

# Annual Governance Statement 2018-19

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## **Contents**

What is the annual governance statement? .....	2
What do we mean by governance? .....	2
Scope of responsibility .....	2
About the Council .....	2
CIPFA/SOLACE Good governance principles and the local code of governance .....	4
A. Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law .....	4
B. Ensuring openness and comprehensive stakeholder engagement .....	5
C. Defining outcomes in terms of sustainable economic, social and environmental benefits; and D. Determining the interventions necessary to optimise the achievement of the intended outcomes .....	7
E. Developing the entity's capacity, including the capability of its leadership and the individuals within it.....	9
F. Managing risks and performance through robust internal control and strong financial management	9
G. Implementing good practices in transparency, reporting and audit to deliver effective accountability.....	10
Significant governance issues for 2017/18.....	13
Effectiveness of the system of internal audit .....	16
Summary of significant governance issues for 2017/18 .....	16

## What is the annual governance statement?

Legislation<sup>1</sup> requires local authorities to prepare and publish an Annual Governance Statement, in order to report publically on the effectiveness of the Council's governance arrangements. The statement provides an overview of the current governance framework and a summary of the review on the effectiveness of Portsmouth City Council's governance framework for 2019/20 (which coincides with the annual statement of accounts). The statement openly communicates significant governance issues that have been identified during the review and sets out how the authority will secure continuous improvement in these areas during over the coming year.

## What do we mean by governance?

By governance, we mean the arrangements that are put in place to ensure the intended outcomes for local people are defined and achieved. It comprises the systems and processes, cultures and values, by which local government bodies are directed and controlled. Good governance is about making sure the Council does the right things, in the right way for the right people, in a timely inclusive, open, honest and accountable manner.

## Scope of responsibility

Portsmouth City Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for and used economically, efficiently and effectively. It also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness. In discharging this overall responsibility, Portsmouth City Council is responsible for putting in place proper arrangements for the governance of its affairs, and facilitating the effective exercise of its functions, which includes arrangements for the management of risk.

## About the Council

Portsmouth's Council comprises of 42 Councillors who represent 14 wards across the City. It currently operates a minority administration under a Leader and Cabinet structure with Cabinet Members responsible for individual portfolios.

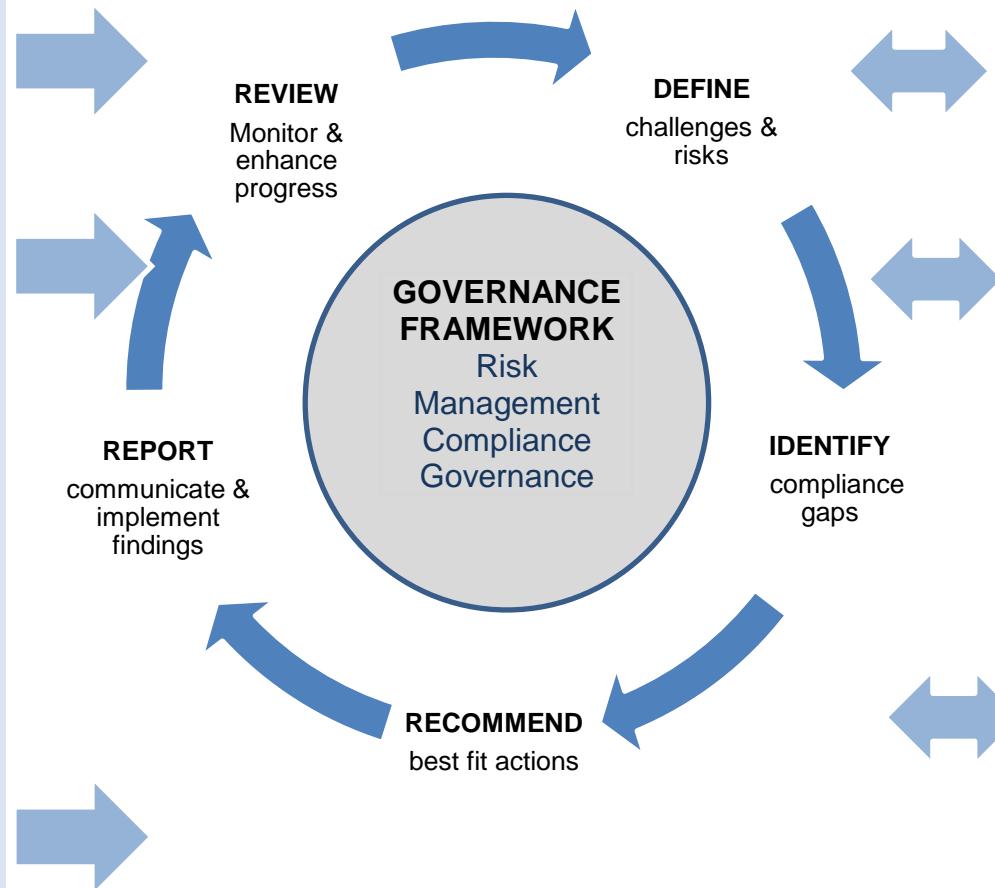
The Council employs around 3,600 members of staff and provides an extensive range of services to residents, businesses and visitors in the City, including: city development and cultural services, regulatory business and standards services, transport and environmental services, housing and property services, children's and adult's social care and safeguarding, education services, revenues and benefits and health and welfare services.

The staff of the council are managed by the **Chief Executive**, David Williams, who is the Head of the Paid Service. The Chief Executive is supported **directors** who have oversight of a number of services, each of which deals with a broad portfolio of the functions of the authority. Some of these portfolios are changing in response to a structural review in 2019.

<sup>1</sup> Accounts and Audit (England) Regulations 2011, regulation 4(3)

## GOVERNANCE PRINCIPLES

- Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law
- Ensuring openness and comprehensive stakeholder engagement
- Defining outcomes in terms of sustainable economic, social and environmental benefits
- Determining the interventions necessary to optimise the achievement of the intended outcomes
- Developing the entity's capacity, including the capability of its leadership and the individuals within it
- Managing risks and performance through internal control and strong public financial management
- Implementing good practices in transparency, reporting and audit to deliver effective accountability



## INTERNAL CONTROLS

### Leadership, Culture and Planning

Organisational goals and priorities  
Strategic and operational plans  
Performance management  
Medium term financial strategy

### Statutory Officers & Decision Making

The Constitution  
The Monitoring Officer  
Section 151 Officer

### Policies & Procedures

Codes of conduct  
Ways of working  
Anti-fraud, Bribery and Corruption Policy  
Whistleblowing Policy  
HR Policies and procedures

### People, Knowledge, Finance, Assets

Robust HR practices  
Information governance  
Performance monitoring and improvement  
Financial management and reporting  
Ethical & legal practices

### Scrutiny and Transparency

Freedom of Information requests  
Complaints procedure  
Reports considered by legal and finance experts  
Equality impact assessments  
Corporate risk directory  
Transparency duty publication

### Partnership Working

Community engagement statement  
'Have your say'  
Consultations  
Terms of reference for partnerships

## CIPFA/SOLACE Good governance principles and the local code of governance

In 2016 CIPFA/SOLACE issued revised best practice guidance for 'Delivering Good Governance in Local Government'<sup>2</sup>. The framework sets out seven principles that should underpin the governance of each Local Authority. The following sections look at how the Council is held to account for these seven principles.

### A. Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law

#### *The Constitution*

The constitution<sup>3</sup> sets out the how the Council operates; the roles and responsibilities of members, officers and the scrutiny and review functions; how decisions are made; and the procedures that are followed to ensure that these are efficient, transparent and accountable to local people. Although there is no longer a statutory requirement, Portsmouth City Council has taken the decision to continue with this arrangement internally and is in the process of updating the constitution to ensure it reflects current practice. As well as working together as a single organisation, it is important that members and officers continue improve their working relations with other organisations too, both locally and sub-nationally, to achieve a common purpose of improved efficiency and effectiveness.

#### *The Monitoring Officer*

The Monitoring Officer is a statutory function and ensures that the Council, its officers, and its elected members, maintain the highest standards of conduct in all they do. The Monitoring Officer is assisted when required by appointed deputies. The Monitoring Officer ensures that the Council is compliant with laws and regulations, as well as internal policies and procedures, and is also responsible for matters relating to the conduct of Councillors and Officers, and for monitoring and reviewing the operation of the Council's Constitution. In PCC, the monitoring officer is Peter Baulf, the Head of Legal Services.

#### *Section 151 Officer*

Whilst all Council Members and Officers have a general financial responsibility, the s151 of the Local Government Act 1972 specifies that one Officer in particular must be responsible for the financial administration of the organisation and that this Officer must be CCAB qualified. This is typically the highest ranking qualified finance officer and in Portsmouth City Council this is Chris Ward, who is also the Director of Finance and Information Services.

#### *Codes of conduct*

On joining the Council, members and officers are provided with a contract outlining the terms and conditions of their appointment. All staff must sign a code of conduct and declare any financial interests, gifts or hospitality on a public register. Additionally, members are expected to declare any interests at the start of every meeting that they attend in accordance with Standing Orders. Members and officers are required to comply with approved policies. The Council uses a system called Policyhub that enables effective dissemination of general and job-specific policies, and has the built in functionality to measure compliance i.e. that a member of staff has read and agreed to the policy.

<sup>2</sup> <http://www.cipfa.org/policy-and-guidance/publications/d/delivering-good-governance-in-local-government-framework>

<sup>3</sup> A copy of the constitution can be found at <https://www.portsmouth.gov.uk/ext/the-council/policies-and-strategies/constitution.aspx>

## *Anti-fraud, bribery and corruption*

The Council is committed to protecting any funds and property to which it has been entrusted and expects the highest standards of conduct from Members and Officers regarding the administration of financial affairs. The Council's Anti-Fraud, Bribery and Corruption Policy<sup>4</sup> (revised in May 2016) conforms to legislative requirements and sets out steps to minimise the risk of fraud, bribery, corruption and dishonesty and procedures for dealing with actual or expected fraud.

## *Whistleblowing*

The Council is committed to achieving the highest possible standards of openness and accountability in all of its practices. The Council's Whistleblowing policy<sup>5</sup> sets out the options and associated procedures for Council staff to raise concerns about potentially illegal, unethical or immoral practice and summarises expectations around handling the matter. The Policy is kept under review by the Monitoring Officer, and reports (which include concerns raised and their outcomes) are submitted to the Governance and Audit and Standards Committee quarterly.

## *Governance and Audit and Standards Committee*

As its name suggests, the Governance, and Audit and Standards Committee has the responsibility for receiving many reports that deal with issues that are key to good governance. The Committee undertakes the core functions of an Audit Committee identified in CIPFA's practical guidance<sup>6</sup>. The group has an agreed set of terms of reference<sup>7</sup>, which sets out their roles and responsibilities of its members<sup>8</sup>. On an annual basis the Chair of the Committee is invited to undertake a self-assessment, which informs the overall review of effectiveness of the Council's governance arrangements.

## **B. Ensuring openness and comprehensive stakeholder engagement**

### *Engagement and communication*

It is recognised that people need information about what decisions are being taken locally, and how public money is being spent in order to hold the council to account for the services they provide. The views of customers are at the heart of the council's service delivery arrangements. Portsmouth City Council has developed a Community Engagement Statement, which reflects the council's ambition to enable and empower communities to shape the places within which they live and work, influence formal decision making and make informed choices around the services they receive. The Community Engagement Statement asserts the following objectives for the council's engagement activity:

- Active citizens and strong communities,
- Clearer links between consultation and decision-making,
- A City that reflects its diversity and improved use of resources and aims to build upon the council's commitment to finding ways to inform,
- Consult and involve local people in all areas of life.

To be effective this process aims to inspire and support a genuine two-way dialogue with all sections of the community and other stakeholders There are a number of ways people can get involved and

<sup>5</sup> A copy of the whistleblowing policy can be located at :

<http://democracy.portsmouth.gov.uk/Data/Governance%20&%20Audit%20&%20Standards%20Committee/20130314/Agenda/GAS20130314r10.pdf>

<sup>6</sup> A copy of the guidance can be found at: <http://www.cipfa.org/Policy-and-Guidance/Publications/Audit-Committees--Practical-Guidance-for-Local-Authorities>

<sup>7</sup> The Governance and Audit and Standards Committee Terms of Reference can be found at:

<http://www.portsmouth.gov.uk/media/SC20120716r5app4.pdf>

<sup>8</sup> Membership can be found at: <http://democracy.portsmouth.gov.uk/mgCommitteeDetails.aspx?ID=148>

connect with the council, many of which are listed on the council webpage<sup>9</sup>. Local people have the option to engage in a dialogue through: social media sites (including Facebook and twitter), petition schemes, neighbourhood forums, Healthwatch Portsmouth, council meetings (open to the public), their local Councillor<sup>10</sup>.

### *Consultations*

The council keeps a forward plan of planned consultations. Internally, a consultation toolkit has been developed to guide council staff through the consultation process. The agreed process ensures that engagement activity is relevant, accessible, transparent and responsive. To increase awareness, consultations are proactively promoted.

The council issues a free copy of their Flagship magazine to all households keeping them up to date about what's going on in the City. The authority also issues other publications to specific groups, including "Term Times" for schools and "HouseTalk" for tenants.

Portsmouth City Council regularly engages with its employees to ensure they are kept informed about the council and the city. There are communication channels for "off-line" and online employees and a dedicated communications point of contact for staff. Employees are regularly asked to complete opinion surveys so the council can get a better understanding of what's working and what's not. The results are carefully considered and used to address issues.

### *Complaints*

There is a clear and transparent procedure<sup>11</sup> for dealing with complaints. The Council operates a three-stage complaints procedure and promises to acknowledge complaints within 5 working days and respond fully within 10 working days for first-stage complaints, 15 working days for second-stage complaints and 20 working days for third-stage complaints. If complainants remain dissatisfied they have the right to refer the matter to the Local Government Ombudsman.

### *Partnership working*

Partnerships are about the council coming together with right organisations to deliver improved outcomes for local people. The city has excellent partnership working, with other local authorities and with colleagues in health, including the Clinical Commissioning Group (CCG), the police, probation, fire service, university and with business.

For many years, we have had three key theme-based strategic partnerships - the **Health and Wellbeing Board, Children's Trust, and the Safer Portsmouth Partnership**. These partnerships have recently been reviewed and folded into a single Health and Wellbeing Board with a broadened remit and membership, to improve efficiency and ensure that issues are being considered strategically and as they affect people and the city across all dimensions.

This arrangement will also support the increased joining-up of with partnership organisations at the commissioning and delivery levels. This includes multi-agency teams for children and families, and locality teams to deliver Better Care, as well as the development of a partnership for delivering the Healthy Child Programme in the city. A range of mechanisms are used to support these arrangements.

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<sup>9</sup> Opportunities to have your say can be found at: <https://www.portsmouth.gov.uk/ext/community-and-environment/community/have-your-say.aspx>

<sup>10</sup> Who are your Councillors, MPs and MEPs: <http://democracy.portsmouth.gov.uk/mgMemberIndex.aspx?bcr=1>

<sup>11</sup> Complaints procedure: <https://www.portsmouth.gov.uk/ext/the-council/transparency/comment,-compliment-or-complaint.aspx>

There are other partnership arrangements around the city's regeneration efforts such as the **Solent Local Enterprise Partnership (LEP)**, Transport for South Hampshire and the Isle of Wight, the Partnership for Urban South Hampshire (PUSH) and the business leaders group, Shaping the Future of Portsmouth.

**C. Defining outcomes in terms of sustainable economic, social and environmental benefits; and D. Determining the interventions necessary to optimise the achievement of the intended outcomes**

*Organisational goal and aspirations for the City*



## **Portsmouth City Council; working together to shape the great waterfront city**

Portsmouth City Council has a shared organisational goal (above), which is designed to be simple, reflecting the fact that although we are a diverse organisation, everything the council does is designed to make the city a better place and improve life for our residents. All of us are working together to shape Portsmouth, a great waterfront city that:

- Has a **sustainable economy** that delivers **regeneration** and **inward investment**, creates opportunities and **drives prosperity** for our residents
- Has **high quality homes**
- Is a **great place to live** that makes best use of our natural assets and supports a **vibrant and diverse culture**
- Offers **excellent education** and training so all our residents can achieve their full potential and businesses have the skills to grow
- **Protects and supports vulnerable residents**, encourages independence and enables them to achieve their full potential
- Keeps residents **healthy** and the city **safe**.

We have set clear priorities about the way we will work and what we be trying to achieve. We will:

- Make Portsmouth a city that works together, enabling communities to thrive and people to live healthy, safe and independent lives
- Encourage regeneration built around our city's thriving culture, making Portsmouth a great place to live, work and visit
- Make our city cleaner, greener and safer
- Make Portsmouth a great place to live, learn and play, so our children and young people are safe, healthy and positive about their futures
- Make sure our council is a caring, competent and collaborative organisation that puts people at the heart of everything we do.

*Planning and monitoring*

In order to secure these outcomes for residents and service users, the Council needs to respond to some tough challenges. Since 2011/12, overall central government funding to PCC has reduced by over £78m (amounting to a funding reduction of 54%). This funding is expected to reduce by a further £11.9m over the next 3 years. Taken together with other financial pressures (mainly relating to inflation, the effects of an ageing population on care services and the increased requirements for safeguarding of vulnerable children), total savings over the period of £98m have been made by the council.

Portsmouth City Council remains a low taxing Authority. The Council currently receives approximately £6m per annum less in Council Tax than the average Unitary Authority within its statistical neighbour group.

Council Tax currently represents 46% of the Council's overall funding base with annual rises limited by "referendum thresholds" which are set by Government annually. Over the past 8 years, Council Tax increases have not been sufficient to keep pace with the levels of inflation and other cost pressures experienced by the Council. Council Tax income has risen by £18m over the period since 2011/12 with inflation and other costs rising by over twice that amount at £38m.

In overall terms, the financial picture over the next 3 years and beyond is one of increasing costs and demand for services, particularly in essential care services, at the same time as continued reductions in funding leading to an overall forecast budget deficit over the next 3 years of at least £12m.

Considering also that those essential care services consume 46% of the Council's net controllable budget, the Council is faced with a position where it not only has to meet those costs, or at the very least manage the demand for those services, but simultaneously find at least £12m of savings across all areas.

This means that it is important that, whilst we focus on achieving the organisational goal and priorities, we plan services in detail on an annual basis, focusing on challenges over the coming year but also considering the medium term horizon.

#### *Medium Term Financial Strategy*

The Council's Medium Term Financial Strategy (MTFS) has been developed to respond to these very challenging circumstances. The strategy has a renewed emphasis on regeneration, innovation and creativity leading to stimulation of the funding base (Council Tax and Business Rates) and income generation as a means to make savings and avoid cuts to services.

The overall aim of the strategy is to ensure that "in year" expenditure matches "in year" income over the medium term whilst continuing the drive towards regeneration of the city, being innovative, creative and protecting the most important and valued services. There are four strands to the strategy:

- **1 - Transforming to an innovative and creative Council:** income generation; regeneration and meeting housing need; strategic use of property and assets; investment for commercial gain; developing and establish commercial entities to sell services profitably; capital investment for jobs and business growth (increased business rates); establishing strategic partnerships and shared service arrangements to reduce costs and increase resilience.
- **2 - Reduce the extent to which the population needs Council services:** re-direction of resources towards preventative services; design fees and charges policies to distinguish between want and need; capital investment towards jobs and skills to raise prosperity
- **3 - Increase the efficiency and effectiveness of the council's activity:** contract reviews; rationalisation of operational buildings; support to the voluntary sector; targeted efficiency reviews in resource hungry services; capital investment for on-going savings or costs avoidance
- **4 - Withdraw or offer minimal provision of low impact services:** strong focus on needs, priorities and outcomes; use the insights of councillors to inform priorities; use the results of public consultation to inform priorities.

The Council has a comprehensive supporting financial framework in place designed to avoid any financial obstacles to delivering the MTFS.

## **E. Developing the entity's capacity, including the capability of its leadership and the individuals within it**

### *Recruitment and induction*

The Council operates a robust interview and selection process to ensure that Officers are only appointed if they have the right levels of skills and experience to effectively fulfil their role. If working with children and/or vulnerable adults they will be subject to an enhanced criminal records check prior to appointment. New Officers must attend an induction day, which provides information about how the organisation works. Newly elected Councillors are required to attend an induction which includes information on: roles and responsibilities; political management and decision-making; financial management and processes; health and safety; information governance; and safeguarding.

### *Training and development*

All Officers are required to complete a number of mandatory e-learning courses including health and safety, equalities and diversity, financial rules, and information governance. Officers and Members have access to a range of IS, technical, soft skills and job specific training courses. Compulsory training is provided for Members who sit on the following committees: Governance and Audit and Standards Committee, Licensing Committee, and the Planning Committee. Other member-led training is available to Councillors through Democratic Services and Learning and Development. The package of support available gives Members the opportunity to build on existing skills and knowledge in order to carry out their roles effectively.

### *Performance monitoring*

All Officers receive regular one to ones with their Manager in order to monitor workload and performance. Opportunities are provided for identifying future training and development needs, and to track progress against objectives. The effectiveness of individual performance monitoring is tracked in a number of ways, including by asking staff about it as part of regular employee opinion surveys.

## **F. Managing risks and performance through robust internal control and strong financial management**

### *Risk management*

The Council has reviewed its approach to managing risks over the last year and approved a revised Risk Management Policy, which seeks to embed a culture of risk awareness within everyday activities. All significant risks (defined as something that may result in failure in service delivery, significant financial loss, non-achievement of key objectives, damage to health, legal action or reputational damage) must be logged on a Corporate Risk Directory, profiled (as high/medium/low), and mitigating measures/assurances must be put in place. The new approach minimises formal processes and unnecessary documentation, whilst ensuring that risk management remains an effective part of the governance framework. There is an increased focus on strategic risks.

### *Performance management*

All directorates in the authority report on a quarterly basis against a full set of performance measures which reflect the functions and objectives of the directorates. These measures are reported to the Cabinet Members and considered in detail at the Governance and Audit and Standards committee. An annual overview of performance is produced and published alongside the Statement of Accounts.

## *Financial management*

The s151 Officer is responsible for leading the promotion and delivery of good financial management so that public money is safeguarded at all times, ensuring that budgets are agreed in advance and are robust, that value for money is provided by our services, and that the finance function is fit for purpose. He advises on financial matters to both the Cabinet and full Council and is actively involved in ensuring that the authority's strategic objectives are delivered sustainably in line with long term financial goals. The s151 Officer together with finance staff ensure that new policies or service proposals are accompanied by a full financial appraisal which is properly costed, fully funded and identifies the key assumptions and financial risks that face the council.

Financial Rules were revised in 2013/14 by the s151 Officer so that Portsmouth City Council can meet all of its responsibilities under various laws, and continue to be updated on a rolling basis. They set the framework on how we manage our financial dealings and are part of our City Constitution. They also set the financial standards that will ensure consistency of approach and the controls needed to minimise risks. The s151 Officer has a statutory duty to report any unlawful financial activity or failure to set or keep to a balanced budget. He also has a number of statutory powers in order to allow this role to be carried out, such as the right to insist that the local authority makes sufficient financial provision for the cost of internal audit.

The authority's financial management arrangements conform to the government requirements of the CIPFA Statement on "The role of the chief financial officer in local government (2010). The Director of Finance (Chief Financial Officer and s151 Officer) works with the Chief Executive and Deputy Chief Executive, helping to develop and implement strategy and deliver the strategic objectives. The Chief Finance Officer has input into all major decisions, and advises on financial matters to the Cabinet. He is responsible for ensuring that budgets are agreed in advance and that the agreed budget is robust, to ensure value for money is provided by our services, and is responsible for ensuring the finance function is fit for purpose. A protocol for the Chief Financial Officer in Portsmouth was approved in November 2011.

## *Data Management*

The organisation has a designated data protection officer and clear and established processes for ensuring data is handled appropriately. There is regular reporting to the Governance, Audit and Standards committee on matters of information governance. The organisation has undertaken thorough preparation for the introduction of the General Data Protection Regulation, including enhanced training for all staff.

## **G. Implementing good practices in transparency, reporting and audit to deliver effective accountability.**

### *Transparency*

The Council and its decisions are open and accessible to the community<sup>12</sup>, service users, partners and its staff. The Freedom of Information Act 2000 (FoI) gives anyone the right to ask for any information held by a public authority, which includes Portsmouth City Council, subject only to the need to preserve confidentiality in those specific circumstances where it is proper and appropriate to do so.

<sup>12</sup> Meetings, agendas and minutes: <http://democracy.portsmouth.gov.uk/uucoverpage.aspx?bcr=1>

All reports requiring a decision are considered by appropriately qualified legal, and finance staff with expertise in the particular function area before they are progressed to the relevant committee/group. Portsmouth City Council wants to ensure that equality considerations are embedded in the decision-making and applied to everything the Council does. To meet this responsibility, equality impact assessments are carried out on all major council services, functions, projects and policies in order to better understand whether they impact on people who are protected under the Equality Act 2010 in order to genuinely influence decision making. Information required to be published is made public in timely and accessible fashion.

### *Effective scrutiny*

The Council operates five Scrutiny Panels<sup>13</sup>, overseen by a Scrutiny Management Panel and governed by their own terms of reference. It is important that Scrutiny Panels act effectively as one of their key tasks is to review and challenge the policy decisions that are taken by Cabinet. Topics that are chosen to be 'scrutinised' are looked at in depth by a cross party panel of Councillors. They assess how the Council is performing and see whether they are providing the best possible, cost effective service for people in the city. The panel's findings are reported to the Cabinet and may result in changes to the way in which services are delivered.

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<sup>13</sup> Further information on our Scrutiny Panels can be found at: <http://democracy.portsmouth.gov.uk/mgListCommittees.aspx?bcr=1>

## **Monitoring and evaluating the effectiveness of the governance framework**

Portsmouth City Council has the responsibility for conducting at least annually, a review of the effectiveness of its governance framework. The review of effectiveness is informed by the work of:

- The Chief Executive, Deputy Chief Executive and Directors within the Authority who have responsibility for the development and maintenance of the governance environment.
- The Chief Internal Auditor's annual report and opinion, and also by comments made by the external auditors and other review agencies and inspectorates.
- The Chief Financial Officer whose role is performed by the Director of Finance (and who is also Portsmouth City Council's Section 151 Officer) who has statutory responsibility for ensuring the proper management of all Portsmouth's financial affairs.
- The Corporate Governance Group, made up of the Chief Executive, the Deputy Chief Executive (monitoring officer), the Chief Internal Auditor, the Director of Finance (Section 151 Officer) and the Director of HR, Legal and Performance with input from others as relevant. This group meets regularly to discuss corporate governance arrangements and issues, and to reflect on recurring themes and spheres of activity relating to council improvement.
- The Governance and Audit and Standards Committee

There is clear framework for evaluating the effectiveness of internal control, and for 2017/18 this has included:

- An evaluation of progress against previously identified governance issues.
- Reviews of:
  - The effectiveness of Internal and External Audit.
  - The effectiveness of Governance and Audit and Standards Committee
  - External Audit's Annual Plan and opinion.
  - The Annual Internal Audit report and opinion.
  - The Corporate Risk Directory.
  - Issues identified through performance management.
  - Corporate complaints and any complaints regarding Members.
  - Freedom of information requests.
  - Data protection and information governance issues.
  - Employee Opinion Survey results.

## Significant governance issues for 2019/20

Portsmouth City Council have completed a number of actions over the last year, that have addressed or alleviated significant governance issues identified in the 2017/18 Annual Governance Statement. The following significant governance issues have been identified and further actions have been put in place against each, in order to strengthen the Council's governance arrangements.

Ref	Governance issue	Source	Actions to address the issue	Measures of success	Lead/s	Timescale
1	Information governance - significant new responsibilities and requirements under the General Data Protection Regulation	Risk Management	Corporate working group to drive implementation of and compliance with GDPR and Data Protection Act responsibilities	Good state of organisational compliance and low risk of sanction.	Chief Internal Auditor	Ongoing progress reporting to portfolio holder and committees.
2	Surveillance - need for improved controls on use of CCTV (particularly Portsmouth International Port)	Internal Audit	Series of actions agreed in response to audit	Improved compliance on follow-up audit	Director of Housing, Neighbourhood and Buildings	Ongoing reporting through audit reports
3	Maintaining compliance across devolved operational bases	Highlighted through findings of Internal Audit	Various audits have found lower levels of compliance with corporate policies and procedures in devolved service units - work is underway in areas with a number of units to improve processes.	Improved levels of assurance on audits	Service Directors	Ongoing reporting through audit reporting
4	Disaster recovery - risk management activity has identified that improvements need to be made in our arrangements for recovery in the event of losing key systems.	Highlighted through risk management and business continuity activity	Disaster Recovery capability is under active review with Disaster Recovery as a Service (DRaaS) solutions being implemented.	Capability to restore key IT functions for the authority more quickly than the current 3-5 days.	Director of Finance and IS	Ongoing development and review

Ref	Governance issue	Source	Actions to address the issue	Measures of success	Lead/s	Timescale
5	The council continues to explore new ways of working, including partnering and alternative service delivery models (including with the voluntary, community and social enterprise sector) and taking more commercial approaches	Internal and external audit; performance and risk management activity	<ul style="list-style-type: none"> <li>a) Ensure arrangements for traded services and arms-length organisations are fit for purpose</li> <li>b) Ensure new partnering arrangements have full regard to legal, financial and HR implications</li> <li>c) Look at arrangements for assurance on partner organisations and related parties</li> </ul>	Ongoing - various structures for different arrangements	Chief Executive & Chief Internal Auditor	Necessary changes reported on a regular basis to Cabinet, Governance, Audit and Standards Committee and Employment Committee.
6	Compliance with statutory duties and other external requirements and directives: ongoing changes in the work of local government and the role in relation to other agencies means that the organisation needs to monitor the scope of duties, powers and expectations. Examples include Air Quality, National Planning Policy Framework expectations, Brexit risks and burdens	Performance and risk management	<ul style="list-style-type: none"> <li>- Service and resource planning to set out scope of requirements and the needs to fulfil these.</li> </ul>	n/a	Chief Executive and all service directors	Ongoing reports to portfolios and committees.
7	Budget/ financial position, specifically in respect of demand-led services including Adults and Children's Social Care and impact of financial uncertainty	External audit plan	Ongoing monitoring of progress - transformation strategies developed	Financial gaps closing and eliminated over the medium term	Director of Finance, Director of Children's Services and Chief of Health	Ongoing quarterly reporting on financial position to Cabinet; updates to portfolio holders

Ref	Governance issue	Source	Actions to address the issue	Measures of success	Lead/s	Timescale
					and Care Portsmouth	
<b>8</b>	New governance and working processes across strategic partnership arrangements, including closer integration with the clinical commissioning group	Internal self-assessment	Ongoing monitoring of progress	Robust governance across complex partnership agendas	Chief Executive	Ongoing reporting
<b>9</b>	Capacity within the organisation and key individuals, in light of further organisational restructure	External Audit reports; internal self-assessment	Ongoing monitoring of progress, including through quarterly performance reporting; longitudinal study of workforce capacity and risks	n/a	Chief Executive	Ongoing reporting

## **Effectiveness of the system of internal control**

During 2018- 19 Internal Audit & Counter Fraud completed 64 full audits and 24 follow up reviews to plan. The results show that the level of 'No Assurance' and 'Limited Assurance' audited areas have decreased from the previous year, which is a positive move and reinforces the judgement that the direction of travel is that of 'good improvement', following on from 'stabilising' opinion last year.

This more positive position is however countered by a decline in the number of implemented agreed actions to mitigate risk exposure. It should be noted that actions to mitigate risk are determined by the relevant service along with their timeframe for implementation, yet the results of follow up work show that only 40% of agreed actions have been fully implemented. Further details are contained within the body of this report.

Four audit opinion levels are in place and these are: no assurance, limited assurance, reasonable assurance and full assurance. Where there are mainly medium or low risk exceptions the annual audit opinion would be reasonable or full assurance. Limited Assurance is provided again this year, with the above narrative that the internal control framework in operation at Portsmouth City Council is improving.



Internal Audit & Counter Fraud will continue to work with Directors and the Chief Executive to improve on specific areas of control, risk management and governance weaknesses.

Any significant corporate weaknesses and agreed actions are reflected in the Annual Governance Statement. The impact of the Internal Audit work for 2018/19 may affect that year's work for External Audit. It may also inform their work for 2019/20 and where they consider there are weaknesses in control that could materially affect the accounts they may need to carry out further work to gain the necessary audit assurance required for a true and fair view of the financial position and compliance with professional codes of practice.

## **Summary of significant governance issues for 2018/19**

Over the coming year, Portsmouth City Council will take steps to address the issues that have been identified in order to improve the Council's governance arrangements and improve assurance in the areas of most concern. Progress will be monitored and reported to the Governance and Audit and Standards Committee regularly over the next year.

**Signed on behalf of Portsmouth City Council**

**Cllr Gerald Vernon-Jackson, Leader of the Council**

**Date**

**David Williams, Chief Executive**

**Date**