

GOVERNANCE & AUDIT & STANDARDS COMMITTEE

MINUTES OF THE VIRTUAL MEETING of the Governance & Audit & Standards Committee held remotely on Friday, 15 January 2021 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

Officers

Julian Pike, Deputy Director of Finance and S151 officer
Michael Lloyd, Directorate Finance Manager
Paul Somerset, Deputy Chief Internal Auditor
Peter Baulf, City Solicitor

External Auditor

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

1. Apologies for Absence (AI 1)

The Chair, Councillor Leo Madden, welcomed everyone to the meeting and explained that it was being held virtually because of restrictions imposed following the outbreak of Covid 19.

There were no apologies for absence.

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.

2. Declarations of Members' Interests (AI 2)

There were no declarations of members' interests.

3. Minutes of the Meeting held on 20 November 2020 (AI 3)

With regard to Minute 44, Julian Pike confirmed that the wording of the explanation referred to had been shared with the Committee before publication on the website.

With regard to Minute 47 Resolution (2), the Chair confirmed he had signed off the Statement of Accounts and Julian Pike confirmed that final sign off had happened this morning (15 January 2021).

With regard to Minute 49, Peter Baulf confirmed he would ask Sophie Mallon to contact Councillor Judith Smyth to discuss the contents of the report in more detail.

RESOLVED 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 2020 Audit Results report (AI 4)
(TAKE IN REPORT)

Helen Thompson and David White introduced the report.

Ms Thompson advised that all outstanding work has been completed and an unqualified audit opinion has been issued on the financial statements in the form at section 3. It includes 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 the audit opinion.

Ms Thompson also advised that they have no matters to report on the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources.

Mr White then referred to page 22 of the agenda pack that sets out the areas of risk focused on and advised that with reference to:-

- **Risk of fraud in revenue and expenditure recognition:** inappropriate capitalisation of revenue expenditure - no issues or indications of fraud have been identified from their work to address this risk.
- **Misstatements due to fraud or error** - no issues or indications of fraud have been identified from their work to address this risk.
- **Valuation of Lakeside North Harbour** – their work to address this risk, with input from their 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 their work to address this risk, which was undertaken with input from their internal valuation specialists. Mr White reiterated that the 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 and that this is not a qualification of their audit opinion.
- **Going concern** - External Auditors are satisfied that management's going concern assessment is appropriate. They held discussions with management and shared examples of disclosure wording to enable an initial disclosure to be included in the draft financial statements. Following their internal consultation process, they agreed further amendments to the disclosures, and were satisfied that the wording included in the final financial statements was sufficient and appropriate.

- **PFI accounting** - no issues have been identified from their work to address this risk.
- **Pension Liability Valuation** – one unadjusted audit difference has been identified from their work on this risk and is set out in Section 4. This is covered in the Letter of Representation and does not affect the Audit Opinion. No other issues have been identified.
- **Minimum Revenue Provision** - no issues have been identified from their 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 their work to address this risk.
- **Group Accounts Assessment** - no issues have been identified from their work to address this risk.

In conclusion, Mr White advised that there are no matters, apart from those reported by management or disclosed in this report, which they believe should be brought to the attention of the Governance and Audit and Standards Committee.

With regard to Value for Money, Mr White referred to page 23 of the documents pack and advised that they have considered PCC's arrangements to take informed decisions; deploy resources in a sustainable manner; and work with partners and other third parties. They identified one significant risk to their value for money conclusion, in relation to informed decision making, and specifically to the purchase of Lakeside North Harbour. They have completed their planned procedures with regard to this risk and have not identified any issues with the related arrangements.

Mr White reiterated that the External Auditors have no matters to report about PCC's arrangements to secure economy, efficiency and effectiveness in its use of resources.

In response to questions

- With regard to the unadjusted audit difference of £7.7m relating to the pension liability in the balance sheet, the auditors advised that this is not a gap in funding and members should not be concerned about this. Basically it is a comparison between a complex valuation carried out by the actuary to estimate the value of the pension fund assets and the notional actual amount that would appear in the Council's balance sheet.
- With regard to the valuation of land and buildings and property investment, it was confirmed that the impact of Covid was limited in this report given that the current audit results report relates to the year ended in March 2020. The 2020 to 2021 Audit Results Report will show the impact of Covid 19. Julian Pike said that the feedback so far is that the property market appears to be faring relatively well as have income streams, but it is impossible to say what the longer term impact will be. Michael Lloyd agreed especially as the Covid 19 pandemic is still continuing. Ms Thompson said that PCC are doing what they should be doing which is to closely monitor the impact of Covid. She said that PCC's going concern assessment was good and that the

external auditors would continue to review the impact of the pandemic on the Council in their 2020/21 audit.

- With reference to page 36 of the documents pack stating "group accounts not required for 2019/20" -David White explained that this just means that there is no need for separate group accounts for that year. If there was a significant change in the council's subsidiaries this may need to change so it is kept under review.
- With reference to page 41 referring to being unable to certify that the audit of accounts had been completed, the External Auditors said this would be updated as soon as the assurance statement in respect of the Authority's Whole of Government Accounts consolidation pack had been issued
- With reference to the last sentence on page 58 - summary of key changes - it was confirmed that although clarification is still awaited, this would be unlikely to be relevant to PCC.
- With reference to page 66 Related Parties and non- disclosure by management, it was agreed that this would be difficult to discover other than by way of a whistle-blower or a very diligent auditor. However the external auditors said they had no knowledge of any instance where non-disclosure was deliberate.

Helen Thompson and David White took this opportunity to express thanks to the PCC Finance Team and all those who supported the audit. They had carried out significantly more work than in previous years and had achieved a great deal.

The Chair thanked the external auditors for their report which was noted.

5. RIPA Inspection 2020 (AI 5)

(TAKE IN REPORT)

Paul Somerset, Deputy Chief Internal Auditor, introduced the report which updated Members on the inspection results and the Authority's use of Regulatory Powers for the period from 6th July 2019 to 6th January 2021.

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 had been no RIPA application.

RESOLVED that Members of 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 July 2019**
- (2) Noted the inspection carried out by the IPCO Surveillance Inspector and results presented**

6. Whistleblowing Report (AI 6)

(TAKE IN REPORT)

Paul Somerset introduced the report which updated 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 highlighted the review of the Whistleblowing policy, although there were no current amendments.

In response to a query, it was confirmed by Mr Somerset that the number of reports was usually low and was not a matter for concern in his view.

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

- (1) Noted this report and the attached Appendix A and considered whether any further action is required**
- (2) Noted 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 (AI 7)

(TAKE IN REPORT)

Peter Baulf, City Solicitor and Monitoring Officer, introduced the report which updated 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.

During discussion

- The City Solicitor confirmed that the expected national revision of the complaints process relating to the Code of Conduct had been delayed and agreed that currently the process lacked strong sanctions
- The City Solicitor confirmed that all complaints had ended after the Initial Filter Panel stage which indicated that the behaviour complained about was fairly low-key
- Members commented that those on the panels and members of the public who would see this annual report would want to see that any actions agreed after any complaints meeting had been followed up. The City Solicitor suggested that an extra sentence could be added to the decision notice sent to the subject member of the complaint to make clear that the Governance & Audit & Standards Committee have determined that failure to engage with the recommendations in a timely manner could expose the subject member to investigation under a new separate complaint. This was agreed.
- The City Solicitor apologised that one gender pronoun appeared in the summary table and he would do his best to ensure that gender pronouns did not appear in the summary table in future.
- Members were encouraged that there had been relatively low numbers of complaints and that they had been fairly low-key.
- Members commented that the Independent Persons appointed by PCC were excellent, had a good understanding of the process and were very diligent. Members asked that Independent Persons should be formally thanked by including an additional recommendation to that effect.

RESOLVED that the Committee

- (1) Noted the report**
- (2) Considered whether any further action was required by them**
- (3) Placed on record their thanks for the high standard of work carried out by the Independent Persons**

The meeting concluded at 2.55 pm.

Councillor Leo Madden
Chair