

GOVERNANCE & AUDIT & STANDARDS COMMITTEE

MINUTES OF THE MEETING of the Governance & Audit & Standards Committee held on Friday, 26 July 2019 at 4.00 pm at the The Executive Meeting Room - Third Floor, The Guildhall

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

Present

Councillor Leo Madden (in the chair)
Councillor Simon Boshier (Vice-Chair)
Councillor John Ferrett
Councillor Hugh Mason
Councillor Judith Smyth
Councillor Matthew Atkins (Standing Deputy)

Officers

Peter Baulf, City Solicitor and Monitoring Officer
Julian Pike, Deputy Director of Finance & Deputy S151 Officer
Michael Lloyd, Directorate Finance Manager
Elizabeth Goodwin, Chief Internal Auditor
Paul Somerset, Deputy Chief Internal Auditor
Kelly Nash, Corporate Performance Manager
Greg Povey, Assistant Director Contracts, Procurement, Commercial
Stewart Agland, Local Democracy Manager

External Auditors

Helen Thompson, Associate Partner, Ernst & Young
David White, Manager, Assurance - Government and Public Sector, Ernst & Young

27. Apologies for Absence (AI 1)

Councillor Young had submitted his apologies and was represented by Councillor Atkins.

28. Declarations of Members' Interests (AI 2)

None.

29. Minutes of Previous Meeting - 8 March 2019 (AI 3)

RESOLVED that the minutes of the meeting held on 8 March 2019 be approved as a correct record.

There were some matters arising from these minutes:

Minute 18 - The Chair had received an answer regarding the issue of the £30k procurement limit and Portico, which he read out. Members wanted assurance that an audit trail was maintained. Elizabeth Goodwin confirmed that Internal Audit have undertaken an audit of this area of Portico and members' concerns would be brought to the attention of their board.

The Chair asked that a Portico representative be invited to attend the next Governance & Audit & Standards Committee meeting to explain the £30k limit and the audit plan for Portico.

Minute 23 - Regarding a record of members' training as well as this being useful for the individual members, it was also important to prove competency and for liability purposes. **The City Solicitor agreed that there should be a record of training kept which afford self and corporate protection.**

30. External Annual Audit Report for 2018/19 (AI 4)

Helen Thompson and David White were present as the external auditors and reported that they were in the process of completing the annual audit and were currently expecting to issue an opinion on the financial statements and a value for money conclusion by 31 July. They thanked the finance team and all the officers who had been involved in this process. The expectation based on work undertaken to date was that the audit opinion and value for money conclusion would be unqualified. The audit team had covered the areas of highest risk first; work remained ongoing in a number of areas.

David White listed the areas that were now completed and where further work was taking place in the following week to complete the audit by 31 July. Adjustments on pensions arising from the McCloud/Sargeant case had been worked through following receipt of an updated IAS19 report from the Actuary of Hampshire Pensions Fund., Julian Pike, Deputy Section 151 Officer, confirmed that an adjustment of £12.6m had been made in the annual accounts as a result of this issue.

Helen Thompson drew members' attention to the Value for Money section of the report, which was a separate conclusion. No significant risks to the value for money conclusion had been identified and as a result an unmodified conclusion was anticipated.

Work had been completed on the Annual Governance Statement. Work on the Council's Whole of Government Accounts submission will be undertaken after the conclusion of the main audit, as this is subject to a separate deadline of 13 September 2019.

David White reported that there were no issues arising in the area of fraud, relating to additions to property, plant and equipment and investment

property, and journals, and the examination of areas of identified risk in relation to fraud/error had been substantially completed.

In response to a question on the PFI models it was reported that in 2016/17 an internal specialist on PFI accounting had been used and they had given assurances on the models. It had been checked that there had been no significant changes to the models since 2016/17 and there were no findings on PFI to report to the committee.

In response to a question, Helen Thompson confirmed that the effect of the McCloud judgement on pensions had been fed through the assumptions in the updated IAS19 report, and this was now reflected in the updated statement of accounts. Julian Pike reiterated that the contribution/adjustments for this would be met from within the fund and the normal triennial process of setting employer contributions.

The letter of representation, which would need to be signed off by the Section 151 Officer and Chair of the GAS Committee, would need to explain the Council's judgement in not adjusting the statement of accounts in respect of a separate pension-related audit difference arising around Guaranteed Minimum Pension (GMP).

The committee agreed to note the status of the audit.

31. Annual Internal Audit Performance Status Report for 2018-19 Audit Plan and Annual Opinion (AI 5)

Elizabeth Goodwin, Chief Internal Auditor, presented her report. The 2018/19 Audit Plan had been completed and there were the 3 areas of no assurance to bring to members' attention:

- Port CCTV
- Home to School Transport
- Hire cars

Elizabeth Goodwin had met with the directors for these areas to discuss action plans. The Port Director had taken on board all the suggested actions and his response had been circulated, so she was satisfied that this was moving in the right direction.

Members asked questions regarding the issues identified in Home to School Transport, which had first been raised in 2015. These included the lack of DBS checks or evidence of. Members were made aware that for all drivers licenced by PCC, the Licensing Department perform DBS checks, although the Transport section need to annually verify this for drivers used. The main issue is that Transport are not aware of what drivers are being used for Home to School transport and therefore cannot verify that they are PCC licenced taxi drivers, who would have been subjected to DBS checks as part of their application.

For both Home to School Transport and Hire Cars a fuller report would be brought to the September meeting, and the appropriate directors/managers be invited to attend.

With regard to member concerns on the Port CCTV, Ms Goodwin wished to confirm that there was no evidence of RIPA breaches. The Port is registered with the Information Commissioner so would be duty bound to report any such breaches if they occurred and also liaised closely with the police on the provision of evidence. There had been a lot of work to address issues here.

Members asked questions raising safeguarding issues on appointeeships; there were processes in place to safeguard individuals and staff regarding the handling of funds.

For the annual opinion, the Chief Internal Auditor reported that there had been a decrease in the number of 'no assurance' audits from the previous year and that Portsmouth City Council had been positive in addressing concerns raised. An area that would require further focus was that of audit clients implementing agreed actions. **The annual opinion given was limited, with recognition in improvements made.**

RESOLVED that members noted:

(1) the Audit Performance for 2018/19 to 5th July 2019.

(2) the highlighted areas of control weakness from the 2018/19 Audit Plan.

(3) the Annual Audit Report and Opinion for 2018/19.

32. Annual Governance Statement (AI 6)

Deputations are not minuted in full but can be viewed as part of the webcast of the meeting here:

<https://livestream.com/accounts/14063785/GAS-26Jul2019>

Jerry Brown made a deputation on this item, whose points included the need for transparency in decision making, the need to publish the list of senior officers with salaries over £50k and the accountability of these roles, the aggregation of the 3 senior officer joint roles with other local authorities and its impact on PCC, how suppliers are recorded for contracts of £500 and the need for spending to be attributable and clear in reports.

The Chair, in response to the deputation, expressed the need for the Constitution to be updated to reflect the roles of the senior officers.

Kelly Nash, Corporate Performance Manager, presented her report which set out the lawful and proper standards of the systems in place, needed for the

annual opinion and refreshed Local Code of Governance. The report also set out officer capacity and linked to the quarterly performance report, later on the agenda.

It was asked if there is still a Deputy Chief Executive; it was reported that there is not, with the Chief Executive nominating a deputy as and when required from within his directors.

RESOLVED that the Governance and Audit and Standards Committee:

- (1) Agreed the Annual Governance Statement 2018/19 (Appendix 1)**
- (2) Approved the refreshed Local Code of Governance (as set out in Appendix 2).**

33. Annual statement of accounts (AI 7)

Michael Lloyd, Director Finance Manager, presented the Director of Finance and S.151 Officer's report; approval of these is a pre-requisite to obtaining the annual audit opinion. The Chair would be asked to sign the letter of representation.

Councillor Hugh Mason had tried to send a list of questions that Julian Pike, Deputy S151 Officer, undertook to reply to by email with details to all members of the Governance and Audit and Standards Committee. These included the HRA deficit, caused partly by the decanting of Horatia and Leamington Houses (as well as the government's 1% reduction in rent levels and the right to buy). There had also been a capital adjustment to the General Fund to include depreciation and impairments of £9.7 due to the decant. Councillor Smyth thanked officers for the financial training sessions provided.

There were also queries on business rates retention and pooling arrangements, the investment portfolio and assets transferred from Hampshire County Council, reporting of diligence from the Hampshire Community Bank and PFI contract payments.

Councillor Madden, as Chair, asked that in future there be a footnote added to show how shared senior officer posts were accounted for between local authorities. Julian Pike reported that for the Local Enterprise Partnership (Solent LEP) their Chief Executive was paid for by government grants, but had to be shown in PCC's accounts as the responsible accounting authority.

With regard to the members' payments via their companies (p281), this was included for transparency and could be cross referenced through the declaration of members' interest forms.

RESOLVED:

- (1) That the Statement of Accounts be approved;**
- (2) That authority be delegated to the Chair of the Governance and Audit and Standards Committee to sign an amended 2018/19 Statement of Accounts after 26 July should this be required following comments by the auditor.**

34. Treasury Management Outturn Report for 2018/19 (AI 8)

Michael Lloyd, Directorate Finance Manager, presented the report on behalf of the Director of Finance and S151 Officer. This report was also being submitted to Cabinet and Council in October for approval, and was brought to this committee for scrutiny. He gave a general outline of the borrowing levels; with £34.5m borrowed in March (£23m for 50 years and £11.5 for 46 years) and addition to £2.1m borrowed interest free for energy efficiency measures. The investment return was 1.12% before providing for impairments and 0.47% after providing for a possible default by.

RESOLVED that the actual prudential and treasury management indicators based on the unaudited accounts, as shown in Appendix B, be noted (an explanation of the prudential and treasury management indicators is contained in Appendix C).

35. Treasury Management Monitoring report for First Quarter of 2019-20 (AI 9)

Michael Lloyd, Directorate Finance Manager, presented the report on behalf of the Director of Finance and Section 151 Officer. The report set out that there had been no breaches of Treasury Management Policy in the first quarter of the financial year and there had been operation within the Treasury Management indicators. The report also explained the impact of the acquisition of Lakeside Business Park. Investments therefore stood at £477m, with an average return of 1.2%.

RESOLVED that the following be noted:

(1) That there have been no breaches of the Treasury Management Policy 2019/20 in the period up to 30th June 2019.

(2) That the actual Treasury Management indicators as at 30th June 2019 set out in Appendix A be noted.

36. Regulation of Investigatory Powers Act 2000 (RIPA) (AI 10)

Elizabeth Goodwin, Chief Internal Auditor, presented her report which highlighted the areas being amended to reflect the updated guidance and changes in key personnel. These changes were in line with updates being made by other local authorities, being legislation based amendments.

Members of the committee gave their comments and the level of senior officer authorisation for RIPA actions was explained, which ranged from the Chief Executive (for supervision of vulnerable individuals, which had not been used) to Tier 3 officers, where appropriate. It was also asked if the public are aware of the use of these powers.

It was suggested that there be annual reports back to this committee on use of the RIPA powers, to show the number of times these have been used.

RESOLVED that the Governance and Audit and Standards Committee:

(1) Noted that there have not been any RIPA applications authorised since the last report to this Committee on the 29th January 2016;

(2) Approved the required changes detailed under section 6, which have been made following the introduction of new Codes of Practice and Guidance and changes key in personnel.

37. Disapplication of Political Balance rules in relation to members complaints sub committees (AI 11)

The City Solicitor's report reflected that whilst the preference was to have members of each group on these sub committee panels, it is not always possible, so the disapplication of the political balance rules was sought.

It was noted that this report is necessary where there are changes to the main committee's composition.

RESOLVED 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.

(Councillor Madden had to leave at this part of the meeting so the Vice-Chair Councillor Boshier took the chair for the rest of the meeting, and Councillor Hugh Mason also had to leave at this point.)

38. Performance Management Update - Quarter 4 2018-19 (AI 12)

Kelly Nash, Corporate Performance Manager, presented her report, for which there was a new format, as requested. In future this would include a summary of strategic risks, which would give a sense of assurance and mitigation. She explained that not all areas of the report were fully populated, with more details expected to go into the Quarter 1 report.

Members of the committee commented on the variance between directors' responses and felt it would be helpful to show more outcomes and measures being taken. There were some inconsistencies between directorates' priorities (such as some including air quality whilst others did not, and the Air Quality Action Plan would be picked up as a project rather than an indicator).

Members welcomed the new format and valued the commentaries but asked that directors give due attention to the submission of the necessary information.

RESOLVED that the Governance and Audit and Standards Committee
(1) noted the report in the revised format;
(2) agreed that the directors be asked to provide more outcome specific information.

39. Call-in Rules/Procedures - request for a report (AI 13)

Stewart Agland, Local Democracy Manager, introduced this item which set out the request from Councillor Boshier for an item to be brought forward to review the call-in procedures.

Councillor Boshier outlined the basis for his request, citing one call-in request taking 14 weeks to be fully considered (regarding residents' parking MB/MC zones) in 2018. It was therefore suggested that:

- There be a time limit of 1 month for consideration by Scrutiny Management Panel (SMP)
- The SMP meeting should be a special one and not wait for the next scheduled meeting
- when a call-in was sent back to Cabinet or a portfolio by SMP, where it was upheld there should be a different report considered
- The Cabinet Member should specify that they are taking cognisance of the SMP finding when making their decision

It was acknowledged that any report suggesting changes to the procedure would need to be referred on to full Council.

RESOLVED that a report be brought to the September meeting of Governance & Audit & Standards to review call-in rules and procedures.

40. Dates of future meetings (AI 14)

The different requirements of members regarding timings were noted, and it was agreed that arrangements should be left as they were for the next meeting on 20th September at 4pm. However the possibility of earlier meetings or a different day of the week should be considered thereafter, with inclusion of key officers in these discussions. This would be raised with the Chair of the Committee.

41. Exclusion of Press and Public (AI 15)

RESOLVED the following motion be adopted:
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 contain information defined as exempt in Part 1 of Schedule 12A to the Local

Government Act, 1972.

Minute 42 - Procurement Management Information
(Exempt Appendices 4 and 5 only) - under paragraph 3

42. Procurement Management Information (AI 16)

Greg Povey, Assistant Director Contracts, Procurement, Commercial, presented his information report in open session as far as possible, with the need to move into closed session due to the exempt nature of the information included in the appendices 4 & 5. He reported that this had been a period of general good compliance (apart from special educational needs placements). Whilst there had been low spend on waivers there had been a high number of small waivers, mainly due to the D-Day commemorations.

Mr Povey outlined the headlines within detailed appendices 1-3 before the meeting moved into closed session so that members could raise questions on the exempt appendices 4 & 5 regarding specific contracts.

The report was noted and members requested that they be sent the more recent June minutes of the Strategic Contract Management Board (which were also confidential).

The meeting concluded at 7.05 pm.

Councillor Leo Madden
Chair