the impact of the standard in the financial statements does not now need to be financially quantified in 2019/20. We therefore no longer consider this to be an area of audit focus for 2019/20.

Changes to the scope of our audit as a result of Covid-19

- There have been no changes to the overall scope of our audit as a result of Covid-19.
- Changes in materiality: We updated our planning materiality assessment using the draft financial statements and have also reconsidered our risk assessment. Based on our materiality measure of 1.8% of gross expenditure on provision of services, we have updated our overall materiality assessment to £11.08m (audit planning report – £10.56m). This results in updated performance materiality, at 75% of overall materiality, of £8.309m, and an updated threshold for reporting misstatements of £0.554m.

A summary of our approach to the audit of the balance sheet including any changes to that approach from the prior year audit is included in Appendix A.



Executive Summary

Scope update

Information Produced by the Entity (IPE): We identified an increased risk around the ability of the audit team to verify the completeness, accuracy, and appropriateness of information produced by the entity, due to the team working remotely and therefore being unable to verify original documents or re-run reports on-site from the Authority's systems. We undertook the following to address this risk:

- Used the screen sharing function of Microsoft Teams to evidence re-running of reports used to generate the IPE we audited where possible; and
- Agreed IPE to scanned documents or other system screenshots.

Additional EY consultation requirements concerning the impact on auditor reports because of Covid-19. The changes to audit risks, audit approach and auditor reporting requirements changed the level of work we needed to perform.

The fee impact of the changes to our audit will be discussed with management and reported to the Governance and Audit and Standards Committee as soon as possible.



Executive Summary

Status of the audit (continued)

We have substantially completed our audit of Portsmouth City Council's financial statements for the year ended 31 March 2020 and have performed the procedures outlined in our audit planning report and planning report update. Subject to satisfactory completion of the following outstanding items we expect to issue an unqualified opinion on the Authority's financial statements in the form which appears at Section 3. However until work is complete, further amendments may arise:

- Testing of property, plant and equipment valuations – small number of residual queries, and final review
- Residual elements of general audit procedures required under the ISAs
- Clearance of points arising from internal review

The following are also outstanding or are to be completed as part of the conclusion of the audit:

- completion of our audit conclusion procedures
- review of the final version of the financial statements
- completion of subsequent events review
- receipt of the signed management representation letter
- completion of procedures required by the National Audit Office (NAO) regarding the Whole of Government Accounts (WGA) submission

We do not expect to issue the audit certificate at the same time as the audit opinion, as our work on the Authority's WGA submission is expected to be ongoing. There are ongoing technical issues with HM Treasury's OSCAR system, used to submit WGA data for audit, which mean that this work cannot yet be completed. These issues are impacting a number of authorities and are not specific to Portsmouth City Council. The audit certificate will be issued once this work is complete.

Our audit opinion will emphasise the following :

PPE and Investment Property valuation – our opinion will include an Emphasis of Matter paragraph to draw the attention of readers of the financial statements to the disclosures regarding the valuation material uncertainty arising due to Covid-19. This is not a qualification of our audit opinion. Similar paragraphs have been included in audit opinions for other local government clients in 2019/20 where appropriate.



Executive Summary

Audit differences

We identified one unadjusted audit difference in the draft financial statements, relating to the pension liability in the balance sheet, which management has chosen not to adjust. We ask that a rationale as to why it is not corrected be approved by the Governance and Audit and Standards Committee and included in the Letter of Representation. The impact of unadjusted audit difference is £7.7m. We agree with management's assessment that the impact is not material.

A small number of adjusted differences above our performance materiality level, impacting disclosures in the financial statements, have been identified and are set out in Section 4.

Areas of audit focus

Our audit planning report and subsequent update identified key areas of focus for our audit of Portsmouth City Council's financial statements. This report sets out our observations and conclusions, including our views on areas which might be conservative, and where there is potential risk and exposure. We summarise our consideration of these matters, and any others identified, in the "Areas of Audit Focus" section of this report.

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- Risk of fraud in revenue and expenditure recognition: inappropriate capitalisation of revenue expenditure - no issues or indications of fraud have been identified from our work to address this risk.
- Misstatements due to fraud or error - no issues or indications of fraud have been identified from our work to address this risk.
- Valuation of Lakeside North Harbour - our work to address this risk, with input from our internal valuation specialists, has not identified any issues with the valuation of Lakeside North Harbour at 31 March 2020.
- Valuation of Land and Buildings and Investment Property - no issues have been identified from our work to address this risk, which was undertaken with input from our internal valuation specialists. Our audit opinion will include an Emphasis of Matter paragraph to draw the attention of readers of the financial statements to the disclosures regarding the valuation material uncertainty arising due to Covid-19. This is not a qualification of our audit opinion.
- Going concern - we are satisfied that management's going concern assessment is appropriate. We held discussions with management and shared examples of disclosure wording to enable an initial disclosure to be included in the draft financial statements. Following our internal consultation process, we agreed further amendments to the disclosures, and we are satisfied that the wording included in the final financial statements is sufficient and appropriate.
- PFI accounting - no issues have been identified from our work to address this risk.
- Pension Liability Valuation - one unadjusted audit difference has been identified from our work on this risk - this is set out in Section 4. No other issues have been identified.
- Minimum Revenue Provision - no issues have been identified from our work to address this risk.
- Restatement of the Comprehensive Income and Expenditure Statement and Expenditure and Funding Analysis, and related notes - no issues have been identified from our work to address this risk.
- Group Accounts Assessment - no issues have been identified from our work to address this risk.



Executive Summary

Areas of audit focus (continued)

We ask you to review these and any other matters in this report to ensure:

- There are no other considerations or matters that could have an impact on these issues
- You agree with the resolution of the issues
- There are no other significant issues to be considered.

There are no matters, apart from those reported by management or disclosed in this report, which we believe should be brought to the attention of the Governance and Audit and Standards Committee.

Control observations

We have adopted a fully substantive approach, so have not tested the operation of controls.

As part of our work, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. Although our audit was not designed to express an opinion on the effectiveness of internal control, we are required to communicate to you significant deficiencies in internal control identified during our audit.

There are no matters we wish to report.

Value for money

We have considered your arrangements to take informed decisions; deploy resources in a sustainable manner; and work with partners and other third parties. We identified one significant risk to our value for money conclusion, in relation to informed decision making, and specifically to the purchase of Lakeside North Harbour. We have completed our planned procedures with regard to this risk and have not identified any issues with the related arrangements.

We have no matters to report about your arrangements to secure economy, efficiency and effectiveness in your use of resources.



Executive Summary

Other reporting issues

We have reviewed the information presented in the Annual Governance Statement for consistency with our knowledge of the Authority. We have no matters to report as a result of this work.

We will perform the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts (WGA) submission following the completion of the financial statements audit. As noted above, there are technical issues with the system used by authorities to submit WGA data which need to be resolved before this work can be completed. These issues are impacting a number of authorities and are not specific to Portsmouth City Council.

We have no other matters to report.

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Independence

Please refer to Section 9 for our update on Independence. We have no independence issues to report.



02 Areas of Audit Focus



Areas of Audit Focus

Significant risk

Risk of fraud in revenue and expenditure recognition – inappropriate capitalisation of revenue expenditure

What is the risk?

Under ISA (UK) 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. In the public sector, this requirement is modified by Practice Note 10 issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition.

We have assessed the risk is most likely to occur through the inappropriate capitalisation of revenue expenditure, as there is an incentive to reduce expenditure which is funded from Council Tax. This could then result in funding of that expenditure, that should properly be defined as revenue, through inappropriate sources such as capital receipts, capital grants, or borrowing.

The value of Property, Plant & Equipment (PPE) additions in 2019/20 was £211m (£69m excluding Lakeside purchase), and the value of Investment Property (IP) additions was £11m. The value of REFCUS was £29.4m.

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What judgements are we focused on?

Our work has focussed on any judgements exercised in determining whether expenditure is capital in nature, and therefore appropriate to be capitalised rather than charged to the Comprehensive Income and Expenditure Statement.

What did we do?

Our approach focused on:

- We selected a sample of additions, using lowered testing thresholds, to test and confirm the item was appropriate to capitalise through agreement to evidence such as invoices and capital expenditure authorisations.
- We selected a sample of REFCUS expenditure, using lowered testing thresholds, to confirm it was appropriate for the expenditure incurred to be funded from capital sources.
- When performing journals testing, we challenged entries that could be indicative of inappropriate capitalisation, such any significant journals transferring expenditure from non-capital codes to PPE/IP additions or from revenue to capital codes on the general ledger at the end of the year.

What are our conclusions?

Our testing of additions, REFCUS expenditure and journals has not identified any indications of inappropriate capitalisation of revenue expenditure or inappropriate classification of transactions as REFCUS.





Areas of Audit Focus

Significant risk

Misstatements due to fraud or error

What is the risk?

The financial statements as a whole are not free of material misstatements whether caused by fraud or error.

As identified in ISA (UK) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.

We identify and respond to this fraud risk on every audit engagement.

What judgements are we focused on?

Our assessment of risk led us to create a series of criteria for the testing of journals, focusing specifically on areas that could be open to management manipulation. We have also focused specifically on capitalisation of expenditure as a potential area of manipulation, which is recorded as a separately identified significant risk on the previous page of this report.

Our work on estimates focussed on PPE (including Lakeside) and Investment Property valuation which we have identified as areas of significant risk, and IAS19 pension estimates, minimum revenue provision and PFI valuation, which we have identified as areas of higher inherent risk. Our findings on these areas are set out on the subsequent pages in this section of our report.

What did we do?

Our approach focused on:

- Testing the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements.
- Assessing accounting estimates for evidence of management bias.
- Evaluating the business rationale for significant unusual transactions.

Further to this, we have:

- Inquired of management about risks of fraud and the controls put in place to address those risks, as well as gaining an understanding of the oversight given by those charged with governance of management's processes over fraud.
- Considered the effectiveness of management's controls designed to address the risk of fraud.

What are our conclusions?

- We have not identified any evidence of material management override.
- We have not identified any instances of inappropriate judgements being applied or other management bias both in relation to accounting estimates and other balances and transactions.
- We have not identified any transactions which appeared unusual or outside the Authority's normal course of business





Areas of Audit Focus

Significant risk

Valuation of Lakeside North Harbour asset

What is the risk?

During the 2019/20 financial year, Portsmouth City Council purchased the Lakeside North Harbour office complex located in Portsmouth as part of their regeneration policy for the area.

The business campus sits in a 120-acre site, located to the north of Portsmouth City Centre, and comprises 594,000 sq ft of offices, 3,000 parking spaces, a day nursery and 8.7 acres of development land.

This is a highly significant and material property, plant and equipment asset. The valuation of the asset is carried out in accordance with the methodologies and bases for estimation set out in relevant professional standards. However, a number of key inputs into the valuation are judgmental and subjective.

Management is required to make material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the balance sheet in respect of this asset.

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What did we do?

We:

- Commissioned an EY specialist (EY Real Estates) to review the valuation and specifically to:
 - consider the competence, capability and objectivity of the Authority's valuers;
 - consider the scope of valuers' work; and
 - challenge the assumptions and methodology used by the valuers by reference to external evidence.

We also:

- Tested the specific journals for the valuation to confirm that they have been accurately processed in the financial statements.

What are our conclusions?

Our work and the work of our internal specialists to address this risk has not identified any issues with the valuation of Lakeside North Harbour in the financial statements.

Please see the following page for our additional considerations around asset valuations as a result of Covid-19. These are also relevant to Lakeside, which is valued at existing use value.





Significant risk

Valuation of Land and Buildings (existing use value) and Investment Property

Page 29

What did we do?

- Considered the work performed by the Authority's valuers, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work.
- Sample tested key asset information used by the valuers in performing their valuation and challenge the key assumptions used by the valuers.
 - Tested whether accounting entries have been correctly processed in the financial statements.
 - Ensured that appropriate disclosure has been made in the financial statements concerning the material uncertainty.
 - Obtained input from EY Real Estates, our internal specialists on asset valuations for Investment Properties and PPE valued at existing use value, including inputs on market sentiment and how it has been reflected in the valuations.

What is the risk?

The value of Investment Property (IP) and Land and Buildings represent significant balances in the Authority's accounts and are subject to valuation changes, impairment reviews, depreciation and market fluctuations. Management is required to make material judgements and apply estimation techniques to calculate the year-end balances recorded in the balance sheet. ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.

The Royal Institute of Chartered Surveyors (RICS), the body setting the standards for property valuations, has issued guidance to valuers highlighting that the uncertain impact of Covid-19 on markets might cause a valuer to conclude that there is a material uncertainty in the valuations at year-end. Since late March 2020 in the UK, Covid-19 has had a dramatic impact on the occupation of buildings due to the forced closure of restaurants, retail stores, leisure, offices and hotels due to government regulation. We do not know how long the government's measures will last or how long businesses will be impacted. Rental income is expected to fall as tenants may default on their rents or seek to negotiate rent reductions as they can no longer trade effectively. This could have a significant impact on investment properties and we have therefore raised a significant risk in relation to investment property valuations. Since our update was issued, we have also judged it necessary to associate this risk with property, plant and equipment valued on the basis of market information (existing use value).

The value of IP in the draft accounts at 31 March 2020 was £188m. The value of PPE valued at existing use value was £348m (of which Lakeside was £138m).

What are our conclusions?

Our work on valuations is substantially complete. The total sample size for investment property was 30 items, with 10 of these being reviewed by our specialists and 20 by the local audit team. The total sample size for land and buildings was 16 items, with 6 of these being reviewed by our specialists and 10 by the local audit team. This is a complex area of work involving the review and testing of multiple inputs into the valuation of each asset, as well as the additional areas of testing and consideration shown to the left.

We have not identified any issues with valuations from the work performed.

The Authority's valuers have included the expected material uncertainty wording in their reports, and the Authority has disclosed this within the financial statements. As noted in Section 1, we will include an Emphasis of Matter paragraph in our audit opinion to draw attention to these disclosures; this is not a qualification of the opinion.





Areas of Audit Focus

Other areas of audit focus

Valuation of Land and Buildings (excluding existing use value)

What is the risk?

The value of Property, Plant and Equipment (PPE) represents a significant balance in the Authority's accounts and is subject to valuation changes, impairment reviews and depreciation charges. Management is required to make material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the balance sheet.

ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.

The net book value of PPE in the draft accounts at 31 March 2020 was £1.44bn. Of this total, £0.75bn is subject to revaluation on bases other than EUV.

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What did we do?

- Considered the work performed by the Authority's valuer, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work.
- Tested on a sample basis the accuracy of information used by the valuer in performing their valuations and challenged the valuer's key assumptions.
- Considered the annual cycle of valuations to ensure that assets have been valued within a suitable rolling programme as required by the Code for PPE.
- Reviewed assets not subject to valuation in 2019/20 to confirm that the remaining asset base is not materially misstated.
- Confirmed that accounting entries have been correctly processed in the financial statements.

What are our conclusions?

Our work on valuations is substantially complete. As noted above, the total sample size for land and buildings was 16 items, with 10 of these being tested by the local audit team (which included the non-EUV sample). This is a complex area of work involving the review and testing of multiple inputs into the valuation of each asset, as well as the additional areas of testing and consideration shown to the left.

We have not identified any issues from work performed on the valuation of land and buildings excluding existing use value assets.



Areas of Audit Focus

Other areas of audit focus

Going Concern Disclosure

Page 3

What did we do?

In light of the unprecedented nature of Covid-19, its impact on the funding of public sector entities and uncertainty over the form and extent of government support, we sought a documented and detailed consideration to support management's assertion regarding the use of the going concern basis of preparation. Our audit procedures to review this included consideration of:

- Current and developing environment;
- Liquidity (operational and funding);
- Mitigating factors;
- Management information and forecasting; and
- Sensitivities and stress testing.

Due to the impact of Covid-19, we also consulted internally with our risk department over the level of disclosure.

What is the risk?

Covid-19 has created a number of financial pressures throughout Local Government, increasing service demand and expenditure. The Authority has incurred additional expenditure in a number of areas of its operations and has experienced income losses in parking, commercial and leisure services. The extent of support from MHCLG has developed over time, but does not include all financial consequences of Covid-19.

There have been a number of media stories in both the national press and trade publications raising the possibilities of an increase in Chief Financial Officers using their s114 powers. This could be under s114(3), insufficient resources to fund likely expenditure.

CIPFA's Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 sets out that organisations that can only be discontinued under statutory prescription shall prepare their accounts on a going concern basis.

However, International Auditing Standard 570 Going Concern, as applied by Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom, still requires auditors to undertake sufficient and appropriate audit procedures to consider whether there is a material uncertainty on going concern that requires reporting by management within the financial statements, and within the auditor's report. We are obliged to report on such matters within the section of our audit report 'Conclusions relating to Going Concern'. To do this, the auditor must review management's assessment of the going concern basis applying IAS1 Presentation of Financial Statements.

What are our conclusions?

We have completed our programme of work on going concern, including the related internal consultation process. As part of our work, we challenged management on the form and content of the disclosure in the draft financial statements, and on the information provided to support the disclosure, including cashflow forecasts.

Our conclusion is that the Authority has sufficient reserves to cope with the impact of Covid-19, and sufficient liquidity. We have not identified indications of material uncertainty, and are satisfied with the Authority's disclosure that has been added to the final version of the accounts. There are no matters to be emphasised in our audit report.



Areas of Audit Focus

Other areas of audit focus

PFI accounting

What is the risk?

The Authority has four PFI arrangements, two of which are material to our audit. PFI accounting is a complex area, and a detailed review of these arrangements was undertaken by our internal specialist in 2016/17. We will review the accounting entries and disclosures in relation to PFI in detail in 2019/20, with a focus on any significant changes since the specialist's review.

The total finance lease liability for PFIs was £62m at 31/03/2020, and the net book value of PFI assets was £140m.

What did we do?

Page 32
We:

- Reviewed assurances brought forward from prior years regarding the appropriateness of the PFI financial models.
- Reviewed the PFI financial models for any significant changes.
- Ensured the PFI accounting models had been updated for any service or other agreed variations and confirmed consistency of current year models with prior year brought forward assurances.
- Agreed outputs of the models to the accounts, and reviewed the completeness and accuracy of disclosures.

What are our conclusions?

We have assessed brought forward assurances, reviewed the PFI models for significant changes, and ensured appropriateness of any updates and consistency of current year models with the prior year. We have also agreed the outputs of the models to the accounts.

No issues have been identified with PFI accounting through the work performed.



Areas of Audit Focus

Other areas of audit focus

Pension Liability Valuation

What is the risk?

The Local Authority Accounting Code of Practice and IAS19 require the Authority to make extensive disclosures within its financial statements regarding its membership of the Local Government Pension Scheme administered by Hampshire County Council. The Authority's pension fund deficit is a material estimated balance and the Code requires that this liability be disclosed on the Authority's balance sheet. The information disclosed is based on the IAS 19 report issued to the Authority by the actuary to the County Council.

Accounting for this scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. ISAs (UK) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.

The net pension liability in the draft accounts at 31 March 2020 was £427m.

What did we do?

We:

- Liaised with the auditors of Hampshire County Council Pension Fund, to obtain assurances over the information supplied to the actuary in relation to Portsmouth City Council.
- Assessed the work of the Pension Fund actuary (Aon Hewitt) including the assumptions they used by relying on the work of PWC - Consulting Actuaries commissioned by the National Audit Office for all local government sector auditors, and considering any relevant reviews by the EY actuarial team. This has included reviewing the actuary's treatment of specific developments in relation to the McCloud and Goodwin cases, to confirm these had been appropriately considered, and to ensure the resulting treatment within the overall liability estimate was materially correct.
- Reviewed and tested the accounting entries and disclosures made within the Authority's financial statements in relation to IAS19.

What are our conclusions?

Our programme of work on the pension liability valuation is complete.

As a result of this work, we identified one audit difference in the draft financial statements which management has chosen not to adjust. This is in relation to the assumptions used by the actuary of Hampshire Pension Fund to determine their estimate of the Authority's defined benefit pension liability. The impact of the unadjusted audit difference is a £7.7m understatement of the net pension liability. We agree with management's assessment that the impact is not material.

We have no other findings to report from our work.



Areas of Audit Focus

Other areas of audit focus

Minimum Revenue Provision (MRP)

What is the risk?

Local authorities are normally required each year to set aside some of their revenues as provision for capital expenditure financed by borrowing or credit arrangements. This provision is known as MRP. MRP is a real charge that impacts on the general fund and therefore the council tax financing requirement. The calculation of MRP is inherently complex.

Page 34

What did we do?

- Used the completed outputs of the review undertaken in 2018/19 by our internal specialist of the Authority's MRP calculations to inform our assessment of the material accuracy of the Authority's MRP estimate and release of its historic overprovision in 2019/20.
- Considered any changes in the Authority's approach to MRP since the review was completed.
- Considered the impact of changes in the Authority's asset base on the MRP charge for the year.

What are our conclusions?

No changes to the Authority's approach to calculating MRP in 2019/20 were identified. We used the completed outputs of the review undertaken by our specialist, and understood the impact of changes in the asset base on the current year MRP calculation.

No issues have been identified with the minimum revenue provision through the work performed.



Areas of Audit Focus

Other areas of audit focus

Restatement of Comprehensive Income and Expenditure Statement, Expenditure and Funding Analysis, and related disclosure notes

What is the risk?

Under CIPFA's "Telling the Story" agenda, the Authority is required to disclose its income and expenditure in accordance with the structure used for internal reporting, rather than the previous presentation as prescribed by SERCOP.

The Authority has changed its internal reporting structure in 2019/20, which will mean the prior period comparators in the Comprehensive Income and Expenditure Statement, the supporting Expenditure and Funding Analysis, and related disclosure notes, will need to be restated in line with the new structure.

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What did we do?

We:

- Agreed the restated comparative figures back to the Authority's prior year financial statements and supporting working papers
- Reviewed the analysis of how these figures are derived from the Authority's ledger system

What are our conclusions?

We are satisfied that the Comprehensive Income and Expenditure Statement, the Expenditure and Funding Analysis, and related disclosure notes, have been restated appropriately following the change to internal reporting structures. We have no matters to report as a result of the work performed.



Areas of Audit Focus

Other areas of audit focus

Group Accounts Assessment

What is the risk?

IFRS 10, 11 and 12 set out the requirements which must be followed when assessing and disclosing group and joint arrangements. Where the Authority has interests in other entities, it needs to undertake qualitative and quantitative assessments to inform its decisions as to whether group accounts are required. This is an area of potential complexity and judgement requiring regular review.

What did we do?

- We:
- Asked the Authority to update its qualitative and quantitative group accounts assessment for all relevant entities and critically evaluated this as early in the audit cycle as possible;
 - Undertook our own assessment and compared this with the Authority's review, to identify any areas where additional work may have been required to form a conclusion on whether group accounts are required under the accounting standards.

What are our conclusions?

We have reviewed the Authority's updated group accounts assessment, and undertaken our own review to assess whether the Authority has any arrangements which would require the production of group accounts.

We are satisfied that group accounts are not required for 2019/20. This is an area which will need to be kept under review going forward.



03 Audit Report



Audit Report

Draft audit report

Our draft audit report

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PORTSMOUTH CITY COUNCIL

Opinion

We have audited the financial statements of Portsmouth City Council for the year ended 31 March 2020 under the Local Audit and Accountability Act 2014. The financial statements comprise the Movement in Reserves Statement, Comprehensive Income and Expenditure Statement, Balance Sheet, Cash Flow Statement, the related notes 1 to 42 and Expenditure and Funding Analysis, the Collection Fund and the related notes 1 to 3, the Housing Revenue Account, Movement on the HRA Statement and the related notes 1-12.

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

In our opinion the financial statements:

- give a true and fair view of the financial position of Portsmouth City Council as at 31 March 2020 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and the Comptroller and Auditor General's AGN01, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter – Property, Plant and Equipment and Investment Property valuation

We draw attention to Note 4 Assumptions made about the future and other sources of estimated uncertainty, Note 12 Non-current assets (including Property, Plant and Equipment) and Note 16 Investment Properties, of the financial statements, which describe the valuation uncertainty the Authority is facing as a result of COVID-19 in relation to property valuations. Our opinion is not modified in respect of this matter.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Director of Finance and Resources (Section 151 Officer)'s use of



Audit Report

Draft audit report

Our draft audit report, continued

the going concern basis of accounting in the preparation of the financial statements is not appropriate; or

- the Director of Finance and Resources (Section 151 Officer) has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the Statement of Accounts 2019/20 set out on pages 4 to 35, other than the financial statements and our auditor's report thereon. The Director of Finance and Resources (Section 151 Officer) is responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matters prescribed by the Local Audit and Accountability Act 2014

Arrangements to secure economy, efficiency and effectiveness in the use of resources

In our opinion, based on the work undertaken in the course of the audit, having regard to the guidance issued by the Comptroller and Auditor General in April 2020, we are satisfied that, in all significant respects, Portsmouth City Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

Matters on which we report by exception

We report to you if:

- in our opinion the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Authority;
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014;
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.



Audit Report

Draft audit report

Our draft audit report, continued

Responsibility of the Director of Finance and Resources (Section 151 Officer)

As explained more fully in the Statement of Responsibilities set out on page 39, the Director of Finance and Resources (Section 151 Officer) is responsible for the preparation of the Financial Statements, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20, and for being satisfied that they give a true and fair view.

In preparing the financial statements, the Director of Finance and Resources (Section 151 Officer) is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Authority either intends to cease operations, or have no realistic alternative but to do so.

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in April 2020, as to whether Portsmouth City Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether Portsmouth City Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.



Audit Report

Draft audit report

Our draft audit report, continued

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, Portsmouth City Council had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office requires us to report to you our conclusion relating to proper arrangements.

We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate until we have completed the work necessary to issue our assurance statement in respect of the Authority's Whole of Government Accounts consolidation pack. We are satisfied that this work does not have a material effect on the financial statements or on our value for money conclusion.

Until we have completed these procedures we are unable to certify that we have completed the audit of the accounts in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice issued by the National Audit Office.

Use of our report

This report is made solely to the members of Portsmouth City Council, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Helen Thompson (Key Audit Partner)
Ernst & Young LLP (Local Auditor)
Southampton



04 Audit Differences





Audit Differences

In the normal course of any audit, we identify misstatements between amounts we believe should be recorded in the financial statements and the disclosures and amounts actually recorded. These differences are classified as “known” or “judgemental”. Known differences represent items that can be accurately quantified and relate to a definite set of facts or circumstances. Judgemental differences generally involve estimation and relate to facts or circumstances that are uncertain or open to interpretation.

Summary of adjusted differences

We highlight the following misstatements greater than £8.3m identified during the course of our audit which have been amended in the final version of the financial statements:

Leases note – operating leases as lessor – disclosure of minimum lease payments receivable in more than 5 years was understated by £243m due to an issue with the supporting schedule from which the table in this note was produced.

Financial instruments note – disclosure of maturity profile of borrowings was understated by £14.4m because some loans had not been rolled forward correctly and a loan taken out in March 2020 had been omitted.

Expenditure and Income analysed by nature note – classification differences with a gross value of £12.3m were identified in this note; these netted off, so there was no impact on the total values disclosed.

A number of other adjusted differences below the above reporting threshold have also been identified in disclosure notes.

Summary of unadjusted differences

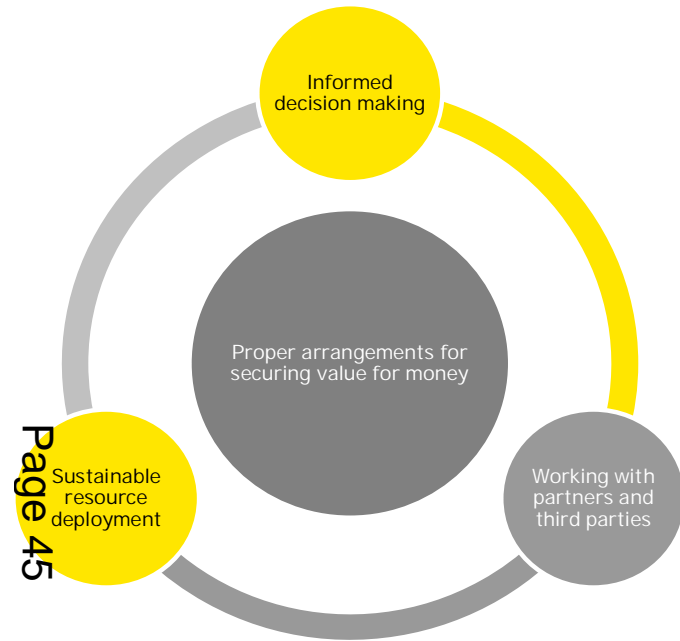
We report to you any uncorrected misstatements greater than our nominal value of £0.554m.

We have identified one unadjusted difference. We ask that a rationale as to why it is not corrected be approved by the Governance and Audit and Standards Committee and included in the Letter of Representation. The difference relates to the value of pension assets attributable to Portsmouth City Council as part of the actuarial estimate of pension assets and liabilities for IAS19 reporting in the statement of accounts. The value of the unadjusted difference is £7.7m. The difference was identified through comparison of the actuary's estimate of the Authority's share of Hampshire Pension Fund's assets at 31 March 2020, and the Authority's notional share of the total actual Fund assets at 31st March 2020. The Authority's share of assets is estimated by the Actuary of Hampshire Pension Fund on a roll-forward basis from the 2019 triennial valuation, and the entries in the financial statements are based on an estimate to allow the Authority's accounts to be compiled in time to meet statutory deadlines. The difference is not material to the accounts and we have sufficient assurance that the actuary's estimate of pension assets and liabilities as a whole is materially correct. A similar variance has been identified at a number of authorities across the country.



05

Value for Money Risks



Background

We are required to consider whether the Authority has put in place ‘proper arrangements’ to secure economy, efficiency and effectiveness on its use of resources. This is known as our value for money conclusion.

For 2019/20 this is based on the overall evaluation criterion:

“In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people”

Proper arrangements are defined by statutory guidance issued by the National Audit Office. They comprise your arrangements to:

- Take informed decisions;
- Deploy resources in a sustainable manner; and
- Work with partners and other third parties.

In considering your proper arrangements, we will draw on the requirements of the CIPFA/SOLACE framework for local government to ensure that our assessment is made against a framework that you are already required to have in place and to report on through documents such as your annual governance statement.

Impact of covid-19 on our Value for Money assessment

On 16 April 2020 the National Audit Office published an update to auditor guidance in relation to the 2019/20 Value for Money assessment in the light of covid-19. This clarified that in undertaking the 2019/20 Value for Money assessment auditors should consider Local Authorities’ response to Covid-19 only as far as it relates to the 2019-20 financial year; only where clear evidence comes to the auditor’s attention of a significant failure in arrangements as a result of Covid-19 during the financial year, would it be appropriate to recognise a significant risk in relation to the 2019-20 VFM arrangements conclusion.

Overall conclusion

We identified one significant risk around these arrangements, in relation to making informed decisions, specifically in relation to the purchase of Lakeside North Harbour. The table below presents our findings in response to the risk in our audit planning report and any other significant weaknesses or issues we want to bring to your attention.

We have no matters to report about your arrangements to secure economy, efficiency and effectiveness in your use of resources.



Value for Money Risks

We are only required to determine whether there are any risks that we consider significant within the Code of Audit Practice, where risk is defined as:

“A matter is significant if, in the auditor’s professional view, it is reasonable to conclude that the matter would be of interest to the audited body or the wider public”

Our risk assessment supports the planning of enough work to deliver a safe conclusion on your arrangements to secure value for money, and enables us to determine the nature and extent of any further work needed. If we do not identify a significant risk we do not need to carry out further work.

The section below presents the findings of our work in response to the risks area in our audit planning report and audit plan update. No further risks were identified during the course of our audit.

What is the significant value for money risk?

Page 46
During the 2019/20 financial year, Portsmouth City Council purchased the Lakeside North Harbour office complex located in Portsmouth as part of their regeneration policy for the area.

The business campus sits in a 120-acre site, located to the north of Portsmouth City Centre, and comprises 594,000 sq ft of offices, 3,000 parking spaces, a day nursery and 8.7 acres of development land.

The Lakeside site was purchased for £138m in 2019/20. The purchase was funded through external borrowing, requiring an extension to the Authority’s maximum borrowing levels in its Treasury Management policies to facilitate the acquisition. The borrowing will lead to increased Minimum Revenue Provision charges and interest payments in future years.

The financial outcomes relating to the asset are contingent in part on occupancy levels of the on-site premises.

What arrangements did the risk affect?

Informed decision making



Value for Money Risks

What did we do?

We:

- reviewed the robustness of the financial appraisals supporting the purchase of Lakeside, including consideration of the expected financial outcomes from the site and the related impact on the Authority's finances.
- reviewed the process undertaken to evaluate and approve the purchase, including understanding the involvement of officers, members and external experts at key stages.

We note that our VFM conclusion is required to cover the period 1 April 2019 to 31 March 2020. As such, the period covered was not significantly impacted by Covid-19. We have assessed the Authority's arrangements in the period during the year on which the pandemic impacted (late March), and no new risks or need to modify our approach in respect of the risk from our audit planning report have been identified.

What are our findings?

In our judgment, the arrangements underpinning the decision making process which supported the purchase of Lakeside North Harbour were appropriate. The process included the expected elements with regard to financial appraisal, scenario planning and due diligence. There was appropriate involvement of external experts, members and officers throughout the process. Our responsibilities with regard to the identified risk are limited to assessing the appropriateness of arrangements to enable informed decision making with respect to the purchase, which was completed in August 2019, and we have not identified any issues in this regard. We therefore have no matters to report about the Authority's arrangements to secure economy, efficiency and effectiveness in its use of resources in 2019/20.

Given the significance of Lakeside in the context of the overall value of the Authority's land and buildings, we will keep under review in 2020/21 the development of arrangements put in place by the Authority to manage the asset going forward.



06 Other reporting issues

Other reporting issues

Consistency of other information published with the financial statements, including the Annual Governance Statement

We must give an opinion on the consistency of the financial and non-financial information in the 2019/20 Financial Statements with the audited financial statements.

We must also review the Annual Governance Statement for completeness of disclosures, consistency with other information from our work, and whether it complies with relevant guidance.

Financial information in the Statement of Accounts 2019/20 and published with the financial statements was consistent with the audited financial statements.

We have reviewed the Annual Governance Statement and can confirm it is consistent with other information from our audit of the financial statements and we have no other matters to report.

Whole of Government Accounts

Alongside our work on the financial statements, we also review and report to the National Audit Office on your Whole of Government Accounts return. The extent of our review, and the nature of our report, is specified by the National Audit Office.

We will perform the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts (WGA) submission following the completion of the financial statements audit. As noted above, there are technical issues with the system used by authorities to submit WGA data which need to be resolved before this work can be completed. These issues are impacting a number of authorities and are not specific to Portsmouth City Council. The audit certificate will be issued once this work is complete.

Other reporting issues

Other powers and duties

We have a duty under the Local Audit and Accountability Act 2014 to consider whether to report on any matter that comes to our attention in the course of the audit, either for the Authority to consider it or to bring it to the attention of the public (i.e. “a report in the public interest”). We did not identify any issues which required us to issue a report in the public interest.

We also have a duty to make written recommendations to the Authority, copied to the Secretary of State, and take action in accordance with our responsibilities under the Local Audit and Accountability Act 2014. We did not identify any issues.

We received two items of correspondence from members of the public during the course of our audit. These were not objections to the financial statements and have been treated as information received. There are no issues to bring to the Committee’s attention.

Page

50 Other matters

As required by ISA (UK&I) 260 and other ISAs specifying communication requirements, we must tell you significant findings from the audit and other matters if they are significant to your oversight of the Authority’s financial reporting process. They include the following

- Significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures;
- Any significant difficulties encountered during the audit;
- Any significant matters arising from the audit that were discussed with management;
- Written representations we have requested;
- Expected modifications to the audit report;
- Any other matters significant to overseeing the financial reporting process;
- Related parties;
- External confirmations;
- Consideration of laws and regulations; and
- Group audits

We have no other matters to report.



07

Assessment of Control Environment

Assessment of Control Environment

Financial controls

It is the responsibility of the Authority to develop and implement systems of internal financial control and to put in place proper arrangements to monitor their adequacy and effectiveness in practice. Our responsibility as your auditor is to consider whether the Authority has put adequate arrangements in place to satisfy itself that the systems of internal financial control are both adequate and effective in practice.

As part of our audit of the financial statements, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. As we have adopted a fully substantive approach, we have not tested the operation of controls.

Although our audit was not designed to express an opinion on the effectiveness of internal control we are required to communicate to you significant deficiencies in internal control.

We have not identified any significant deficiencies in the design or operation of an internal control that might result in a material misstatement in your financial statements of which you are not aware.

We considered whether circumstances arising from Covid-19 resulted in a change to the overall control environment of effectiveness of internal controls, for example due to significant staff absence or limitations as a result of working remotely. We identified no issues which we wish to bring to your attention.

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08 Data Analytics



Use of Data Analytics in the Audit

Data analytics – Income & expenditure testing, payroll testing and journals

Analytics Driven Audit

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Data analytics

We used our data analysers to enable us to capture entire populations of your financial data. These analysers:

- Help identify specific exceptions and anomalies which can then be the focus of our substantive audit tests; and
- Give greater likelihood of identifying errors than traditional, random sampling techniques.

In 2019/20, our use of these analysers in the Authority's audit included selecting samples for general income and expenditure testing, testing payroll costs, and identifying and focusing our journals testing on those entries we deemed to have the highest inherent risk to the audit.

We captured the data through our formal data requests and the data transfer took place on a secured EY website. The transfer methodology is in line with our EY data protection policies, which are designed to protect the confidentiality, integrity and availability of business and personal information.

Journal Entry Analysis

We obtained downloads of all of the Authority's financial ledger transactions posted in the year. We performed completeness analysis over the data, reconciling the sum of transactions to the movement in the trial balances and financial statements to ensure we have captured all data. Our analysers then reviewed and sorted transactions, allowing us to more effectively identify and test journals that we considered to be higher risk, as identified in our audit planning report.

Payroll Analysis

We also used our analysers in our payroll testing. We obtained all payroll transactions posted in the year from the General Ledger and performed completeness analysis over the data and procedures to understand the data and identify unusual items. We also reconciled the GL amount to the payroll subledger. We then analysed the data against a number of specifically designed procedures.



09

Independence

Confirmation and analysis of Audit fees

We confirm that there are no changes in our assessment of independence since our confirmation in our audit planning board report dated 23 January 2020.

We complied with the FRC Ethical Standards and the requirements of the PSAA's Terms of Appointment. In our professional judgement the firm is independent and the objectivity of the audit engagement partner and audit staff has not been compromised within the meaning of regulatory and professional requirements.

We consider that our independence in this context is a matter that should be reviewed by both you and ourselves. It is therefore important that you consider the facts of which you are aware and come to a view. If you wish to discuss any matters concerning our independence, we will be pleased to do so at the forthcoming meeting of the Governance and Audit and Standards Committee on 15 January 2021.

Our fees do not include the scale fee review which is currently underway with PSAA to agree whether the scale fees need to be rebased to properly account for the increased audit and quality requirements as well as increased regulatory challenge on the depth and quality of assurance provided by audit suppliers. There is now greater pressure on firms to deliver higher quality audits by requiring auditors to demonstrate greater professional scepticism when carrying out their work. This has resulted in auditors needing to exercise greater challenge to the areas where management makes judgements or relies upon advisers, for example, in relation to estimates and related assumptions within the accounts. Discussions with PSAA remain ongoing.

As part of our reporting on our independence, we set out below a summary of fees for the year ended 31 March 2020.

We confirm that we have not undertaken non-audit work.

Description	Final Fee 2019/20 £	Planned Fee 2019/20 £	Final Fee 2018/19 £
Total Audit Fee – Code work	TBC*	126,817	115,449

*Our 2019/20 final fee remains subject to confirmation. We will assess the level of additional fees which we will propose and discuss these with management as soon as possible. This will be with regard to:

- Additional work performed on property plant and equipment and investment property
- Going concern procedures
- Correspondence received from members of the public

Additional fees for work undertaken on the Lakeside valuation significant risk, CIES/EFA restatement and value for money significant risk are expected to be as originally scoped.

These proposed additional fees will be subject to agreement with the Section 151 Officer and PSAA, and will be reported to the Governance and Audit and Standards Committee once agreed.

Independence



Relationships, services and related threats and safeguards



The FRC Ethical Standard requires that we provide details of all relationships between Ernst & Young (EY) and your Authority, and its directors and senior management and its affiliates, including all services provided by us and our network to your Authority, its directors and senior management and its affiliates, and other services provided to other known connected parties that we consider may reasonably be thought to bear on the our integrity or objectivity, including those that could compromise independence and the related safeguards that are in place and why they address the threats.

There are no relationships from 1 April 2019 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

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Services provided by Ernst & Young

The previous page includes a summary of the fees that you have paid to us in the year ended 31 March 2020 in line with the disclosures set out in FRC Ethical Standard and in statute.

We confirm that none of the services provided to the Authority has been on a contingent fee basis.

As at the date of this report, there are no future services which have been contracted and no written proposal to provide non-audit services has been submitted.

New UK Independence Standards

The Financial Reporting Council (FRC) published the Revised Ethical Standard 2019 in December and it will apply to accounting periods starting on or after 15 March 2020. A key change in the new Ethical Standard will be a general prohibition on the provision of non-audit services by the auditor (and its network) which will apply to UK Public Interest Entities (PIEs). A narrow list of permitted services will continue to be allowed.

Summary of key changes

- Extraterritorial application of the FRC Ethical Standard to UK PIE and its worldwide affiliates
- A general prohibition on the provision of non-audit services by the auditor (or its network) to a UK PIE, its UK parent and worldwide subsidiaries
- A narrow list of permitted services where closely related to the audit and/or required by law or regulation
- Absolute prohibition on the following relationships applicable to UK PIE and its affiliates including material significant investees/investors:
 - Tax advocacy services
 - Remuneration advisory services
 - Internal audit services
 - Secondment/loan staff arrangements
- An absolute prohibition on contingent fees.
- Requirement to meet the higher standard for business relationships i.e. business relationships between the audit firm and the audit client will only be permitted if it is inconsequential.
- Permitted services required by law or regulation will not be subject to the 70% fee cap.
- Grandfathering will apply for otherwise prohibited non-audit services that are open at 15 March 2020 such that the engagement may continue until completed in accordance with the original engagement terms.
- A requirement for the auditor to notify the Audit Committee where the audit fee might compromise perceived independence and the appropriate safeguards.
- A requirement to report to the audit committee details of any breaches of the Ethical Standard and any actions taken by the firm to address any threats to independence. A requirement for non-network component firm whose work is used in the group audit engagement to comply with the same independence standard as the group auditor. Our current understanding is that the requirement to follow UK independence rules is limited to the component firm issuing the audit report and not to its network. This is subject to clarification with the FRC.

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Next Steps

We will continue to monitor and assess all ongoing and proposed non-audit services and relationships to ensure they are permitted under FRC Revised Ethical Standard 2016 which will continue to apply until 31 March 2020 as well as the recently released FRC Revised Ethical Standard 2019 which will be effective from 1 April 2020. We will work with you to ensure orderly completion of the services or where required, transition to another service provider within mutually agreed timescales.

We do not provide any non-audit services which would be prohibited under the new standard.

Other communications

EY Transparency Report 2020

Ernst & Young (EY) has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained.

Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report from November 2020:

https://assets.ey.com/content/dam/ey-sites/ey-com/en_uk/about-us/transparency-report-2020/ey-uk-2020-transparency-report.pdf



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10 Appendices

Audit approach update

We summarise below our approach to the audit of the balance sheet and any changes to this approach from the prior year audit. The audit approach to all material balance sheet items is shown.

Our audit procedures are designed to be responsive to our assessed risk of material misstatement at the relevant assertion level. Assertions relevant to the balance sheet include:

- Existence: An asset, liability and equity interest exists at a given date
- Rights and Obligations: An asset, liability and equity interest pertains to the entity at a given date
- Completeness: There are no unrecorded assets, liabilities, and equity interests, transactions or events, or undisclosed items
- Valuation: An asset, liability and equity interest is recorded at an appropriate amount and any resulting valuation or allocation adjustments are appropriately recorded

Presentation and Disclosure: Assets, liabilities and equity interests are appropriately aggregated or disaggregated, and classified, described and disclosed in accordance with the applicable financial reporting framework. Disclosures are relevant and understandable in the context of the applicable financial reporting framework

All material figures in the Balance Sheet have been substantively tested, as set out in our Audit Planning Report of February 2020. This is consistent with our audit approach in the prior year.




Summary of communications

Date	Nature	Summary
03/03/2020	Report	The audit planning report, including confirmation of independence, was presented to the Governance and Audit and Standards Committee.
24/07/2020	Report	The audit planning report update, setting out our updated risk assessment in light of Covid-19, was presented to the Governance and Audit and Standards Committee.
20/11/2020 and 15/01/2021	Report	The audit results report, including confirmation of independence, was presented to the Governance and Audit and Standards Committee.
Regularly throughout the year	Meetings	The partner in charge of the engagement, and audit manager, met with the Director of Finance and Resources, to discuss matters of relevance to the audit, Authority and sector. We increased the occurrence of these meetings following the onset of the Covid-19 pandemic, to ensure frequent communications were maintained.

Appendix C

Required communications with the Governance and Audit and Standards Committee

There are certain communications that we must provide to the audit committees of UK clients. We have detailed these here together with a reference of when and where they were covered:

			 Our Reporting to you
Required communications	 What is reported?	 When and where	
Terms of engagement	Confirmation by the Governance and Audit and Standards Committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies	
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter.	Audit planning report - March 2020	
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified.	Audit planning report - March 2020	
Significant findings from the audit	<ul style="list-style-type: none"> • Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures • Significant difficulties, if any, encountered during the audit • Significant matters, if any, arising from the audit that were discussed with management • Written representations that we are seeking • Expected modifications to the audit report • Other matters if any, significant to the oversight of the financial reporting process 	Audit results report - preliminary November 2020/final January 2021	

Appendix C

		Our Reporting to you
Required communications	What is reported?	When and where
Major Local Audits	<p>For the audits of financial statements of public interest entities/major local audits our written communications to the Governance and Audit and Standards Committee include:</p> <ul style="list-style-type: none"> • A declaration of independence • The identity of each key audit partner • The use of non-member firms or external specialists and confirmation of their independence • The nature and frequency of communications • A description of the scope and timing of the audit • Which categories of the balance sheet have been tested substantively or controls based and explanations for significant changes to the prior year, including first year audits • Materiality • Any going concern issues identified • Any significant deficiencies in internal control identified and whether they have been resolved by management • Subject to compliance with regulations, any actual or suspected non-compliance with laws and regulations identified relevant to the Governance and Audit and Standards Committee • Subject to compliance with regulations, any suspicions that irregularities, including fraud with regard to the financial statements, may occur or have occurred, and the implications thereof • The valuation methods used and any changes to these including first year audits • The scope of consolidation and exclusion criteria if any and whether in accordance with the reporting framework • The completeness of documentation and explanations received • Any significant difficulties encountered in the course of the audit • Any significant matters discussed with management • Any other matters considered significant 	<p>Audit Planning Report - March 2020</p> <p>Audit results report - preliminary November 2020/final January 2021</p>

Appendix C

		Our Reporting to you
Required communications	What is reported?	When and where
Going concern	<p>Events or conditions identified that may cast significant doubt on the entity’s ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> • Whether the events or conditions constitute a material uncertainty • Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements • The adequacy of related disclosures in the financial statements 	Audit results report – preliminary November 2020/final January 2021
Misstatements	<ul style="list-style-type: none"> • Uncorrected misstatements and their effect on our audit opinion • The effect of uncorrected misstatements related to prior periods • A request that any uncorrected misstatement be corrected • Material misstatements corrected by management 	Audit results report – preliminary November 2020/final January 2021
Subsequent events	<ul style="list-style-type: none"> • Enquiry of the Governance and Audit and Standards Committee where appropriate regarding whether any subsequent events have occurred that might affect the financial 	Audit results report – preliminary November 2020/final January 2021
Fraud	<ul style="list-style-type: none"> • Enquiries of the Governance and Audit and Standards Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the Authority • Any fraud that we have identified or information we have obtained that indicates that a fraud may exist • Unless all of those charged with governance are involved in managing the Authority, any identified or suspected fraud involving: <ol style="list-style-type: none"> a. Management; b. Employees who have significant roles in internal control; or c. Others where the fraud results in a material misstatement in the financial statements. • The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected • Any other matters related to fraud, relevant to Governance and Audit and Standards Committee responsibility. 	Audit results report – preliminary November 2020/final January 2021

Appendix C

		Our Reporting to you
Required communications	What is reported?	When and where
Related parties	<p>Significant matters arising during the audit in connection with the Authority's related parties including, when applicable:</p> <ul style="list-style-type: none"> • Non-disclosure by management • Inappropriate authorisation and approval of transactions • Disagreement over disclosures • Non-compliance with laws and regulations • Difficulty in identifying the party that ultimately controls the Authority 	Audit results report – preliminary November 2020/final January 2021
Independence	<p>Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence.</p> <p>Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> • The principal threats • Safeguards adopted and their effectiveness • An overall assessment of threats and safeguards • Information about the general policies and process within the firm to maintain objectivity and independence <p>Communications whenever significant judgments are made about threats to objectivity and independence and the appropriateness of safeguards put in place.</p>	<p>Audit Planning Report – March 2020</p> <p>Audit results report – preliminary November 2020/final January 2021</p>
External confirmations	<ul style="list-style-type: none"> • Management's refusal for us to request confirmations • Inability to obtain relevant and reliable audit evidence from other procedures. 	We have received all requested confirmations
Consideration of laws and regulations	<ul style="list-style-type: none"> • Subject to compliance with applicable regulations, matters involving identified or suspected non-compliance with laws and regulations, other than those which are clearly inconsequential and the implications thereof. Instances of suspected non-compliance may also include those that are brought to our attention that are expected to occur imminently or for which there is reason to believe that they may occur • Enquiry of the Governance and Audit and Standards Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Governance and Audit and Standards Committee may be aware of. 	We have asked management and those charged with governance. We have not identified any material instances or non-compliance with laws and regulations

Appendix C

		Our Reporting to you
Required communications	What is reported?	When and where
Significant deficiencies in internal controls identified during the audit	<ul style="list-style-type: none"> Significant deficiencies in internal controls identified during the audit. 	Audit results report – preliminary November 2020/final January 2021
Consideration of laws and regulations	<ul style="list-style-type: none"> Subject to compliance with applicable regulations, matters involving identified or suspected non-compliance with laws and regulations, other than those which are clearly inconsequential and the implications thereof. Instances of suspected non-compliance may also include those that are brought to our attention that are expected to occur imminently or for which there is reason to believe that they may occur Enquiry of the Governance and Audit and Standards Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Governance and Audit and Standards Committee may be aware of. 	We have asked management and those charged with governance. We have not identified any material instances or non-compliance with laws and regulations
Written representations we are requesting from management and/or those charged with governance	<ul style="list-style-type: none"> Written representations we are requesting from management and/or those charged with governance 	Audit results report – preliminary November 2020/final January 2021
Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	<ul style="list-style-type: none"> Material inconsistencies or misstatements of fact identified in other information which management has refused to revise 	Audit results report – preliminary November 2020/final January 2021
Auditors report	<ul style="list-style-type: none"> Any circumstances identified that affect the form and content of our auditor’s report 	Audit results report – preliminary November 2020/final January 2021
Fee Reporting	<ul style="list-style-type: none"> Breakdown of fee information when the audit planning report is agreed Breakdown of fee information at the completion of the audit Any non-audit work 	Audit Planning Report – March 2020 Audit results report – preliminary November 2020/final January 2021

Management representation letter

Provisional Management Representation Letter

Ernst & Young LLP

Grosvenor House
Grovesnor Square
Southampton
Hampshire
SO15 2BE

This letter of representations is provided in connection with your audit of the financial statements of Portsmouth City Council (“the Council”) for the year ended 31 March 2020. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the financial statements give a true and fair view of the financial position of Portsmouth City Council as of 31 March 2020 and of its income and expenditure for the year then ended in accordance with CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

We understand that the purpose of your audit of our financial statements is to express an opinion thereon and that your audit was conducted in accordance with International Standards on Auditing (UK and Ireland), which involves an examination of the accounting system, internal control and related data to the extent you considered necessary in the circumstances, and is not designed to identify - nor necessarily be expected to disclose - all fraud, shortages, errors and other irregularities, should any exist.

Accordingly, we make the following representations, which are true to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

A. Financial Statements and Financial Records

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with the Accounts and Audit Regulations 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

2. We acknowledge, as members of management of the Council, our responsibility for the fair presentation of the financial statements. We believe the financial statements referred to above give a true and fair view of the financial position, financial performance (or results of operations) and cash flows of the Council in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20. We have approved the financial statements.
3. The significant accounting policies adopted in the preparation of the financial statements are appropriately described in the financial statements.
4. As members of management of the Council, we believe that the Council has a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20, that are free from material misstatement, whether due to fraud or error. We have disclosed to you any significant changes in our processes, controls, policies and procedures that we have made to address the effects of the COVID-19 pandemic on our system of internal controls.
5. We believe that the effects of any unadjusted audit differences, summarised in the accompanying schedule, accumulated by you during the current audit and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. We have not corrected these differences identified by and brought to the attention from the auditor because [\[specify reasons for not correcting misstatement\]](#).

B. Non-compliance with law and regulations, including fraud

1. We acknowledge that we are responsible to determine that the Council’s activities are conducted in accordance with laws and regulations and that we are responsible to identify and address any non-compliance with applicable laws and regulations, including fraud.
2. We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.

Management representation letter

3. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
 4. We have no knowledge of any identified or suspected non-compliance with laws or regulations, including fraud that may have affected the Council (regardless of the source or form and including, without limitation, allegations by “whistleblowers”) including non-compliance matters:
 - involving financial statements;
 - related to laws and regulations that have a direct effect on the determination of material amounts and disclosures in the Council’s financial statements;
 - related to laws and regulations that have an indirect effect on amounts and disclosures in the financial statements, but compliance with which may be fundamental to the operations of the Council’s activities, its ability to continue to operate, or to avoid material penalties;
 - involving management, or employees who have significant roles in internal controls, or others; or
 - in relation to any allegations of fraud, suspected fraud or other non-compliance with laws and regulations communicated by employees, former employees, analysts, regulators or others.
- C. Information Provided and Completeness of Information and Transactions
1. We have provided you with:
 - Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
 - Additional information that you have requested from us for the purpose of the audit; and
 - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
 2. All material transactions have been recorded in the accounting records and are reflected in the financial statements.
 3. We have made available to you all minutes of the meetings of the Council and the Cabinet held through the year to the most recent meeting on the following date: 20 November 2020.
 4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Council’s related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the period ended, as well as related balances due to or from such parties at the year end. These transactions have been appropriately accounted for and disclosed in the financial statements.
 5. We believe that the significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
 6. We have disclosed to you, and the Council has complied with, all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.
 7. From the date of our last management representation letter (26 July 2019) through the date of this letter we have disclosed to you any unauthorized access to our information technology systems that either occurred or to the best of our knowledge is reasonably likely to have occurred based on our investigation, including of reports submitted to us by third parties (including regulatory agencies, law enforcement agencies and security consultants) , to the extent that such unauthorized access to our information technology systems is reasonably likely to have a material impact to the financial statements, in each case or in the aggregate.

Management representation letter

D. Liabilities and Contingencies

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the financial statements.
2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.
3. We have recorded and/or disclosed, as appropriate, all liabilities related litigation and claims, both actual and contingent, and have disclosed in the financial statements all guarantees that we have given to third parties.

E. Subsequent Events

1. Other than as described in Note 6 to the financial statements, there have been no events, including events related to the COVID-19 pandemic, subsequent to period end which require adjustment of or disclosure in the financial statements or notes thereto.

F. Other information

1. We acknowledge our responsibility for the preparation of the other information. The other information comprises the Preface, Narrative Report and Annual Governance Statement.
2. We confirm that the content contained within the other information is consistent with the financial statements.

G. Use of the Work of a Specialist

1. We agree with the findings of the specialists that we engaged to evaluate the valuation of property, plant and equipment and investment property, the IAS19 pension fund liability, and the business rates appeals provision, and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the financial statements and the underlying accounting records. We did not give or cause any instructions to be given to the specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.

H. Estimates

1. We believe that the measurement processes, including related assumptions and models, used to determine the accounting estimates have been consistently applied and are appropriate in the context of the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.
2. We confirm that the significant assumptions used in making the valuation of property, plant and equipment and investment property, IAS19 pension liability, minimum revenue provision and PFI valuation estimates appropriately reflect our intent and ability to carry out specific courses of action on behalf of the entity.
3. We confirm that the disclosures made in the financial statements with respect to the accounting estimates are complete and made in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.
4. We confirm that no adjustments are required to the accounting estimates and disclosures in the financial statements due to subsequent events, including due to the COVID-19 pandemic.

I. Retirement benefits

1. On the basis of the process established by us and having made appropriate enquiries, we are satisfied that the actuarial assumptions underlying the scheme liabilities are consistent with our knowledge of the business. All significant retirement benefits and all settlements and curtailments have been identified and properly accounted for.

J. Going Concern

1. Note xx to the financial statements discloses all the matters of which we are aware that are relevant to the Council's ability to continue as a going concern, including significant conditions and events, our plans for future action, and the feasibility of those plans.



Appendix D

Management representation letter

I confirm that this letter has been discussed and agreed by the Authority on 20 November 2020

Name: Chris Ward

Position: Director of Finance and Resources and Section 151 Officer



Name: Councillor Leo Madden

Position: Chairman of the Governance and Audit and Standards Committee

Accounting and regulatory update



Future accounting developments

The following table provides a high level summary of the future accounting developments that have the potential to have the most significant impact on you:

Name	Summary of key measures 	Impact 
IFRS 16	<ul style="list-style-type: none"> The adoption of IFRS 16 by CIPFA/LASAAC as the basis for preparation of Local Authority Financial Statements has been deferred until 1 April 2022. The Authority will therefore no longer be required to undertake an impact assessment, and disclosure of the impact of the standard in the financial statements does not now need to be financially quantified in 2019/20. 	<ul style="list-style-type: none"> The Authority should keep its implementation arrangements under review, including the timetable for gathering related information for the year of adoption and prior period comparators.

Regulatory update

Since the date of our last report to the Governance and Audit and Standards Committee, there have been a number of regulatory developments. The following table provides a high level summary of those that have the potential to have the most significant impact on you:

Name	Summary of key measures 	Impact 
Code of Audit Practice 2020	<ul style="list-style-type: none"> The updated Code of Audit Practice issued by the National Audit Office has introduced some significant changes to the requirements regarding auditors' work on the value for money conclusion, which will be applicable from 2020/21. 	<ul style="list-style-type: none"> The NAO are currently updating the Auditor Guidance Notes which will set out how the new Code of Audit Practice should be applied when carrying out value for money work. As such, the impact remains to be confirmed. Further updates will be provided when possible.
Going Concern - ISA (UK) 570 (Revised September 2019)	<ul style="list-style-type: none"> The standard is effective for audits of financial statements for periods commencing on or after 15 December 2019, however EY expects to early-adopt the revised standard for all of our audits of periods ending on or after 30 June 2020. This auditing standard has been revised in response to enforcement cases and well-publicised corporate failures where the auditor's report failed to highlight concerns about the prospects of entities which collapsed shortly after. 	<ul style="list-style-type: none"> Practice Note 10, which sets out how the auditing standards are applied in a public sector context, is currently being revised, including in light of the updated standard for Going Concern. As such, the impact is not clear at this stage. Further updates will be provided when possible.

About EY

EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

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ED None

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Title of meeting:	Governance & Audit & Standards Committee
Date of meeting:	15 th January 2021
Subject:	Regulation of Investigatory Powers Act 2000 (RIPA) and Investigatory Powers Act 2016
Report by:	Elizabeth Goodwin, Chief Internal Auditor
Wards affected:	All
Key decision:	N/A
Full Council decision:	N/A

1. Summary

- 1.1 In February 2020 the Authority were inspected by the Investigatory Powers Commissioner's Office (IPCO) to assess the arrangements in place relating to Regulatory Investigative Powers Act 2000 (RIPA) and Investigatory Powers Act 2016. The results were positive with no recommendations proposed. In addition to this and since the last reporting period, there has been no RIPA application.

2. Purpose of report

- 2.1 To update Members on the inspection results and the Authority's use of Regulatory Powers for the period from 6th July 2019 to 6th January 2021.

3. Recommendations

It is recommended that Members of the Governance and Audit and Standards Committee

- 3.1 **Note that there have not been any RIPA applications authorised since the last report to this Committee on the 29th July 2019**
- 3.2 **Note the inspection carried out by the IPCO Surveillance Inspector and results presented.**

4. Background

- 4.1 Since 1st September 2017 the Investigatory Powers Commissioner's Office (IPCO) took over the inspection and oversight functions in the single independent function which had been carried out by previous commissioners' offices', (Office of the Surveillance Commissioner - OSC, Chief Surveillance, Interception of Communications, and Intelligence Services Commissioners).

- 4.2 On an approximate three year cycle the Authority is subject to inspections by IPCO. The previous inspection being carried out in 2016. In February 2020 the Authority were subject to an onsite inspection, whereby the RIPA arrangements, including use of CCTV and Social Media were considered.
- 4.3 PCC has a Policy and Procedures to ensure that officers comply with the Regulation of Investigatory Powers Act 2000 requirements to mitigate any risk of legal challenge. These documents are updated when there are changes in the codes of practice or legislation, including case law and personnel. These were last updated in July 2019 following changes to key personnel and codes of practice.

5. Inspection Results

- 5.1 In May 2016 when the Authority was inspected, three recommendations arose. The February 2020 inspection concluded that these had been 'addressed and discharged' with no further recommendations made. This covered the current arrangements in place for CCTV and use of Social Media.
- 5.2 The Commissioner also commented that the Inspector found favourably in relation to the Authority's policy document and training arrangements noting a 'good degree of preparedness to use the RIPA powers'.

.....
 Signed by: Elizabeth Goodwin, Chief Internal Auditor (Senior Responsible Officer for RIPA).

Appendices:

Background list of documents: Section 100D of the Local Government Act 1972

The following documents disclose facts or matters, which have been relied upon to a material extent by the author in preparing this report:

Title of document	Location
1 Covert Surveillance Code of Practice Issued by the Home Office and Covert Human Intelligence sources Code of Practice issued by the Home Office	https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/742041/201800802_CSPI_code.pdf
2 Regulation of Investigatory Powers Act 2000	http://www.legislation.gov.uk/ukpga/2000/23/contents
3 Protection of Freedoms Bill	http://www.homeoffice.gov.uk/publications/about-us/legislation/protection-freedoms-bill/



Title of meeting:	Governance & Audit & Standards Committee
Date of meeting:	15 th January 2021
Subject:	Whistleblowing Annual Report and Policy
Report by:	Elizabeth Goodwin - Chief Internal Auditor
Wards affected:	Not applicable
Key decision:	No
Full Council decision:	No

1 Purpose of report

- 1.1 To update Members of this Committee on the nature and handling of any concerns raised under the Whistleblowing Policy for the period January 2020 to December 2020. In addition, the report highlights the review of the Whistleblowing policy, although there are no current amendments.

2 Recommendations

It is recommended that Members of the Governance and Audit and Standards Committee:

- 2.1 Note this report and the attached Appendix A and consider whether any further action is required.
- 2.2 Note that a review of the Whistleblowing policy has taken place resulting in no proposed amendments. Appendix B.

3 Background

- 3.1 The Public Interest Disclosure Act 1998 gives employees certain rights in relation to whistleblowing. An employee has a right to make a protected disclosure to prescribed persons where the employee reasonably believes:
- 3.1.1 A criminal offence has, or is going to be committed;
 - 3.1.2 There is a breach of a legal obligation;
 - 3.1.3 A miscarriage of justice;
 - 3.1.4 There is a danger to the health and safety of any individual;
 - 3.1.5 There will be damage to the environment; or
 - 3.1.6 There is deliberate concealment of information tending to show any of the above five matters.
- 3.2 The Act provides that employees shall suffer no detriment to their employment as a result of blowing the whistle, including disciplinary action.

- 3.3 The Policy applies to all Council staff, including employees, temporary workers, agency staff and any contractor remunerated by the Council.
- 3.4 As requested by the Governance & Audit & Standards Committee, an annual report is produced each year in respect of whistleblowing concerns. This year's report is attached as "Appendix A".
- 3.5 After having considered "Appendix A" Members are asked to decide whether there is any cause for concern and to consider whether any further action is required by the Committee, or the Chief Internal Auditor.
- 3.6 One whistleblowing investigation was carried out during the period in January 2020 to December 2020. Recommendations were made and action taken as appropriate, as noted on Appendix A.

4 Reasons for recommendations

- 4.1 To make Members of the Committee aware of the current position with regard to whistleblowing and ensure that any appropriate action is taken.

5 Integrated Impact Assessment

- 5.1 An integrated impact assessment is not required as the recommendations do not have a negative impact on any of the protected characteristics.

6 Legal implications

- 6.1 The Legal implications are incorporated within the body of this report. There are no other immediate legal implications arising from this report

7 Director of Finance's comments:

- 7.1 There are no financial implications arising from the recommendations set out in this report.

.....
Chief Internal Auditor

Appendices: Appendix A - Schedule of Whistleblowing Concerns for period January 2020 to December 2020
Appendix B - Whistleblowing Policy Updated March 2020

Background list of documents: Section 100D of the Local Government Act 1972
The following documents disclose facts or matters, which have been relied upon to a material extent by the author in preparing this report:

Title of document	Location
Whistleblowing Policy	http://svp-policyhub02/PolicyHubAdmin/Inbox/MyLibrary

Appendix A - Schedule of Whistleblowing (January 2020 to December 2020)

Date	Area	Investigated / Referred	Outcome
September 2020	Director of Children Services and Education - Safeguarding issues.	Investigated	Investigated by the service, no safeguarding issues supported.

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Summary:

This policy is for all Council staff, including employees, temporary workers, agency staff and people working for contractors and relates to how to raise genuine concerns of illegal, unethical or immoral conduct.

Note: This policy should be read in conjunction with The Anti-Fraud Bribery and Corruption Policy, Raising a Grievance Informally guidance and Employees Code of Conduct.

ID	Whistle Blowing Policy
Last Review Date	January 2021
Next Review Date	January 2022
Approval	Governance and Audit and Standards Committee
Policy Owner	Chief Internal Auditor
Policy Author	Deputy Chief Internal Auditor
Advice & Guidance	Audit & Counter Fraud or Monitoring Officer
Related Documents	Freedom of Information Act 2000 http://www.legislation.gov.uk/ukpga/2000/36/contents Data Protection Act 1998 http://www.legislation.gov.uk/ukpga/1998/29/contents
Applicability	Guidance for all staff, including employees, temporary workers, agency staff and people working for contractors.

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1 Introduction

- 1.1 The Council is committed to achieving the highest possible standards of openness, probity and accountability in all of its practices. This policy is here to help you as an employee, to raise a concern you may have in the right way without fear.
- 1.2 We all have, at one time concerns about what is happening at work. Usually these concerns are easily resolved. However, when the concern is about illegal, unethical or immoral conduct i.e. malpractice; it can be difficult to know what to do. You may feel worried about raising an issue and decide to keep the concern to yourself, perhaps feeling that it is none of your business, only a suspicion or possibly a misunderstanding or interpretation. You may feel that raising the matter may be disloyal to colleagues, managers or the Council itself. Or perhaps you have tried to raise the matter, but found you have spoken to the wrong person or raised the issue in the wrong way and are not sure what to do next.
- 1.3 The Council would prefer you raise any concern about such malpractice when it is just a concern, rather than wait for proof. This policy aims to help you raise any concern about malpractice in the right way. It explains the routes open to all Council staff, including employees, temporary workers, agency staff and people working for contractors. This policy does not replace the Council's complaints procedure, which is open to all members of the public.

2 Scope of this policy

- 2.1 This whistleblowing policy is primarily for a serious concern, which affects the interests of others, such as service users, the public, colleagues or the council itself. Concerns may include but are not excluded to:
 - Breach of the law or committing an offence
 - Unauthorised or misappropriation of public funds
 - Suspected fraudulent activities
 - Approaches of bribery
 - Physical or sexual abuse of clients
- 2.2 If you want to bring a complaint or grievance that is about your employment or the way you have been treated, please use the Grievance Procedure.

If in doubt – please raise it!

3 Our assurances to you

Your safety

- 3.1 We recognise it may be difficult to raise a concern.
- 3.2 If you raise a genuine concern under this policy you will not be at risk of losing your job or suffering any reprisal as a result. Provided that you raise the matter honestly, it does not matter if you are mistaken. Of course we do not extend this assurance to someone who maliciously raises a concern they know is untrue. Any such conduct may be liable to disciplinary action or other appropriate action.
- 3.3 If disciplinary action or redundancy procedures have already been started, raising a concern will not, in itself, halt them.

Your confidence

- 3.4 We will not tolerate the harassment or victimisation of anyone raising a genuine concern. However we recognise that there may be some circumstances when you would prefer to speak to someone in confidence under this policy. If this is the case please say so at the outset. If you ask not to disclose your identity, we will not do so without your consent unless required by law. You should understand that there may be circumstances when we are unable to resolve a concern without revealing your identity (for instance where your personal evidence is essential) and in such cases we will discuss with you whether and how best we can proceed.

Anonymity

- 3.5 Please remember that if you do not tell us who you are it may be more difficult for us to look into the matter, as further clarification may be needed in relation to the concerns raised. In addition we will not be able to protect your position and or be able to provide you with the same support and assurances if you report a concern anonymously.

4 How to raise a concern

- 4.1 Please remember that you do not need to have firm evidence of malpractice before raising a concern. However, we do ask that you explain as fully as you can the information or circumstances that gave rise to your concern. Remember the earlier you raise a concern the easier it is to resolve it. If you wish, you may be accompanied by a union or professional association representative or a friend.

Option One

- 4.2 We hope that you will feel able to raise your concern openly with your manager. This may be done orally, or if you prefer, in writing.

Option Two

- 4.3 If you feel unable to raise the matter with your manager for whatever reason, or if you think the concern has not been properly addressed, please raise it with a senior manager in your area or contact:

Whistleblowing line on 023 9284 1373 email:
Whistleblowing@portsmouthcc.gov.uk

Or via post (marked Private & Confidential) to:

Audit & Counter Fraud
Portsmouth City Council
Civic Offices
Guildhall Square
Portsmouth
PO1 2AR

Or contact one of the following officers:

Paul Somerset, Deputy Chief Internal Auditor (023 9283 4673) email:
Paul.Somerset@portsmouthcc.gov.uk

Elizabeth Goodwin, Chief Internal Auditor (023 9283 4682) email:
Elizabeth.Goodwin@portsmouthcc.gov.uk

Peter Baulf, Monitoring Officer & City Solicitor (023 9283 4041) email:
Peter.Baulf@portsmouthcc.gov.uk

These people have been given special responsibility and training in dealing with whistle blowing concerns.

5 How we will handle the matter

- 5.1 Once you have raised your concern we will acknowledge that it has been received and confirm our understanding of the issues raised, to ensure that your concern is fully understood.
- 5.2 Initial enquiries will then be made to decide whether an investigation is appropriate and, if so, what form it should take. All investigations undertaken within the Authority are directed by the 'Investigations Steering Panel' whose panel members include, Monitoring Officer, Section 151 Officer and Audit & Counter Fraud. If deemed appropriate, the concern raised may be:
- Investigated by Audit & Counter Fraud or Management.
 - Referred to the Police
 - Referred to the External Auditor
 - The subject of an independent inquiry
 - A combination of the above

- 5.3 While we cannot guarantee that we will respond to all matters in the way that you might wish, we will handle the matter fairly and properly. We will not be able to disclose specific details of how this will be achieved. We will however give you limited feedback on the outcome of any investigation. Please note, that we will not be able to tell you about disciplinary or legal action, when it infringes a duty of confidence we owe to third parties.
- 5.4 Portsmouth City Council in issuing this policy is mindful of its responsibility under the General Data Protection Regulations, Data Protection and Freedom of Information Acts. These pieces of legislation impose an obligation on PCC to allow access to information held in relation to such investigations (subject to legal exemptions) whilst protecting the rights of individuals whom the data is about.
- 5.5 If you have any personal interest in the matter, we do ask that you tell us at the outset. If we think your concern falls more properly within the Grievance Procedure, we will tell you.

6 Independent advice

If you are unsure whether to use this policy or you want independent advice at any stage, free advice is available from:

- Your Trade Union, if applicable
- Protect, either by telephone on 020 3117 2510 or by email at whistle@protect-advice.org.uk

7 External contacts

- 7.1 While we hope this policy gives you the reassurance you need to raise a concern internally, we recognise that there may be circumstances where you can properly report matters to outside bodies, such as the External Audit or other appropriate regulator, or in very serious situations, to the police.
- 7.2 Protect, or if applicable, your union will be able to advise you on such an option and on the circumstances in which you may be able to contact an outside body safely.

8 Administration

- 8.1 If you have any questions about the whistleblowing policy and how it applies, you can contact Audit & Counter Fraud or the City Solicitor & Monitoring Officer who will be pleased to answer your questions.
- 8.2 The Chief Internal Auditor has overall responsibility for the maintenance and operation of this policy and will report to the Governance and Audit and Standards annually on the application of this policy. The Deputy Chief Internal

Auditor maintains a record of concerns raised and the outcomes (but in a form which does not endanger staff confidentiality).

8.3 This policy will be reviewed annually by the Governance and Audit and Standards Committee.

See also: -

- The Anti-Fraud, Bribery and Corruption Policy
- The Complaints Policy
- The local Code of Conduct
- Employees Code of Conduct and Formal Action Policy
- The Council's Grievance Procedure and Raising a Grievance Informally

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Agenda Item 7



Title of meeting:	Governance & Audit & Standards Committee
Date of meeting:	15 January 2021
Subject:	Report to Governance & Audit & Standards Committee on complaints received into alleged breaches of the Code of Conduct by Members of the Council for the calendar year 2020
Report by:	City Solicitor
Wards affected:	N/A
Key decision:	No
Full Council decision:	No

1. Purpose of report

To update Members of the Committee in relation to complaints which have been progressed within the calendar year 2020 and which allege that Councillors may have breached the Code of Conduct.

2. Recommendations

- 2.1. It is recommended that Members of the Committee note the report.
- 2.2. It is recommended that Members of the Committee consider whether any further action is required by them.

3. Background

- 3.1. Upon acceptance of office, all Councillors undertake to comply with the Code of Conduct. In the event that a Councillor may have failed to comply with the Code of Conduct, a complaint may be made. The City Solicitor, as the Council's Monitoring Officer, is appointed to receive such complaints. The complaints are then considered in accordance with the guidance provided under the Local Government Act 2000.
- 3.2. The City Solicitor, as requested by the Governance & Audit & Standards Committee, maintains records on the progress of complaints and each year produces a report to this Committee. This year's report is attached at Appendix A.
- 3.3. The Monitoring Officer has, in this report, detailed the nature of the complaints, but is constrained by the information which can be provided in an open report, to protect the identity of the Subject Member, particularly in those cases where the

Sub-Committee has decided that the Code has not been breached. In the circumstances the Monitoring Officer advises that if Members require more detailed information they should seek it from the Monitoring Officer prior to the Committee meeting or during the meeting. If the latter, the meeting will be moved into exempt session.

3.4. After having considered Appendix A, Members are asked to decide whether there are any matters of concern or whether further action is required by the Committee or City Solicitor.

4. Reasons for recommendations

To make Members of the Committee aware of the current position with regard to complaints and ensure appropriate action is taken.

5. Integrated impact assessment

An integrated impact assessment is not required as the recommendations do not have a positive or negative impact on communities and safety, regeneration and culture, environment and public space or equality and diversity.

6. Legal implications

The City Solicitor's comments are included in this report.

7. Director of Finance's comments

There are no financial implications arising from the recommendations set out in this report.

.....
Signed by:
City Solicitor

Appendices: Appendix A: Schedule of Complaints

Background list of documents: Section 100D of the Local Government Act 1972

The following documents disclose facts or matters, which have been relied upon to a material extent by the author in preparing this report:

Title of document	Location

The recommendation(s) set out above were approved/ approved as amended/ deferred/
rejected by on

.....
Signed by:

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Appendix A - Schedule of Complaints - for year 2020

Note: this schedule covers complaints received and concluded in 2020

Complaint Number	Date complaint received	Summary and outcome of alleged complaint	Complaint by public or councillor
1.	13 November 2019	<p>The subject member was alleged to have:</p> <ul style="list-style-type: none"> Conducted themselves in a manner which could reasonably be regarded as bringing their office or the Authority into disrepute <p>The Initial Filtering Panel ("IFP") decided there was a breach of the Code</p> <p>The agreed outcome was that the Member undertake training with regard to their conduct.</p>	Public
2.	25 February 2020 (2 complaints on same matter)	<p>The subject member was alleged to have:</p> <ul style="list-style-type: none"> Failed to treat others with respect Intimidated or tried to intimidate someone who may be involved with a complaint Compromised the impartiality of the Authority's officers Conducted themselves in a manner which could reasonably be regarded as bringing the office of the Authority into disrepute Lobbied other members where they had a disclosable pecuniary interest in a matter <p>The IFP decided there was a breach of the Code.</p>	Public

Complaint Number	Date complaint received	Summary and outcome of alleged complaint	Complaint by public or councillor
		<p>The agreed outcome was that the Member undertake training with regard to committee chairing and write an apology to the complainant.</p>	
3.	9 March 2020	<p>The subject member was alleged to have:</p> <ul style="list-style-type: none"> • Failed to treat others with respect • Bullied a person • Intimidated, or tried to intimidate someone who may be involved in a complaint • Conducted themselves in a manner which could reasonably be regarded as bringing the office of the Authority into disrepute • Attempted to use their position to improperly confer on or secure for themselves or any other person an advantage or disadvantage <p>The IFP decided there was no breach of the Code.</p> <p>The agreed outcome was, irrespective that there was no breach, that the Member be recommended to meet with the Monitoring Officer and reflect on their conduct and engagement on social media platforms.</p>	Public
4.	19 March 2020	<p>The subject member was alleged to have</p> <ul style="list-style-type: none"> • Failed to treat others with respect • Conducted themselves in a manner which could reasonably be regarded as bringing the office of the Authority into disrepute 	Public

Complaint Number	Date complaint received	Summary and outcome of alleged complaint	Complaint by public or councillor
		<p>The IFP decided that there was no breach of the Code.</p> <p>The agreed outcome was, irrespective that there was no breach, that the complainant be recommended to contact the Director of Children's Services regarding her concerns.</p>	
5.	20 April 2020	<p>The subject member was alleged to have</p> <ul style="list-style-type: none"> • Failed to treat others with respect • Bullied a person • Conducted themselves in a manner which could reasonably be regarded as bring their office or the Authority into disrepute <p>The IFP decided that there was a breach of the Code.</p> <p>The agreed outcome was that the Member should not in future connect social media comment to their position as a Councillor if they were making a non-professional comment.</p>	Councillor
6.	29 May 2020	<p>The subject member was alleged to have</p> <ul style="list-style-type: none"> • Failed to treat others with respect <p>The IFP decided that there was no breach of the Code.</p> <p>The agreed outcome was that, irrespective that there was no breach, the Member meet with the Council's Equalities Officer to receive further training regarding equalities & protected characteristics.</p>	

Complaint Number	Date complaint received	Summary and outcome of alleged complaint	Complaint by public or councillor
7.	3 June 2020 (37 complaints on same matter)	<p>The subject member was alleged to have</p> <ul style="list-style-type: none"> • Failed to treat others with respect • Bullied a person • Intimidated a person • Compromised the impartiality of the Authority's officers • Conducted themselves in a manner which could reasonably be regarded as bringing the Authority into disrepute • Used her position improperly to confer on or secure advantage or disadvantage • Improperly used the resources of the Authority • Disregarded the Local Authority Code of Publicity <p>The IFP decided that there was no breach of the Code.</p> <p>The agreed outcome was that, irrespective that there was no breach, the Member undertake equal opportunities training</p>	Public
8.	16 June 2020 (3 complaints same matter)	<p>The subject member was alleged to have</p> <ul style="list-style-type: none"> • Failed to treat others with respect • Bullied a person • Intimidated or tried to intimidate someone who may be involved in a complaint • Compromised the impartiality of the Authority's officers 	Public

Complaint Number	Date complaint received	Summary and outcome of alleged complaint	Complaint by public or councillor
		<ul style="list-style-type: none"> • Conducted themselves in a manner which could reasonably be regarded as bringing their office or the Authority into disrepute • Attempted to use their position as a member improperly <p>The IFP decided that there was a breach of the Code.</p> <p>The agreed outcome was that the Member be advised that if at a future date there was a repetition of a complaint with regard to this type of conduct, there is a strong possibility that such a complaint would progress to formal investigation.</p>	
9.	16 June 2020	<p>The subject member was alleged to have</p> <ul style="list-style-type: none"> • Failed to treat others with respect • Bullied a person • Intimidated a person or tried to intimidate someone who may be involved in a complaint • Conducted themselves in a manner which could reasonably be regarded as bringing their office or the Authority into disrepute <p>The IFP decided that there was not a breach of the Code.</p> <p>The agreed outcome was that the Deputy Monitoring Officer would contact the complainant to explain the jurisdiction of the Local Assessment Criteria as applicable to the Member Code of Conduct.</p>	Public

Complaint Number	Date complaint received	Summary and outcome of alleged complaint	Complaint by public or councillor
10.	18 June 2020	<p>The subject member was alleged to have</p> <ul style="list-style-type: none"> • Conducted themselves in a manner which could reasonably be regarded as bringing their office or the Authority into disrepute • Attempted to use their position as a member improperly • Used the resources of the Authority improperly • Did not give regard to the relevant advice from officers • Did not give regard to the Local Authority Code of Publicity <p>The IFP decided that there was a potential breach of the Code (should prompt action not have been taken).</p> <p>The agreed outcome was that the Member be recommended to review their safeguarding training and undertake an update.</p>	Public
11.	10 August 2020	<p>The subject member was alleged to have</p> <ul style="list-style-type: none"> • Failed to treat others with respect • Conducted themselves in a manner which could reasonably be regarded as bringing their office or the Authority into disrepute • Attempted to use their position as a member improperly 	

Complaint Number	Date complaint received	Summary and outcome of alleged complaint	Complaint by public or councillor
		The IFP decided that there was no breach of the Code. No further action was taken with regard to the matter.	

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