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## GOVERNANCE & AUDIT & STANDARDS COMMITTEE

MINUTES OF THE MEETING of the Governance & Audit & Standards Committee held on Friday, 5 March 2021 at 2.00 pm at the Virtual Remote Meeting

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

### Present

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

### Officers

Roland Bryant, Learning & Development Business Partner  
Helen Dickenson, Head of Litigation  
Elizabeth Goodwin, Chief Internal Auditor  
Richard Lock, Assistant Procurement Manager  
Michael Lloyd, Directorate Finance Manager  
Helen Magri, Corporate Information Governance Officer

### External Auditor

David White, Manager, Assurance - Government and Public Sector, Ernst & Young

#### 8. 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, but Councillors Tom Wood and Neill Young sent apologies for their expected late arrival.

#### 9. Declarations of Members' Interests (AI 2)

There were no declarations of members' interests.

#### 10. Minutes of the Meeting held on 15 January 2021 (AI 3)

**RESOLVED that the minutes of the meeting held on 15 January 2021 be approved and signed by the Chair as a correct record.**

## **11. Elected Member's Training Report and Calendar (AI 4)**

(TAKE IN REPORT for information only)

Roland Bryant, Learning and Development Business Partner, introduced the report which advised members of the Committee of the planned elected members training calendar for 2021/22.

He said that most of the training for 2020/21 was by way of an online offer because of the pandemic and that this had proved to be very successful in terms of attendance. The intention was to continue with online training as part of the general training offer alongside other training methods when these were possible. At the moment the Calendar is still in draft form but would be finalised in time for the new Municipal Year.

During discussion

- Members were pleased to see that Mental Health issues were covered in the training.
- Members were complimentary about the format of the training calendar and also about the breadth of courses offered
- Members raised concerns about attendance at meetings and how that attendance was recorded. Members were advised that Natasha Edmunds, Director of Corporate Services, was keen to collect attendance data to compile statistics and consideration was being given to how that could best be achieved. Members suggested that the Group Secretaries could perhaps be involved with that. Members also suggested that evening online training sessions should be offered as well as daytime sessions to enable those councillors with daytime employment to attend them. Members also suggested that giving councillors plenty of notice about training would be beneficial.
- Members were pleased that online training had resulted in greater attendance and that it appeared that members found the online training accessible.

There was a short discussion about training that was essential - such as Planning and Licensing. Making training mandatory was problematic as there was no real sanction. However, members would not be invited to sit on either Planning or Licensing without first being trained.

The report was noted.

## **12. Internal Audit Plan 2021/22 (AI 5)**

(TAKE IN REPORT)

Elizabeth Goodwin, Chief Internal Auditor, introduced the report which presents the proposed Internal Audit Plan for 2021/22 to the committee for approval, as set out in Appendix A. She advised that as for the previous year, the Plan was fluid as it was subject to changes dependent on how the pandemic progressed and whether there were more grants. Several audits in Adult Social Care and Children's Services had been postponed because it was not possible to do the work while adhering to the rules on social

distancing. The Plan is now reviewed monthly in order to take account of any further changes in risks levels or corporate priorities.

There are 43 Full Audits, 15 Follow ups, 15 second follow up reviews and 17 grants, in the revised plan for 2020/21, totalling 90 reviews. To date, 90 (100%) have been completed or are in progress as at 18<sup>th</sup> February 2021. This represents 63 (70%) audits where the report has been finalised, 3 (3%) where the report is in draft and 24 (27%) audits currently in progress. Some grants have to be included in the internal audit and these are shown in the Plan and will be brought to each meeting. Any changes will also be brought to the Committee's attention.

In response to questions

- Both of the named schools (St Jude's and St Paul's) were in the current year's plan but owing to resource issues they were not dealt with so have been taken forward into the 2021/22 plan. Three other unnamed schools will also be included in the 2021/22 plan but they have yet to be determined.
- With regard to Home to School Transport, a full review was due but this has been delayed so there is no overall opinion at present. This is also now in the plan for 2021/22.
- With regard to page 52 starting "sea defences" grant certification, it was confirmed that this was an audit of receipt of grant and how it was spent. Grants either have to have a declaration made by the CX and Chief Internal Auditor or statement required by the Section 151 officer. Other grants do not specify that this has to happen but depending on the amount of money involved, internal audit may do some cursory work.
- The Chief Internal Auditor agreed to check whether the money going into the Emergency Active Travel Fund would have to be certified as a Committee Member said this was likely to be of significant interest to members of the public. Any additional grants requiring certification will be included in progress reports to this committee.
- The Chief Internal Auditor confirmed that provided there was no large variation in staff, for example as a result of redeployment, long term sickness, maternity leave etc, her expectation was that resources would be adequate to deliver the Plan. However, there is a duty to align the Plan to risk exposure and statutory priorities so if resources became a problem, the Plan would be reviewed and either an audit would be reduced in its scope or taken out of this year's plan. There is no lee way on grant certification - but there is some flexibility in relation to other items. Any matters of concern would be prioritised.

**RESOLVED that the Committee approved the proposed Internal Audit Plan for 2021/22 as set out in Appendix A.**

### **13. Audit Performance Status Report (AI 6)**

(TAKE IN REPORT)

The Chief Internal Auditor introduced the report that updates the Governance and Audit and Standards Committee on the Internal Audit Performance for

2020/21 to 18 February 2021 against the Annual Audit Plan, highlight areas of concern and areas where assurance can be given on the internal control framework.

She advised that there are 43 Full Audits, 15 Follow ups, 15 second follow up reviews and 17 grants, in the revised plan for 2020/21, totalling 90 reviews. 90 (100%) have been completed or are in progress as at 18 February 2021. This represents 63 (70%) audits where the report has been finalised, 3 (3%) where the report is in draft and 24 (27%) audits currently in progress. The Chief Internal Auditor drew Members' attention to the following sections of the Appendix.

Section 3 of the Appendix sets out ongoing internal audit involvement. Over the course of this financial year, Internal Audit has also been involved in supporting the organisation in maintaining critical activities during Covid-19. This has included redeployment of some staff and undertaking ad-hoc control and risk management assessments in order for the organisation to flex its governance framework.

Section 4 sets out Covid 19 Assurance reporting. Internal Audit & Counter Fraud have been performing a number of assurance work in relation to COVID 19.

Section 5 of the Appendix sets out the Audit Plan Status/Changes including impact of COVID 19 on resources.

Section 9 onwards details 2020/21 audits completed to 18 February.

Section 11 onwards narrates the 2020/21 follow up audits to 18 February.

Section 13 shows audits in draft to 18 February.

Members said they were pleased at how the Audit report has evolved into its current user-friendly format.

During discussion

- The Chief Internal Auditor advised that where there is no requirement to verify grants for COVID 19 matters, PCC's procedures have been found to be very robust in terms of guarding against potential fraud - even in the face of organised crime. Any problems encountered have been minor in nature.
- With regard to the issue of contaminated land, there had been several follow-ups. Most issues are around the strategic framework so it has not been included in the 21/22 audit but will be included in the audit for 22/23.
- With regard to residents parking which has gone from limited assurance to limited assurance, Members were assured that the Chief Internal Auditor had no particular concerns about this. Covid 19 has resulted in some of the actions being stalled. There is a monetary figure attached to this though so it will be looked at again soon.

- With regard to the section showing audits removed, Members were advised that none is of particular concern although "Home to School Transport" is back in the Audit Plan for the first quarter as safeguarding matters in relation to third parties needed to be re-tested.
- With regard to the Solent LEP, it was confirmed that PCC is the accountable body and reviews on auditing Solent LEP are reported regularly to this Committee.
- Under section 9, there was mention on page 70 - Care Leavers - stating that "14/25 Pathway Plans (which is a requirement from the Children's Act 1989) not being conducted or reviewed within a timely manner i.e. conducted within three months of a child turning 16 or three months from entering care, by an average delay of 9.7 months" . The Chief Internal Auditor said she would check whether this meant 9.7 months late rather than 3 - or 9.7 months plus 3 months late (ie more than a year). She would also check whether the implementation date of January 2021 had been met. She said that she would trigger a follow up audit in April. Similarly with regard to page 74, she would check whether the action relating to the high risk exception concerning the Port had now been implemented.

As the next meeting of this Committee would not be until after the Elections, the Chair on behalf of the Committee asked the Chief Internal Auditor to send an email update to all committee members (in relation to the items raised in the last bullet point above). This was to confirm that the implementation date of January 2021 had been met in relation to Care Leavers and the Port, or to give reasons why implementation has not happened. The Chief Internal Auditor said she would arrange for this to be done.

Members agreed that in relation to Care Leavers plans, if the actions had not been implemented, the newly constituted committee post elections could give consideration to requesting a specific report on this matter.

**RESOLVED that Members noted the Audit Performance and results for 2020/21 to 18 February 2021.**

#### **14. Data Security Breaches (AI 7)**

(TAKE IN REPORT)

Elizabeth Goodwin and Helen Magri introduced the report which informs the Committee of any Data Security Breaches and actions agreed/taken since the last meeting. Members were advised that most of the breaches were as a result of human error.

In response to a query, it was confirmed that there did appear to be a comparatively large number of breaches in the Children Families and Education directorate. However, this had been the subject of review but the errors did not indicate that they were as a result of current working practices necessitated by the pandemic nor was there a particular pattern in the types of error. Helen Magri had met with the service management team who were working to prevent these errors.

**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).**

**15. External Auditors outline indicative 2020/21 Audit Plan (AI 8)**

(TAKE IN REPORT - for information only)

David White introduced the report which is the outline plan for 2020/21. He advised that owing to the ongoing impact of later deadlines and completion of audits from 2019/20, it has not been possible to bring the full plan to this meeting.

This indicative plan sets out the expected risks on pages 108 - 110. These are broadly similar to the final position set out in the 2019/20 plan. As matters progress more risks may be identified and these will be brought to the next meeting. The value for money section is set out on pages 113 - 119 and represents a significant change in how these matters are reported. In summary, External Audit is now required to undertake a wider risk assessment to identify risks and then to review them in more detail and provide a commentary. That assessment will be factored in to the final version of the audit plan.

Mr White also advised that Audit Partners are nominally rotated after 5 years but a 2 year extension to Helen Thompson's term has been discussed with the PSAA and with Mr Ward, Director of Finance. Mr White wanted to bring this proposed extension to this Committee in case members had any issues with this. On behalf of the Committee the Chair said he had no concerns about this at all.

The report was noted.

**16. External Auditors 2019/20 Annual Audit Letter (AI 9)**

(TAKE IN REPORT - for information only)

David White introduced the Annual Audit Letter explaining it is a requirement of the regulations that they issue an Audit Letter at the conclusion of each year's audit. This is intended to be a public facing version of the audit results report that came to this Committee and was discussed in detail in January. He summarised the headlines from the Executive Summary (on pages 127 and 128) advising that at the conclusion of the audit, they issued an unqualified opinion on the Council's Statement of Accounts for 2019/20 and an unqualified value for money conclusion. He confirmed that there was no reporting under their wider powers under the regulations. The one thing that had not been completed in time for the January meeting is the work on "whole of government accounts submission". This is a separate submission containing much of the same information as contained in the headline financial statements to enable the consolidation of accounts at departmental level. That work does not have to be completed at the same time as the main audit. It has now been completed and the certificate that formally closes the audit was issued on 11 February 2021.

Mr White then referred to pages 156 and 157 relating to Audit Fees. He advised that an additional scale fee of £30,020 has been agreed with the S151 officer.

With regard to the scale fee rebasing figure, the Redmond Review found a disparity between the public sector and private sector fees. When this was discussed with PCC management, they said that any changes relating to the PSAA scale fee should be a decision for the PSAA.

The Chair thanked Mr White for his report which was noted.

#### **17. Treasury Management Monitoring Report Qtr 3 (AI 10)**

(TAKE IN REPORT)

Michael Lloyd introduced the report that informs members and the wider community of the Council's Treasury Management position, i.e. its borrowing and cash investments at 31 December 2020 and of the risks attached to that position. He explained that whilst the Council has a portfolio of investment properties and some equity shares that were acquired through the capital programme; these do not in themselves form part of the treasury management function and are not considered as part of this report.

#### **RESOLVED**

- (1) That it be noted the Council's Treasury Management activities have remained within the Treasury Management Policy 2020/21 in the period up to 31 December 2020.**
- (2) That the actual Treasury Management indicators as at 31 December 2020 set out in Appendix A be noted.**

#### **18. Treasury Management Policy 2021/22 (AI 11)**

(TAKE IN REPORT)

Michael Lloyd introduced the report advising that the report was before this committee for scrutiny and comment and that it would also be going on to Cabinet and then to Full Council on 16 March for approval. He detailed the recommendations in the report.

Mr Lloyd advised that the report sets a number of treasury management indicators that will establish the boundaries within which treasury management activities will be undertaken. These are contained in paragraph 4.7 and appendix 5.1 of the Treasury Management Policy.

He advised that there had been a change from the previous Annual Investment Strategy as set out in recommendation 3.4 which was to recommend that a second loans pool be established in 2020/21 consisting of the three £20m loans that were taken from the Public Works Loans Board (PWLb) at the Housing Revenue Account (HRA) Certainty Rate, and that the borrowing costs on these loans be charged to the HRA in their entirety.

During discussion

- It was confirmed that this change would result in savings to the HRA account of around 2% of £60m amounting to £1.2m.
- In response to a query on the effect of Covid 19 on the Treasury Management Policy, Michael Lloyd said that in the short term it may have been beneficial as government money had been paid up front, but the long term effects are unknown.
- Members asked if it would be possible for a report to be brought to this committee documenting the effect of Covid 19 on PCC's investments. Julian Pike said that this was something that the Director of Regeneration could be asked to prepare and the Chair asked that this request be minuted.

**RESOLVED that the Committee noted the recommendations in section 3 of the report that will go on to Cabinet and then to Full Council for approval.**

#### **19. Appointment/re-appointment of Independent Persons (AI 12)**

(TAKE IN REPORT)

Helen Dickeson, Head of Litigation, introduced the report explaining that it sets out the requirements for Independent Persons. It asks the Committee to consider the reappointment of two Independent Persons whose terms are coming to an end and to increase the number of Independent Persons from four to five by appointing an additional Independent Person, pursuant to the provisions of Section 28 of the Localism Act 2011.

Increasing the number of Independent Persons will be beneficial in arranging sub-committees to deal with complaints against members.

The Chair thanked all the Independent Persons for their excellent work. The Committee fully supported the recommendations to Council to increase the number of Independent Persons and the re-appointment of Carole Damper and Diana Turner and the appointment of Chris Rider.

**RESOLVED that Governance and Audit and Standards Committee recommend that;**

- 1) The Council increases the number of Independent Persons to up to five (from up to four);**
- 2) The Council reappoint Carole Damper and Diana Turner as Independent Persons for a further three years from 1 May 2021 through to 30 April 2024, and;**
- 3) The Council appoint Chris Rider as an Independent Person for three years from 1 May 2021 through to 30 April 2024 (subject to 1 above being agreed).**

## **20. Members Allowances Report (AI 13)**

(TAKE IN REPORT)

Helen Dickeson, Head of Litigation, introduced the report.

RESOLVED that the review process be approved; and

The Governance & Audit & Standards Committee Recommend to Full Council:

(1) That no change should be made at present to any of the various elements comprising the Members' Allowances Scheme ("the Scheme") attached as Appendix 1 on the basis that the existing index linked arrangement should continue to be applied.

(2) To note that the Panel aims to revisit the Scheme in around one year's time to consider any possible changes the Panel may deem appropriate at that time

(3) Note in any event a further review will be required within four years of the last review taking place

(4) That the existing Independent Review Panel be retained as a Standing Panel in the interim period, to consider any issues that arise in connection with the Scheme before the next review, either by email or in meetings.

(5) The members of the Independent Review Panel be thanked for their time and attention in undertaking the Review.

## **21. Procurement report (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.

The information only report was noted.

The Chair thanked everyone for their attendance. In particular he expressed his thanks to Councillors John Ferrett, Tom Wood and Neill Young (who were stepping down as Councillors) for all their hard work and contributions to the Council and particularly in respect of this Committee.

The meeting concluded at 3.45 pm.

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Councillor Leo Madden  
Chair

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