

MEETING AC.04:0708  
DATE 25.10.07

### **South Somerset District Council**

**Minutes** of a meeting of the **Audit Committee** held in the Main Committee Room, Council Offices, Brympton Way, Yeovil on **Thursday, 25th October 2007**.

(10.00 a.m. – 11.45 a.m.)

**Present:**

**Members:** Derek Yeomans (in the Chair)

Mike Best	John Richardson
Tim Inglefield	Peter Roake
Ian Martin	Alan Smith
Roy Mills	Colin Winder
Tom Parsley	

**Officers:**

Rina Singh	Corporate Director - Communities
Donna Parham	Head of Finance
Gary Russ	Procurement and Support Services Manager
Ian Baker	Group Auditor
Andrew Blackburn	Committee Administrator

### **33. Minutes**

The minutes of the meeting held on the 27th September 2007, copies of which had been circulated, were taken as read and, having been approved as a correct record, were signed by the Chairman.

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### **34. Apologies for Absence**

An apology for absence was received from Cllr. Paull Robathan (Portfolio Holder for Finance, Revenues and Support Services).

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### **35. Declarations of Interest**

There were no declarations of interest.

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### **36. Public Question Time**

No comments or questions were raised by members of the public.

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### **37. Data Quality Strategy (Agenda item 5)**

Reference was made to the agenda report and the Corporate Director (Communities) introduced the draft Data Quality Strategy for the Council and asked the Committee to consider and recommend it to District Executive for approval.

The Corporate Director (Communities) reported that the Audit Commission had placed increased emphasis on the quality of data that was used to inform the development of services and national comparisons and the Audit Commission was actively encouraging local authorities to have a Data Quality Strategy. Members noted that the Council already operated with a high standard of data quality and that the Strategy would formalise what the Council currently did.

The Corporate Director (Communities) further reported that the Council's data quality score was 2 out of 4 but work that had been carried out since, including writing the Strategy, had raised the score to 3 out of 4. The Audit Commission had approved the Strategy in its draft form and recommended it as fit for purpose and an exemplar document.

During the ensuing discussion, the Corporate Director (Communities) noted the comments of members regarding the need to amend a minor typographical error and the reference to her job title within the Strategy document.

A member commented that he hoped that the Strategy was not too rigid resulting in the expertise and flexibility of managers being suppressed. The Corporate Director (Communities) referred to the requirement for the Strategy and the performance indicators being Government led. The Strategy was intended to ensure that staff were aware and had the right skills, quality of information and data. It was noted that the Audit Commission would be checking the paperwork and if it was not as prescribed, the Council may receive only a qualified opinion following any inspection. The Corporate Director (Communities) reported, however, that the Data Quality Strategy should not impede a manager's ability to use their expertise. She also referred to consultation that took place internally by way of forums and the Council's suggestion scheme. Although suggestions could be anonymous it was hoped that staff would give their names so their ideas could be developed further with them. The scheme allowed for a reward and encouragement was given to staff through their managers, team briefs and other forums.

In response to a question from a member, who queried whether there was a culture for people to take risk, the Procurement and Support Services Manager commented that although there was an underlying requirement from Government for controls, that did not necessarily mean that officers could not take some risk but in a managed way.

A member referred to the amount of data kept by the Council on electronic systems and queried whether there was any risk of irretrievable data loss. The Corporate Director (Communities) and the Group Auditor reported that the Council's data was kept on a networked drive, which was backed up regularly. The Council also had a business continuity plan.

The Committee indicated that it was content with the Data Quality Strategy and agreed that it should be referred to District Executive with the recommendation that it be approved. Members also concurred with the comments of the Chairman in congratulating the Corporate Director (Communities) on the upgrading of the Council's Data Quality score from 2 out of 4 to 3 out of 4.

**RESOLVED:** that, subject to the minor amendments mentioned by the Committee being taken into account, the Data Quality Strategy be referred to the District Executive with the recommendation that it be approved.

*(Rina Singh, Corporate Director (Communities) – (01935) 462010)*  
*(rina.singh@southsomerset.gov.uk)*

### 38. Progress on Standing Orders for Contracts and a New Set of Procurement Procedure Rules (Agenda Item 6)

The Procurement and Support Services Manager summarised his report on the agenda, which updated members on the progress so far in producing new Standing Orders for Contracts together with a more detailed set of Procurement Procedure Rules that would sit alongside the Contract Standing Orders. It was noted that the two new documents, as attached to the agenda, had been produced to replace guidance that was previously contained within the Standing Orders for Contracts and the Financial Procedure Rules. All sections within the Financial Procedure Rules that previously dealt with procurement or contracts had been removed so that officers did not have to consult several different documents for guidance and advice regarding what they should or should not do in a procurement situation and in order to minimise confusion. The Procurement and Support Services Manager indicated that the Contracts Standing Orders were a de minimus set of rules that the officers would need to take into account when letting contracts. The Procurement Procedure Rules were a more detailed document that set out the context in which the Standing Orders operated and gave more guidance than could be contained within the Standing Orders.

The Procurement and Support Services Manager further reported that the documents attached to the agenda were still working documents and he informed members of a number of grammatical and typographical errors that had been picked up since they had been circulated to members. He further indicated that the documents were still undergoing technical checks, including those being carried out by the Legal Unit. He also commented that the documents may be subject to amendment by Management Board and he asked the Committee to agree them in principle for submission to District Executive and full Council for final approval.

The Committee considered the draft documents, during which the officers responded to members' questions and comments including the following:-

- the Procurement and Support Services Manager clarified that for low value transactions under £1,000 there was no requirement for documentation but officers were encouraged to ensure that an audit trail was in place. Although the Committee was content with that practice, a member mentioned the need to be wary of avoiding the possibility of small purchases being duplicated. The Head of Finance commented that when a purchase was made, an order was raised. The facility was also available for staff to hold procurement cards in appropriate circumstances for small purchases;
- reference was made to paragraph 18 of the Procurement Procedure Rules regarding nominated sub-contractors and nominated suppliers. In response to a question the Procurement and Support Services Manager explained how the rules in such circumstances would operate in practice to enable the supply chain to be managed;
- the Procurement and Support Services Manager noted a suggestion that perhaps the references to the negotiated tendering procedure within the Procurement Procedures document could be combined;
- information was given in respect of when exemptions to the rules may be applied, particular reference being made to the supply of proprietary goods and services where it may not always be prudent to seek competitive tenders;
- it was noted that the disaggregation of contracts was not allowed under EC rules. There could, however, be some instances when this may be possible but there

would need to be very robust arguments and officers should seek the advice of the Procurement and Support Services Manager regarding that matter;

- there was a need to pool together in making common purchases where appropriate;
- it was noted that “whole life costing”, was now carried out on all schemes and possible maintenance/repairs were taken into account;
- a member referred to a report that he understood was being prepared regarding the employment of consultants by the Council, which he hoped would be available soon. The Procurement and Support Services Manager indicated that it should be available before the end of the year.

**RESOLVED:** that, subject to any amendments by Management Board and to the comments of the Audit Committee being taken into account, the draft Contract Standing Orders and Procurement Procedure Rules be agreed in principle for submission to District Executive and full Council for approval.

*(Gary Russ, Procurement and Support Services Manager – (01935) 462076)  
(gary.russ@southsomerset.gov.uk)*

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## **39. Risk Profile Update (Critical Risks) and Waste Integration (Agenda Item 7)**

The Procurement and Support Services Manager summarised his report on the agenda, which updated members on the action taken since the Committee’s last meeting on 27th September 2007 (Minute 29) when the Procurement and Support Services Manager was asked to work with the owners of risks that had been identified as critical in the risk register to assess whether they should be reclassified taking into account the risk moderation scores. He was also asked to work with the Head of Service to ensure that risks in connection with the award of the Waste Collection Contract in respect of the possible disruption of the service or failure of the contract were assessed.

In noting the actions that had already been taken, as outlined in the agenda report, particular discussion ensued on the concessionary fares scheme, which was one of the critical risks that had been identified. The Committee noted that the payment contribution towards the scheme from central Government fell dramatically short of the actual real cost incurred by the Council and that further significant funding had been made available by District Executive for the scheme. The financial implications of this scheme on the Council had been highlighted to the Executive. The Head of Finance reported that the South West Audit Partnership had been asked to look at how the providers of the scheme administered the service and calculated what the District Council owed. She also informed members that representations had been made directly to the Government at every opportunity. Representations were also being made through the Local Government Association as this was a nationwide scheme and other local authorities were being affected in a similar way.

**RESOLVED:** (1) that the Committee support the actions outlined by the Procurement and Support Services Manager in respect of the Risk Profile Update and Waste Collection Contract;

- (2) that the actions already taken be noted.

*(Gary Russ, Procurement and Support Services Manager – (01935) 462076)  
(gary.russ@southsomerset.gov.uk)*

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#### **40. Internal Audit Charter (Agenda item 8)**

The Group Auditor summarised the agenda report and the Committee reviewed amendments to be made to the Internal Audit Charter.

**RESOLVED:** that the amended Internal Audit Charter as set out on pages 7-9 of the agenda be approved.

*(Gerry Cox, Head of Internal Audit Partnership – (01458) 257410)  
(gerry.cox@southwestaudit.gov.uk)*

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#### **41. Internal Audit Half Year Report 2007/2008 (Agenda item 9)**

The Group Auditor summarised the agenda report, which provided members with a summary of Internal Audit activity for the period 1st April to 30th September 2007.

Members referred to the summary of operational audits that had been completed to the draft report stage, particular reference being made to Goldenstones where it was noted that only a partial assurance could be given in respect of the internal controls. The Group Auditor reported that although control systems were in place, the processes were not always being carried out. He indicated, however, that an action plan for improvements had been agreed with the Head of Service but the formal target dates by which they should be carried out were still to be set. He further mentioned that customer satisfaction, sales of membership and delivery of the service were good.

The Head of Finance reported that copies of the Audit reports from the South West Audit Partnership were received by the Corporate Governance Group and that there was now much more regular monitoring by the Group in respect of audit reviews. A member asked whether the Sport, Arts and Leisure Department could benefit from a more over-reaching audit of the operation of the department as a whole. The Head of Finance reported that the Corporate Governance Group had discussed this matter and one of their recommendations included having an officer with a finance control lead within their team. The Head of Finance noted the request of members that they be advised of who that officer would be.

In response to a question from a member, the Group Auditor reported the latest position on the audit reviews of services that were nearing completion.

**RESOLVED:** that the half year report of the activities of Internal Audit be noted and accepted.

*(Gerry Cox, Head of Internal Audit Partnership – (01458) 257410)  
(gerry.cox@southwestaudit.gov.uk)*

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## 42. Anti-Fraud & Corruption and Whistleblowing Policies (Agenda item 10)

The Group Auditor referred to the agenda report, which asked members to endorse the amendments to the Council's Anti-Fraud & Corruption and Whistleblowing Policies. The Committee was also asked to recommend the adoption of the Policies to full Council.

**RESOLVED:** that Council be recommended to approve the Anti-Fraud & Corruption and Whistleblowing Policies as attached at pages 91-97 of the agenda.

*(Ian Baker, Group Auditor – (01458) 257464)*  
*(ian.baker@southwestaudit.gov.uk)*

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## 43. Financial Procedure Rules (Agenda item 11)

Reference was made to the agenda report and the Head of Finance explained the proposed changes to the current Financial Procedure Rules. The Committee was asked to recommend to Council that the revised rules be approved.

In response to questions from members, the Head of Finance reported that a register of the Council's Partnerships would be available by the end of the month. She further indicated that it was up to each local authority to have its own Financial Procedure Rules. Where a Council worked in partnership, the organisation concerned would be expected to adhere to that authority's Financial Procedure Rules. Where more than one local authority belonged to a partnership, e.g. South West Audit Partnership, the Financial Procedure Rules of the administering authority, i.e. SSDC, would be followed. The Head of Finance further reported that the Financial Procedure Rules were a part of the Council's Constitution and should be viewed in that context. In response to a comment about accountability when making decisions, especially in respect of projects being undertaken by the Council, the Head of Finance referred to there being various stages that projects had to go through including the Council's budget setting process.

**RESOLVED:** that Council be recommended to approve the revised Financial Procedure Rules as attached at pages 105-130 of the agenda.

*(Donna Parham, Head of Finance – (01935) 462225)*  
*(donna.parham@southsomerset.gov.uk)*

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## 44. Date of Next Meeting (Agenda item 12)

Members noted that the next meeting would be held on Thursday, 22nd November 2007 at 10.00 a.m. in the Main Committee Room, Council Offices, Brympton Way, Yeovil.

**NOTED.**

*(Andrew Blackburn, Committee Administrator – (01460) 260441)*  
*(andrew.blackburn@southsomerset.gov.uk)*

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Chairman