

GOVERNANCE & AUDIT & STANDARDS COMMITTEE

MINUTES OF THE MEETING of the Governance & Audit & Standards Committee held on Wednesday, 20 July 2022 at 10.00 am at the Council Chamber - The Guildhall, Portsmouth

(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 Dave Ashmore
Councillor Stuart Brown
Councillor Judith Smyth
Councillor Benedict Swann

Officers

Peter Baulf, City Solicitor
Elizabeth Goodwin, Chief Internal Auditor
Michael Lloyd, Finance Manager (Technical & Financial Planning)
Richard Lock, Procurement Manager
Kelly Nash, Corporate Performance Manager
Julian Pike, Deputy Director of Finance & S151 Officer
Paul Somerset, Deputy Chief Internal Auditor

External Auditor

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

22. Apologies for Absence (AI 1)

Apologies were received from Councillor Daniel Wemyss. Councillor John Smith was in attendance as Standing Deputy.

23. Declarations of Members' Interests (AI 2)

Councillor Stuart Brown declared a personal interest in agenda item 6, Draft Annual Governance Statement, as his employer, Shaping Portsmouth, was mentioned within the document as a partner that worked with the Council.

24. Minutes of the meeting held on 4 March 2022 (AI 3)

RESOLVED that the minutes of the meeting held on 4 March 2022 be approved and signed by the Chair as a correct record.

25. External Audit Plan 2021-22 (AI 4)

(TAKE IN REPORT)

David White from Ernst & Young, the Council's external auditors, introduced the report, which provided the committee with a basis to review on the proposed audit approach and scope for the 2021/22 audit in accordance with the requirements of the Local Audit and Accountability Act 2014, the National Audit Office's 2020 Code of Audit Practice, the Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA) Ltd, auditing standards and other professional requirements.

The report set out the Risk Assessment, the work to address the risks and the timetable for the audit which was geared towards meeting the 30 November 2022 deadline.

The committee was advised that many of the risks remained consistent with the 2020/21 audit, however the following new risks had been added:

- Risk of fraud in revenue and expenditure recognition - inappropriate recognition of trading and investment property income;
- New ledger system (Fusion); and
- Infrastructures Asset Valuation.

In response to a question about the significant risk attached to the council's investment property valuation of Lakeside it was confirmed that there were no specific concerns, but this area remained a significant risk due to the values associated to this investment. The risk category may in future be downgraded if there continued to be no concerns.

Following the discussion, it was RESOLVED that the committee NOTED the information only update report.

26. Internal Audit Performance Status Report to 20 July 2022 & Annual Audit Opinion 2021/22 (AI 5)

(TAKE IN REPORT)

Elizabeth Goodwin, Chief Internal Auditor, introduced the report which updated on the internal audit performance for 2021/22 to 20 July 2022 against the Annual Audit Plan, highlighted areas of concern and areas where assurance could be given on the internal control framework.

In addition to this the annual opinion on the effectiveness of the internal control environment was detailed in Appendix B. This opinion fed into the Annual Governance Statement and was a requirement of the Local Government Act 1999 and the Public Sector Internal Audit Standards.

The committee was advised that there was a national picture of increasingly sophisticated cyber-attacks, which had resulted in some procedures being upgraded to counter this risk.

Overall, 2021/22 had seen an improved level of assurance across the council with an overall rating of reasonable assurance. This was a very positive step and the first time in a decade that the council had achieved this overall rating.

In response to questions from the committee it was confirmed that:

- There were no specific concerns with the IT systems and processes in place to counter the cyber security threat.
- In relation to three areas of weakness relating to fire drills, stay put policy and checks on fire extinguishers it was explained that the reminders sent had not been effective in all cases. This would continue to be monitored closely and it was agreed that the committee would be informed of the areas of the council which had not complied;
- Income compensation claims would always result in a green rating due to the council's processes and the requirement for them to meet stringent conditions and signed off as compliant;
- In relation to the petty cash limits being exceeded quite regularly by Portico, there was an action to increase the safe limit because the existing limit was not sufficient.

RESOLVED that the Governance, Audit & Standards Committee NOTED:

- (i) the Audit Performance and results for 2021/22 to 20 July 2022;
- (ii) any highlighted areas of concern in relation to audits completed from the 2021/22 Audit Plan, including follow up work performed; and
- (iii) the Annual Audit Report and Opinion for 2021/22.

27. Draft Annual Governance Statement (AI 6)

(TAKE IN REPORT)

Kelly Nash, Corporate Performance Manager, introduced the report which sought approval from the committee for the council's draft Annual Governance Statement (AGS) for 2021/22 (Appendix 1 to the report).

In response to a question about the focus of the document being more about improving processes, rather than outcomes, it was explained that the document was by necessity focussed more on procedures. However, the partner document, the narrative in the Statement of Accounts, would be more outcome based.

RESOLVED that the Committee APPROVED the draft Annual Governance Statement 2021/22.

28. Treasury Management Outturn Report 2021/22 (AI 7)

(TAKE IN REPORT)

Michael Lloyd, Finance Manager (Technical and Financial Planning), introduced the report, the purpose of which was to inform members of the council's treasury management activities in 2021/22 and of the council's treasury management position as at 31 March 2022.

In response to a question, it was confirmed that the council had operated within the agreed Treasury Management Policy to ensure the security of investments. With the predicted increases to the Bank of England base rate it was expected that slightly higher returns on investments would be realised going forwards.

RECOMMENDED 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).

29. Consideration of the political balance rules in relation to the constitution of Sub-Committees considering complaints against Members (AI 8)

(TAKE IN REPORT)

Peter Baulf, City Solicitor, introduced the report.

The Committee was asked to consider whether it wished to disapply the political balance rules in respect of its Sub-Committees and the Initial Filtering Panels which considered complaints against Members.

The committee had no questions in respect of this item.

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.

30. Exclusion of Press and Public (AI 9)

The Chair advised that proceedings would be kept open until such time as there was any discussion relating to the exempt appendices included in the report on the following item on the agenda and would move into exempt session at that point.

31. Procurement Management Information (AI 10)

(TAKE IN REPORT)

Richard Lock, Procurement Manager, introduced the report which provided evidence to allow the committee to evaluate the extent that Portsmouth City Council is producing contracts for goods, works and services in a legally compliant value for money basis.

The report also updated the committee on progress developing procurement performance reporting and sought comments in respect of proposed further developments.

Spend Compliance

Through developments in the roll out of Oracle FUSION, the spend compliance report now encompassed spend processed across a range of Council systems rather than just spend via Oracle FUSION as was previously the case.

In respect of Oracle FUSION, when the sub £5k transactions or non-linked transactions to known contracts were removed the council was at the highest compliance levels that it had ever been at. Nothing of any concern had been identified in the non-compliant transactions above £100k.

The committee noted that further analysis would be undertaken on transactions outside of Fusion and links built into those transactions to give improved assurance to the committee going forwards.

The committee agreed to quarterly rather than monthly monitoring to bring the reports into line with others considered by the committee and that the financial transaction elements be slimmed down for the next report for the committee to judge how it compared to previous reports.

Waiver

The committee was advised that there were no waivers of high risk. There were a number of medium risk waivers, which in a large part were linked to a necessary extension of a supported living framework agreement in Adult Social Care which had affected contracts that sat under it.

It was recognised that work needed to be undertaken to reduce waivers, however the retendering of the supported living framework agreement was predicted to considerably reduce the number of waivers

Contract Management KPI

The committee was advised that this report had been made clearer and had focussed on the contracts above £100k. Of those sampled there had been no red KPI's in the last quarter and 4% were amber. From the information

received in respect of the amber KPI's it appeared likely that these would be improved in the coming quarter.

The committee approved of the simplified approach to the report and was pleased to learn that there was service led contract management in place.

In response to a question about the impact of rising fuel and material prices it was explained that the impact varied by contract type. Some were set fee contracts; however, the suppliers were required to evidence best value. Some contracts were negotiated annually.

In terms of the budgetary effect on the council of the rising cost of fuel and energy the Deputy Director of Finance and Resources explained that the Q1 Monitoring report would be considered by Cabinet in September, however the Medium-Term Financial Strategy would potentially be impacted.

RESOLVED that the committee NOTED the update report.

The meeting concluded at 11.25 am.

Councillor Leo Madden
Chair