

Minutes of a meeting of the **Audit Committee** held at Thorpe Lodge, 1 Yarmouth Road, Thorpe St Andrew, Norwich on **Thursday 14 November 2019** at **10am** when there were present:

Mr G K Nurden – Chairman

Mr N J Brennan

Mr P E Bulman

Mr M L Murrell

Also in attendance were the Director of Resources, Assistant Director of Finance, Procurement Consortium Manager and the Senior Committee Officer.

19 APOLOGIES FOR ABSENCE

Apologies for absence were received from Mr Crotch, Ms Holland and Mrs Vincent.

20 MINUTES

The Minutes of the meeting held on 10 October 2019 were confirmed as a correct record and signed by the Chairman.

Minute no: 16 – Draft Commercialisation Strategy

In response to a question on when the report on Broadland Growth Ltd would be presented to the Audit Committee, the Director of Resources referred Members to the committee's work programme (Minute no: 22 referred). The intention was for a presentation, as opposed to a written report, providing the history to the joint venture, its governance arrangements and proposed future reporting arrangements. In addition, the Managing Director would be making a presentation on both Broadland and South Norfolk Councils' joint venture companies at the joint all Member briefing on 4 December 2019.

In response to questions on why the Committee had not had sight of the financial accounts and audit report, the Director of Resources clarified that the accounts belonged to the JVC but were included within the Council's own accounts. In terms of the Council's interest, this was limited to its investment in the company and ensuring it was satisfied with the risks and returns and not how the company was run. She added that the company had recently been the subject of an internal audit which looked at governance arrangements etc. The Chairman requested that the accounts and audit reports be considered by the Audit Committee and the Director of Resources responded that, as Broadland Growth was a limited company, she would put this request to the Board of Directors for decision.

21 CONTRACT STANDING ORDERS (CONTRACT PROCEDURE RULES)

The Procurement Consortium Manager presented his report, advising that the Contract Standing Orders (Contract Procedure Rules) had been reviewed to align the framework within which both Broadland and South Norfolk Councils operated in terms of procuring for works, supplies and services. The proposed revisions also provided for enabling social value, encouraging participation by local businesses to support the local economy and to assist in protecting the environment when bidding for council procurement opportunities.

It was noted that the proposed joint Contract Procedure Rules provided a single, comprehensive summary of the procurement processes which the councils needed to comply with to demonstrate value for money, competitiveness and legal compliance, as well as setting out clearly what officers needed to do from project appraisal, tender evaluation, award of contract and through to ongoing contract management. They were also up to date in terms of risk management, bribery, collaborative working and the European Union legislative requirements and associated UK regulations.

The Committee had before it a copy of the current procedures alongside the proposed procedures to highlight the main changes. The Procurement Consortium Manager advised that the key changes related to threshold values, the contract awards process (ie authority to award) and disposal of assets. He added that part of his role involved working with other local authorities, including Gt Yarmouth Borough and North Norfolk District Councils, who were also considering the same model. The benefits of this approach were that it would be easier for officers to operate on collaborative procurement plus the market would find it easier to tender if the same processes applied. Furthermore, document preparation would be simpler with just the one set of Contract Procedure Rules.

A Member referred to an issue which the Internal Auditor had raised about Purchase Orders not always being produced and the risk of suppliers not being paid as a result and asked if this would be tightened up through this new process. The Director of Resources responded that the authorisation of payments was being reviewed as part of the new staffing structure to reflect new posts and postholders etc and this would be followed by comprehensive training in January 2020. Each service area was responsible for producing Purchase Orders and if staff failed to comply, once they had received the training, this could potentially result in disciplinary proceedings. Producing Purchase Orders enabled better budget management but even without a PO, payments still had to be officially authorised. In response to a question on whether this issue had also arisen at South Norfolk Council, the Director of Resources advised that this had been an issue in the past (approximately 8 years ago) and a strong stance had been taken – no PO resulted in no payment. It was accepted this was extreme but suppliers had been warned that they must have a PO and officers would soon comply once suppliers

ceased supplying them with goods and services. The Procurement Consortium Manager added that any new supplier had to complete a form with their details before they could be approved and added to the finance payments system – without going through this process and without a PO, they could not be paid. The Director of Resources drew Members' attention to some situations where it was not feasible to produce a PO in advance – such as at the depot when parts needed to be ordered outside normal office hours and therefore an element of flexibility was needed. However, a PO would always be produced retrospectively. In addition, a small percentage of tolerance was permitted for variations between the PO and invoice to allow for rounding up of numbers etc.

When asked how the Contracts Procedure Rules compared to those used by South Norfolk Council, the Director of Resources responded that they were currently very different and its Finance, Resources, Audit and Governance Committee had very recently recommended adoption of the new procedures. She emphasised that it had not simply been a case of merging both authorities' Standing Orders but the Procurement Consortium Manager had been asked to look at all models, such as Preston held as a Vanguard for procurement and also use his experiences as well as meeting with suppliers. She added that a number of small suppliers wanted to be included on the business list for all local authorities and the public sector and this would be easier with just the one set of Procedure Rules.

A Member queried how value for money could be demonstrated if only a single quotation was required for contracts less than £20,000 in value. The Procurement Consortium Manager responded that the previous experience of the supplier would be required to be evidenced. Furthermore, officers could request additional information if they were not satisfied, such as requesting two or more quotations. Officers would use their own judgement on a case by case basis. In response to a question on the level of delegation (eg Assistant Director or officer), the Director of Resources advised that it would be up to the AD to determine, eg if it related to expensive vehicle parts at the depot or leisure centres. She added that this was less relevant at Broadland which tended to have either low level expense or very high (eg waste services). Furthermore, the delegation did not necessarily have to be for the full amount but would be appropriate to the level of officer and also based on trust.

A Member questioned if this also referred to the renewal or extension of contracts and, in response, the Procurement Consortium Manager advised that this was a completely different subject area with each contract being dealt with on a case by case basis. Members' attention was drawn to paragraph 21 of the proposed Procedure Rules which stipulated that no contract could be extended except in accordance with the original contract terms. The Procurement Consortium Manager advised that, for major procurement, officers were recommended to have early engagement with the procurement team for advice on contract extensions etc. The Director of Resources added that the Council's Contracts Register was published on the website identifying contract end dates. Suppliers kept a close eye on expiry

dates and frequently contacted the procurement team to ensure they were involved in any new procurement opportunities.

A Member repeated his concerns about the proposed change to contracts less than £20,000, considering this to be the biggest area of risk. He stated that he was uncomfortable with the proposed value size if only one single quotation was required. As he considered this to be a potential area for fraud, he considered the requirement should be tightened. The Procurement Consortium Manager responded that regular checks were carried out on spend values and monitoring undertaken on a six monthly basis. If this identified procurement was being carried out for, say £10,000 for the same thing, then officers would be advised that this should be done under one contract and not multiples. In response to a comment that officers could potentially split a contract to keep within the financial limit, the Procurement Consortium Manager advised that this would not be possible as the procurement regulations, accompanied by a quick-step guide, specifically referred to the non-splitting of contracts. When asked how this could be prevented / controlled, the Assistant Director of Finance responded that budget monitoring would highlight any rogue spending and this was an effective way of control.

In response to a question on the level of threshold for overspend, the Assistant Director of Finance advised that this varied according to the budget code but three business partners in the finance team provided the appropriate controls.

A Member questioned how incompetence would be dealt with as opposed to fraudulent activity. The Director of Resources responded that Internal Audit would check annually, using Purchase Order and payments data. As it was a two-step process, it required more than one person to complete. Furthermore, staff were aware that they needed to check when they received notification from suppliers that they had changed their bank details – they would not just rely on a letter received in the post on the company headed paper.

When questioned on whether suppliers were audited, the Procurement Consortium Manager advised that this depended on the contract value but financial checks were carried out, especially for tenderers. In addition, for strategic contracts, health and safety requirements also had to be complied with. Tenderers were requested to supply insurance documents, financial accounts, credit history etc.

In relation to contract awards approvals, a Member raised concerns at the proposals as they no longer included Portfolio Holder authority. He suggested the following:

Contract Value	Authority
Up to £75,000	Director
£75,000 - £100,000	CMLT
£100,000 - £500,000	Portfolio Holder
Above £500,000	Cabinet

In response, the Procurement Consortium Manager advised that this would mean it would not be possible to align the Contract Procedure Rules with South Norfolk Council as its Scheme of Delegation did not include Portfolio Holder approvals. The Director of Resources added that she had discussed the proposals with the Portfolio for Finance as procurement fell within her remit and she had confirmed she was satisfied. Furthermore, it was unknown what other local authorities' arrangements were for delegating decisions to Portfolio Holders but every council had a Cabinet. The Procurement Consortium Manager indicated that the figures suggested for a Portfolio Holder decision were exceptionally high and £100,000 was the normal value for a Cabinet decision. In response to a comment that the level of scrutiny would be reduced without Portfolio Holder decisions, the Assistant Director of Finance advised that the Contract Procedure Rules would be reviewed annually and could be changed if required.

Regarding disposal of assets, a Member questioned why the Section 151 Officer had to consult the Monitoring Officer and asked how this would be documented / evidenced. In addition, the suggested wording was unclear for assets with a value of £20,000 and above. Another Member expressed concern that there was no upper financial limit proposed and suggested that assets with a value over £100,000 require Cabinet approval for disposal. The Director of Resources responded that the wording could be clarified as requested and if it was agreed by the Committee, Council could be recommended to amend the approval method as suggested.

Accordingly, it was

RECOMMENDED TO COUNCIL:

to approve the new Contract Procedure Rules (as attached to the signed copy of these Minutes), subject to the following amendments:

Disposal of Assets

Paragraph 25.3

Total Value	Method
Up to £20,000	By whatever means the relevant Director shall decide consistent with the asset disposal rules
£20,000 to £100,000	Tender sought by public advertisement or by public auction or Such other means as the Section 151 Officer shall approve, after formal written consultation with the Monitoring Officer
£100,000 and above	Cabinet approval

22 WORK PROGRAMME

The Director of Resources advised that the Counter Fraud Investigation Officer would be leaving the Council's employment before Christmas and had therefore requested her to prepare the fraud update in advance. This would then be available for the Committee's next meeting on 9 January 2020.

The Committee noted / updated its work programme as follows:

9 January 2020	<ul style="list-style-type: none">• Internal Audit Progress Report• Internal Audit Follow Up Report• Audit Committee Self-Assessment• Fraud Update• Pension Fund Presentation• BDR 1809 – Key Controls and Assurance Work – Purchase Orders
12 March 2020	<ul style="list-style-type: none">• Strategic and Annual Internal Audit Plan 2020
TBC 2020	<ul style="list-style-type: none">• Broadland Growth Ltd Update

The meeting closed at 12.30pm