

MEETING AC.01:0910  
DATE 28.05.09

**South Somerset District Council**

**Minutes** of a meeting of the **Audit Committee** held in the Yeovil Innovation Centre, Barracks Close, Copse Road, Yeovil on **Thursday, 28th May 2009**.

(10.00 a.m. – 11.15 a.m.)

**Present:**

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

Mike Best	Alan Smith
John Calvert	Colin Winder
Peter Roake	

**Also Present:**

Robin Munday

**Officers:**

Amanda Card	Principal Accountant
Gary Russ	Acting Head of ICT, Procurement and Support Services
Gerry Cox	Head of Internal Audit Partnership
David Hill	Group Auditor – South West Audit Partnership
Andrew Blackburn	Committee Administrator

**1. Minutes (Agenda item 1)**

The minutes of the meeting held on the 23rd April 2009, 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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**2. Apologies for Absence (Agenda item 2)**

Apologies for absence were received from Cllrs. John Hann, Ian Martin, Roy Mills and Tim Carroll (Leader of the Council).

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**3. Declarations of Interest (Agenda item 3)**

There were no declarations of interest.

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**4. Public Question Time (Agenda item 4)**

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

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## 5. Procurement Procedure Rules (Agenda item 5)

The Acting Head of ICT, Procurement and Support Services referred to the agenda report, which asked members to comment upon and approve amendments/additions to the Council's Procurement Procedure Rules as attached at pages 3-37 of the agenda. The Committee was also asked to recommend to Council that the revised rules be approved.

The Committee considered the amended Procurement Procedure Rules page by page, during which the officers answered members' questions in order to clarify points of detail and the meaning/basis of some of the sections contained within the rules.

Members also suggested a number of amendments that they considered should be made to the Procurement Procedure Rules before being submitted to full Council for approval. Those amendments included the following:-

- paragraph 3.1(a)(iv) (Exclusions) – a reference to the Council's specific grants policy, which covered grants to external organisations, should be mentioned as part of this paragraph;
- paragraph 8.4(c) (Transactions £50,001 – European Directive Threshold) – the words “on other” in the second line of this paragraph be deleted;
- paragraph 8.5(a) (Works Procurements over the European Directive Threshold) – a note should be appended to acknowledge that the financial amounts may vary depending on the currency rates;
- paragraph 9.1(1)(b) (Types of Tendering Procedure – Open Procedure) – this paragraph to be amended to read as follows: “(b) Open procedure is used mainly where there are a limited number of providers in the market and so few tenders/quotations can be expected. In an open tender situation every responder should and in fact must be offered a full set of tender documents and no exclusion can be made at this stage as the process is as suggested open to all.”;
- paragraph 9.1(1)(h) (Types of Tendering Procedure – Open Procedure) – the word “tender” in the first line of this paragraph be amended to read “tenders”;
- paragraph 9.3(a) (Specifying the Contract) – the word “and” after the words “contracts and the risks” in the fourth line of this paragraph be deleted;
- paragraph 9.4(b)(xiv) (Contract Conditions) – the word “tenderers” in the seventh line of this paragraph be amended to read “tenderer's”;
- paragraph 9.5(b)(ii) (Instructions to Tenderers) – members referred to the first line of this paragraph, particularly the sentence “That tenders must remain open for a period of 90 days” and questioned the reason for the long time period. The Acting Head of ICT, Procurement and Support Services explained that the Council's Solicitor had indicated that he was keen to keep offers open as long as possible to ensure due diligence in the evaluation of tenders. Although acknowledging that point, members felt that some commercial firms may not be content to submit a tender on the basis of that time period whereas they would perhaps accept a shorter period of say 60 days. The Committee was of the view that the words “should” or “preferably” should be used within this sentence rather than “must”;
- the Acting Head of ICT, Procurement and Support Services suggested an additional paragraph to be inserted within the rules regarding the submission of tenders. He

suggested that the envelopes used to return tenders to the Council could be numbered discreetly and a record of the bidder to whom the tender documents had been sent recorded so as to be able to ascertain who had not submitted a bid on time.

The Head of Internal Audit Partnership commented that such action would not be considered good practice and that the envelope should not bear any name or mark that could identify the tenderer. The Committee agreed with the comments of the Head of Internal Audit Partnership and did not support this suggested addition to the rules;

- paragraph 9.10(c) (Award of Contract) - this paragraph to be amended to read as follows: “(c) If the Responsible Officer intends to accept a tender above the sum allocated against the advice of the Head of Finance, the acceptance shall automatically be placed on hold and referred to the next meeting of the District Executive for decision.”;
- an additional paragraph be included in the Procurement Procedure Rules to be annotated as 9.10(f) in the section regarding “Award of Contract” as follows: “(f) Failed bidders should be offered the opportunity to obtain feedback on why their tender was not considered acceptable. Advice should be sought from the Corporate Procurement Unit if an officer is unsure how to proceed in this regard.”;
- paragraph 10.3(d) (Partnership Arrangements) - the words “out side” in the third line of this paragraph be amended to read “outside”.

In response to a question, the Acting Head of ICT, Procurement and Support Services explained the reasons for the inclusion of the section regarding partnership arrangements, which sought to identify that such arrangements existed. The Committee also noted the comments of the Head of Internal Audit Partnership that he did not think that this section was a major issue in terms of the Procurement Procedure Rules;

- paragraph 10.7(a) (Purchase Orders) - members referred to the first sentence of this paragraph, which read “The use of official purchase orders should be used for orders of goods and services” and commented that they would prefer that this rule should be made stronger by the word “should” being replaced with “must”. Comment was expressed that it was important for there to be an audit trail and to ensure that when orders were made there was a budget to pay for them.

The Acting Head of ICT, Procurement and Support Services in acknowledging the point raised, commented that the Head of Finance was looking at this issue. He explained the reason why, for the time being, the Head of Finance wished the rule to remain as set out in the agenda.

The Committee concurred with the comments of the Chairman who was of the view that there should be a mandatory instruction with regard to the use of official purchase orders but perhaps with a caveat to cover de minimus situations, thereby providing an audit trail. The Committee requested that the Head of Finance be asked to further consider this matter.

- references to the job title “Acting Head of ICT, Procurement and Support Services” should be consistent throughout the rules;

**RESOLVED:** that the above comments be taken into account by the Acting Head of ICT, Procurement and Support Services and a further copy of the Procurement Procedure Rules be produced, amended accordingly, for submission to the

next meeting of the Committee to enable members to consider the final version prior to making a recommendation to Council regarding the approval of the revised rules.

*(Gary Russ, Acting Head of ICT, Procurement and Support Services - (01935) 462076)  
(gary.russ@southsomerset.gov.uk)*

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## **6. South West Audit Partnership - Annual Report 2008/2009 (Agenda Item 6)**

The Group Auditor, South West Audit Partnership, summarised the annual report from Internal Audit, which gave an opinion of the overall adequacy and effectiveness of the organisation's risk management systems and internal control environment.

It was noted that compared to the previous year, there had been a marked improvement in the number of services receiving a reasonable assurance with two services given comprehensive assurance. Agreed action plans had been drawn up with the co-operation of the service management to address any identified control weaknesses. It was further noted that only the Procurement Service had received a partial assurance and that had been discussed at the Committee's February meeting.

The managed audits of the key financial systems had not raised any serious concerns and had again been found to be operating effectively. For those actions agreed, the Head of Finance was monitoring them through to completion.

**RESOLVED:** that the South West Audit Partnership Annual Report for 2008/09 be noted.

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

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## **7. Review of Internal Audit (Agenda Item 7)**

The Principal Accountant summarised the agenda report, which informed the Committee of the recent review of the effectiveness of the delivery of internal audit through the South West Audit Partnership during 2008/09.

Members were informed that the Head of Finance, as Section 151 Officer, had undertaken the review and that the findings had been reported to the Corporate Governance Group as part of the overall evaluation and supporting evidence for the Annual Governance Statement. It was found that overall the team performed well and that this view was supported by the comments of external auditors, client satisfaction and the Council's "Use of Resources" scores. In conclusion, the Head of Finance had stated that in her opinion and that of the Corporate Governance Group, the system of internal audit was effective.

**RESOLVED:** that the findings of the review of the effectiveness of the delivery of internal audit be noted.

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

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## 8. 2008/09 Annual Governance Statement (Agenda Item 8)

The Principal Accountant summarised the agenda report, which asked members to approve the Annual Governance Statement. It was noted that, as a local authority, the Council was required to demonstrate compliance with the underlying principles of good governance and that a framework existed to demonstrate this. One of the Council's requirements in demonstrating this was to produce an Annual Governance Statement, a copy of which was attached to the agenda.

Members went through the Annual Governance Statement page by page and indicated their approval of the document.

**RESOLVED:** that the 2008/09 Annual Governance Statement be approved.

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

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## 9. Forward Plan and Programme of Meetings (Agenda Item 9)

Reference was made to the agenda report and members considered the forward plan for the Audit Committee for 2009/10, which had been drawn up in consultation with the Chairman. The Committee also noted the programme of meetings for the municipal year, which had been agreed by full Council.

Upon considering the forward plan, the Head of Internal Audit Partnership requested that the item "Internal Audit Plan - Approve 2010/11 Plan" be considered in February 2010 rather than January 2010. The Committee indicated its agreement with that amendment.

**RESOLVED:** that the Audit Committee Forward Plan for 2009/10 as set out on pages 54-55 of the agenda be approved subject to the above amendment.

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

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## 10. Date of Next Meeting (Agenda item 10)

Members noted that the next meeting would be held on Thursday, 25th June 2009 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