

Public Document Pack

GOVERNANCE & AUDIT & STANDARDS COMMITTEE

MINUTES OF THE MEETING of the Governance & Audit & Standards Committee held on Wednesday, 19 July 2023 at 10.30 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 Stuart Brown (Vice-Chair)
Councillor Hannah Brent
Councillor Graham Heaney
Councillor George Madgwick

Officers

Peter Baulf, City Solicitor
Elizabeth Goodwin, Chief Internal Auditor
Kelly Nash, Corporate Performance Manager
Paul Somerset, Deputy Chief Internal Auditor
Richard Webb, Deputy Director of Finance

22. Apologies for Absence (AI 1)

Apologies were received from Councillor Benedict Swann and Councillor Daniel Wemyss.

Councillor Hannah Brent was in attendance as Standing Deputy in place of Councillor Benedict Swann.

23. Declarations of Members' Interests (AI 2)

There were no declarations of interest.

24. Minutes of the meeting held on 8 March 2023 (AI 3)

RESOLVED that the minutes of the meeting held on 8 March 2023 be approved and signed by the Chair as a correct record.

25. Internal Audit Performance Status Report to 6th July 2023 & Annual Audit Opinion 2022/23 (AI 4)

(TAKE IN REPORT)

Elizabeth Goodwin, Chief Internal Auditor, introduced the report which updated on the internal audit performance for 2022/23 to 6 July 2023 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 of the following areas of concern:

This first was an opinion of 'No Assurance' which had been given to direct payments in Children, Families and Education. This related to the authorisation of payment arrangements, poor record keeping, an absence of financial audits and fraud prevention measures, inadequate expenditure guidance and a lack of management monitoring and reporting.

A process map dated September 2022 had been provided for guidance as part of the audit, however from the testing conducted, this process had not been fully adhered to and there was some confusion between teams (Social Care and Finance) with regards to process responsibility. A no assurance rating had been given due to the failure to safeguard assets and prevent fraud, demonstrate efficient and effective use of public funds, and compliance with procedure, directly linked to the verification of expenditure incurred.

The second followed a review of 'Key Financial Controls' in nominated areas which also highlighted key control weaknesses, such as a failure to comply with directed processes, thereby increasing the risk of theft or fraud. The review had been triggered following the identification of similar issues to that detailed above within two service areas, involving safe security and cash handling. Testing had highlighted significant process failures that required immediate and robust control arrangements to be implemented.

The third was a pattern emerging of potential and actual losses and thefts both locally and nationally. This could be a result of increased opportunity for fraud or theft, which in some instances was being exploited. Further work needed to be performed in order to ascertain the full effects on control environments.

In response to previous concerns raised by the committee, it was explained that the historic issue of gaps in the control arrangements for home to school transport remained to a degree, but the level of assurance had moved from limited assurance to reasonable assurance. The overall position had therefore improved, but a watching brief would be kept on the matter.

In response to a question as to whether the system for home to school transport would ever be perfect it was explained that the main point was adherence to control arrangements in place, however driver checks were often identified as an issue. The renewals for these came at different times and the information required, such as DBS checks, sometimes came from another local authority if the driver was licensed outside of the city. In these instances the speed at which this information was supplied was outside of the council's direct control.

In respect of drivers and vehicles that were licensed outside of the city it was confirmed that the council could contract with any registered driver. However, checks and balances existed to provide additional assurances should the licence have been granted by a licensing authority with less stringent requirements than the Portsmouth City Council Licensing Authority.

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

- The audit plan was continually reviewed and items would only be removed or deferred if another higher priority item came forward. Any deferred audits would again be assessed the following year, with priority given to matters viewed as a high risk at that time;
- There was a pattern of small frauds and thefts both locally and nationally. At both levels this appeared to be becoming more prevalent.
- It was difficult to confirm whether the level of high risks was increasing overall, as different areas were audited in depth each year. However, there weren't any concerns about any significant increases in high-risk exceptions.
- In respect of assessing the risk rating, the impact upon the service and identifying systemic issues were the key measures rather than purely the financial impact.
- The implementation date of July 2024 to address the high risk exceptions in respect hire cars was tied with the contract renewal date.

RESOLVED that the Governance, Audit & Standards Committee NOTED:

- (i) the Audit Performance and results for 2022/23 to 6 July 2023;
- (ii) any highlighted areas of concern in relation to audits completed from the 2022/23 Audit Plan, including follow up work performed; and
- (iii) the Annual Audit Report and Opinion for 2022/23.

26. Annual Governance Statement (AI 5)

(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 2022/23 (Appendix 1 to the report).

The committee requested the following amendments:

- Agenda page 75 (Draft Governance Statement document) - first line of the first paragraph under the heading 'Partnership working', remove the word 'right' before the word 'organisations'
- Agenda Page 83 (Draft Governance Statement document) - remove reference to the council having a Deputy Chief Executive in the first bullet under the heading 'Monitoring and evaluating the effectiveness of the governance framework'
- Agenda page 109 (Local Code of Governance document), fourth bullet - amend the wording in brackets to make reference to the Chair of the Governance and Audit and Standards Committee not sitting on Cabinet, rather than not sitting on any other regulatory committee.

The committee discussed training (second paragraph on agenda page 80) and whether training for councillors was compulsory for members of certain committees.

Whilst neither compulsory nor a statutory requirement, the council was able to mandate training for councillors appointed to committees such as the Licensing Committee and Planning Committee. The word 'compulsory' to be removed.

RESOLVED that the Committee:

- (i) **APPROVED the draft Annual Governance Statement 2022/23; and**
- (ii) **NOTED the refreshed Local Code of Governance (attached Appendix 2)**

27. Risk and Assurance Management Policy (AI 6)

(TAKE IN REPORT)

Kelly Nash, Corporate Performance Manager, introduced the report presented the council's risk and assurance management policy to the Governance and Audit and Standards Committee for approval.

In response to questions it was confirmed that the references to the post of Deputy Chief Executive would be removed as it did not exist and that the council had a robust approach to assessing risk. The threshold for this varied depending on the item and the committee was reminded of the robust framework which existed and the regular reports considered by this committee.

RESOLVED that the Committee:

- (i) **APPROVED the attached Risk and Assurance Management Policy; and**

- (ii) **AGREED to review the risk management policy in July 2025, including risks current at the time and lessons learnt over the previous year.**

28. Consideration of the political balance rules in relation to the constitution of Sub-Committees considering complaints against Members (AI 7)

(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.

29. Exclusion of Press and Public

Internal Audit Performance Status Report to 6th July 2023 & Annual Audit Opinion 2022/23

The committee wished to discuss the 'Areas of Concern' section in further detail. This was in respect of the review triggered following the identification of key control weaknesses in two service areas involving safe security and cash handling which identified significant process failures that required immediate and robust control arrangements to be implemented.

Given the potential for exempt information to be disclosed under Paragraph 3* of Part 1 of Schedule 12A to the Local Government Act 1972, the Chair proposed that the committee move into exempt session.

It was RESOLVED:

“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 as the discussion was likely to disclose exempt information as contained Paragraph 3 of Part 1 of Schedule 12A to the Local Government Act, 1972.

The public interest in maintaining the exemption outweighed the public interest in disclosing the information.

Item Exemption	Para No.*
Minute 30 - Internal Audit Performance Status Report to 6th July 2023 & Annual Audit Opinion 2022/234.	3

*3. Information relating to the financial or business affairs of any particular person (including the authority holding that information).

30. Internal Audit Performance Status Report to 6th July 2023 & Annual Audit Opinion 2022/23 (AI 4)

This item was held in camera.

The meeting concluded at 11.45 am.

.....
 Councillor Leo Madden
 Chair