

# Public Document Pack

## GOVERNANCE & AUDIT & STANDARDS COMMITTEE

MINUTES OF THE MEETING of the Governance & Audit & Standards Committee held on Wednesday, 8 March 2023 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](http://www.portsmouth.gov.uk).)

### Present

Councillor Leo Madden (in the chair)

Councillor Stuart Brown  
Councillor Judith Smyth  
Councillor Benedict Swann

### Officers

Helen Dickeson, Deputy City Solicitor  
Elizabeth Goodwin, Chief Internal Auditor  
Michael Lloyd, Finance Manager  
Richard Lock, Assistant Director, Procurement  
Helen Magri, Corporate Information Governance  
& Data Protection Officer  
Julian Pike, Deputy Director of Finance & Resources & S.151 Officer  
Paul Somerset, Deputy Chief Internal Auditor

### External Auditor

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

#### 10. Apologies for Absence (AI 1)

Apologies for absence were received from Councillor Dave Ashmore and Councillor Daniel Wemyss.

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

There were no declarations of interest.

#### 12. Minutes of the meeting held on 25 January 2023 (AI 3)

The minutes of the meeting held on 25 January 2023 were confirmed and signed as a correct record.

### 13. Annual Governance Statement (AI 4)

(TAKE IN REPORT)

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

The committee commented on the timing of the report, which had historically been considered in or around September or November each year. Therefore, some elements were a little dated.

In reply, it was explained that the delay in the consideration of the report was linked to the delay with the external audit results report being completed. The two reports, along with the Statement of Accounts, were considered at the same meeting, therefore the delay in the external audit results report had also delayed the consideration of the Annual Governance Statement and the Statement of Accounts.

The committee noted the reasons for the delay in considering the reports, but in future years encouraged that they be considered as early in the year as possible.

The committee also noted that the Annual Governance Statement could not be fully signed off until the Statement of Accounts had been approved. The committee therefore agreed the following additional recommendation:

**'delegates authority to the Chair of the Governance and Audit and Standards Committee to agree the 2021/22 Annual Governance Statement after 8<sup>th</sup> March 2023, should this be required, following the signing of any amended Statement of Accounts by the Chair of the Governance and Audit and Standards Committee.**

**RESOLVED that:**

- (i) the Committee agreed the Annual Governance Statement 2021/22 (Appendix 1); and**
- (ii) delegated authority to the Chair of the Governance and Audit and Standards Committee to agree the 2021/22 Annual Governance Statement after 8<sup>th</sup> March 2023, should this be required, following the signing of any amended Statement of Accounts by the Chair of the Governance and Audit and Standards Committee.**

## 14. External Audit - Audit Results Report Year Ended 31 March 2022 (AI 5)

(TAKE IN REPORT)

David White from Ernst & Young introduced the report which presented Portsmouth City Council's Annual Report for the year ended 31 March 2022 to the committee for information.

In terms of the audit, some elements were ongoing and a further finalised report would be circulated at a later date.

The ongoing elements were:

- Testing of property, plant and equipment and investment property – principally valuations;
- Completion of work on accounting for infrastructure assets;
- Completion of work across a number of low risk areas;
- Completion of remaining general audit procedures under the ISAs; and
- Completion of internal review processes.

It was not expected that the audit certificate would be issued at the same time as the audit opinion, due to the possibility that the external auditor would need to complete additional procedures at the request of the National Audit Office for the Whole Government Accounts.

HM Treasury had not yet confirmed which bodies this would impact and the certification work could not be performed until this was available. Currently, there was no confirmed timescale for their release.

In respect of the delay in considering the report in comparison to previous years, the committee was advised that the testing of property, plant and equipment and investment property had been a major factor. This area of the audit was a key focus for the regulator and the level of evidence required had continued to increase to substantiate the valuations in the accounts. Some issues had been experienced with gaining the required evidence and some of the methodology used as detailed in section 7 of the report. It was however appreciated that a large body of evidence was required and that there had been staff turnover within the valuations team which had impacted on their ability to provide some of the information.

The second factor was the recording and accounting for infrastructure assets to ensure full compliance with the International Standards for Auditing (ISA) (UK and Ireland) 500 and 540. This was a common national issue which affected a number of councils and had taken a long time to resolve via the issuing of a statutory instrument and an amendment to the code of practice.

There were also ongoing capacity constraints within the auditor due to the time needed to work through these matters and capacity limitations within public sector audit in general. Ernst and Young were however actively trying to recruit.

In respect of the completed areas of audit focus, there were no other significant issues or matters of concern to report.

The committee voiced concerns over the timeliness of the report and in response to a question it was explained that the delay in the valuations was due to the sample sizes required based upon the level of risk of the assets. In previous years this would have entailed less work, but every input was now required. It remained the case that some elements couldn't be fully evaluated, and it was acknowledged that the process had taken longer than the auditors would have liked. Assurance was given that Portsmouth City Council was not unique in the audit being delayed and the situation had impacted on the majority of local authorities and audit firms.

During discussion, the committee highlighted that the audit had in previous years been completed in the September or November and requested that this be aimed for in future years.

**RESOLVED that the committee NOTED the report.**

#### **15. Statement of Accounts (AI 6)**

(TAKE IN REPORT)

Julian Pike, Deputy Director of Finance & S151 Officer and Michael Lloyd, Finance Manager (Technical and Financial Planning) introduced the report which requested that the Statement of Accounts be approved.

The Deputy Director of Finance drew the committee's attention to a typographical error in the report in respect of the table in 'Note 30 Officer Remuneration' on page 52 of the agenda where the figures in the 'Revised Figures' and 'Amendment' columns for Band 65,000 to 69,999 had been transposed.

Proposed by Cllr Leo Madden and seconded by Cllr Stuart Brown it was

**RESOLVED that:**

- (i) the Statement of Accounts be approved; and**
- (ii) authority be delegated to the Chair of the Governance and Audit and Standards Committee to sign an amended 2021/22 Statement of Accounts after 8<sup>th</sup> March should this be required following comments by the auditor.**

## 16. Treasury Management Policy for 2023/24 (AI 7)

(TAKE IN REPORT)

Michael Lloyd, Finance Manager (Technical & Financial Planning) introduced the report which contained the updated Treasury Management Policy Statement which included the Annual Investment Strategy.

There were three proposed changes from the previous year's Treasury Management Policy, which were:

- The inclusion of a liability benchmark as now required by the code of practice;
- Changes to the borrowing strategy in response to higher interest rates; and
- A proposal not to invest in banks which were more than 50% owned by governments with poor human rights records.

The committee believed that knowledge of the Treasury Management Policy was important for councillors and in response to a question it was confirmed that some slides could be incorporated into the presentation given by the S.151 Officer to new members.

In response to a further question, it was explained that the council already had an Environmental, Social and Governance filter for investments, with a policy to only commit to 'Leader' or 'Average' institutions and not 'Laggard'. All of the council's investments were confirmed to be ethical.

This being their last Governance & Audit & Standards Committee before leaving the council, the committee thanked Julian Pike, Deputy Director of Finance and Michael Lloyd, Finance Manager, for their support professionalism and dedication to the council and the committee.

**RESOLVED that the committee NOTED the recommendations in section 3 of the report which would go on to Full Council for approval.**

## 17. Internal Audit Performance Status Report to 21 February 2023 & Internal Audit Plan 2023/24 (AI 8)

(TAKE IN REPORT)

Elizabeth Goodwin, Chief Internal Auditor, introduced the report which updated the committee on the Internal Audit Performance for 2022/23 to 21 February 2023 against the Annual Audit Plan and highlighted areas of concern and areas where assurance could be given on the internal control framework. It also presented the proposed Internal Audit Plan for 2023/24 to the committee for approval.

She advised the committee that the audit work on the 2021/22 Audit Plan should be completed by mid-April, however progress had been impacted by a number of investigations that the team were currently undertaking.

**RESOLVED that the Governance & Audit & Standards Committee:**

- (i) noted the Audit Performance for 2022/23 to 21 February 2023;**
- (ii) noted the highlighted areas of concern in relation to audits completed from the 2022/23 Audit Plan, including follow up work performed; and**
- (iii) approved the proposed Internal Audit Plan for 2023/24.**

**18. Data Security Breaches Report (AI 9)**

(TAKE IN REPORT)

Elizabeth Goodwin, Chief Internal Auditor, introduced the report which updated the committee of any Data Security Breaches which had occurred since September 2022 and any subsequent actions which had been taken to address them.

**RESOLVED that the committee NOTED the report.**

**19. Appointment of Independent Person (AI 10)**

(TAKE IN REPORT)

Helen Dickeson, Deputy City Solicitor, introduced the report which considered the re-appointment of an Independent Person whose term of office expires this May 2023, pursuant to the provisions of Section 28 of the Localism Act 2011.

**RESOLVED that**

- (i) The Governance and Audit and Standards Committee recommended to Council to re-appoint Mr John Young as Independent Person for a further three years from 1 May 2023 through to 30 April 2026;**
- (ii) the Governance and Audit and Standards Committee thanked Mr Mark Walsh for his 3 years' service as an Independent Person and;**
- (iii) following the Local Elections May 2023, that a new Independent Person is sought to fill the vacant position.**

## **20. Exclusion of Press and Public (AI 11)**

The Chair advised that proceedings would be kept open until such time that the committee wished to discuss the exempt appendices to the following report:

- (i) Procurement Management Information

At the conclusion of the consideration of the non-exempt report, the resolution to move into exempt session to consider the exempt appendices was not passed, as the committee did not have any questions specific on them.

## **21. Procurement Management Information (AI 12)**

(TAKE IN REPORT)

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

He advised the committee that the council was operating at a spend compliance level of 99% for transactions processed through the Fusion system and reporting on spend via the MOSAIC system could now be undertaken. This included Adult Social Care payments, Private Sector Housing and Disabled Facilities Grants. Whilst some work was required to get contracts onto the system, initial analysis had not shown any high-risk breaches of regulations. Further work would be undertaken in the coming few months.

In terms of awards via waiver, the Council was mostly back to pre-pandemic levels following the increase in waivers necessary to react quickly to the issues faced during the pandemic and the associated backlog of work thereafter. He advised the committee that there were no high-risk waivers which breached statutory thresholds.

In respect of Key Performance Indicators (KPIs), he reminded the committee that one single KPI would be introduced for all contracts from April 2023, commencing with the larger contracts and followed by the smaller contracts. It was expected that the previous KPI measures for contracts in excess of £100k would be removed after six months. In terms of the report before the committee there were no red KPIs to report on.

**RESOLVED that the committee NOTED the update report.**

The meeting concluded at 11.06 am.

---

Councillor Leo Madden  
Chair