

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