

Audit Committee

Monday, 02 December 2013 at 10:30

County Hall, County Hall, West Bridgford, Nottingham NG2 7QP

AGENDA

- | | | |
|---|--|---------|
| 1 | Minutes 11 September 13 | 3 - 4 |
| 2 | Apologies for Absence | |
| 3 | Declarations of Interests by Members and Officers:- (see note below)
(a) Disclosable Pecuniary Interests
(b) Private Interests (pecuniary and non-pecuniary) | |
| 4 | Internal Audit Risk Assessment | 5 - 10 |
| 5 | Internal Audit six month progress report | 11 - 20 |
| 6 | Financial Regulation Waivers 2012-13 | 21 - 36 |
| 7 | Unsatisfactory Follow-up Audit Report - Cleaning Service | 37 - 40 |
| 8 | Work Programme | 41 - 44 |

9 EXCLUSION OF THE PUBLIC

The Committee will be invited to resolve:-

“That the public be excluded for the remainder of the meeting on the grounds that the discussions are likely to involve disclosure of exempt information described in paragraph 3 of the Local Government (Access to Information) (Variation) Order 2006 and the public interest in maintaining the exemption outweighs the public interest in disclosing the information.”

Note

If this is agreed, the public will have to leave the meeting during consideration of the following item.

EXEMPT INFORMATION ITEMS

- 10 Exempt Appendix to Unsatisfactory Follow-up Audit Report - Cleaning Service

Notes

- (1) Councillors are advised to contact their Research Officer for details of any Group Meetings which are planned for this meeting.
- (2) Members of the public wishing to inspect "Background Papers" referred to in the reports on the agenda or Schedule 12A of the Local Government Act should contact:-

Customer Services Centre 0300 500 80 80

- (3) Persons making a declaration of interest should have regard to the Code of Conduct and the Council's Procedure Rules. Those declaring must indicate the nature of their interest and the reasons for the declaration.

Councillors or Officers requiring clarification on whether to make a declaration of interest are invited to contact Ruth Rimmington (Tel. 0115 977 3825) or a colleague in Democratic Services prior to the meeting.

- (4) Councillors are reminded that Committee and Sub-Committee papers, with the exception of those which contain Exempt or Confidential Information, may be recycled.

Meeting AUDIT COMMITTEE

Date 11 September 2013 (commencing at 10.30am)

membership

Persons absent are marked with `A`

COUNCILLORS

Keith Walker (Chairman)
Sheila Place (Vice-Chairman)

Reg Adair
Joyce Bosnjak
John Clarke
Chris Barnfather

Darrell Pulk
David Kirkham
Ken Rigby

Neil Bellamy - KPMG Ltd
Richard Walton - “ “

OFFICERS IN ATTENDANCE

Martin Gately) Policy, Planning and Corporate Services

John Bailey)
Nigel Stevenson) Environment and Resources Department

MINUTES OF THE LAST MEETING HELD ON 12 JUNE 2013

The minutes of the last meeting of the Committee held on 12 June 2013, having been circulated, were confirmed and signed by the Chair.

EXTERNAL AUDIT – ANNUAL GOVERNANCE REPORTS

Neil Bellamy of the External Auditors, KPMG, presented the External Auditor's annual Governance Report on the County Council and pension Fund, prior to these being forwarded to Full Council for approval on 26 September 2013.

Mr Bellamy explained that no issues in the course of the audit had been considered to be material. There was a presentational issue with a working paper, but this was not significant.

Comments were made by Members on the efficient way that audit queries are dealt with, the reduction in audit fees and the streamlined and focused approach to the work.

RESOLVED 2013/17

That the External Auditor's Annual Governance Reports on the County Council and Pension Fund accounts be noted:

- a) Note the matters raised in the report before the financial statements are re-signed by the Section 151 Officer
- b) Note the Letter of Representation attached to this report

WORK PROGRAMME

RESOLVED: 2013/18

That the Committee's work programme be noted.

The meeting closed at 11.00 am

CHAIRMAN

REPORT OF SERVICE DIRECTOR, FINANCE AND PROCUREMENT

INTERNAL AUDIT RISK ASSESSMENT PROCESS

Purpose of the Report

1. At the Audit Committee on 12th June 2013, Members requested further information on the process used to assess risk, in determining areas to be included in the Internal Audit Plan. This report outlines the background to the assessment, the process followed for 2013/14, and invites comment on the planning process to help inform the planning for 2014/15.

Information and Advice

2. The work of Internal Audit is carried out in compliance with the Public Sector Internal Audit Standards, which came into force from 1st April 2013. The Standards are split into 2 categories: Attribute Standards and Performance Standards as set out below.

Attribute Standards

Purpose, authority and responsibility
Independence and objectivity
Proficiency and due professional care
Quality assurance and improvement programme

Performance Standards

Managing the internal audit activity
Nature of work
Engagement planning
Performing the engagement
Communicating results
Monitoring progress
Communicating the acceptance of risks

3. The Standard for ***managing the internal audit activity*** requires that the Head of Internal Audit develop a risk-based plan to determine the priorities of the internal audit activity consistent with the Authority's goals. The risk assessment must be documented, undertaken at least annually, and consider the expectations and input from senior management and the Audit Committee.
4. The process followed in developing the 2013/14 Internal Audit Plan has been developed and refined over a number of years and is set out below.

5. The first stage in carrying out the risk assessment is to identify the complete range of potential areas (the audit universe) which need to be subject to audit. Information is gathered from a wide range of sources, including:-
 - Previous audit plans
 - The Authority's budget plans
 - Structure charts
 - Scanning of media for service or political developments
 - Liaison with professional bodies
 - Consultation with colleagues
 - Review of risk registers
 - Discussion with departmental colleagues
 - Discussion with colleagues in other authorities
6. Following compilation of the audit universe, each potential audit area is assessed using 9 different factors, to compare the relative risk of individual areas. The factors currently used are:-
 - Expenditure (£m)
 - Stability (new system or well-established system)
 - Sensitivity (to publicity)
 - Internal control (assurance provided at previous audit)
 - Volume of transactions
 - Cash risk (the risk associated with cash transactions is higher than non-cash transactions)
 - Complexity (some areas are inherently complex)
 - Time since previous audit
 - Number of sites (risk increases as the number of sites increases)
7. The factors are weighted, using audit judgement, as some are more important than others. As an example, if the level of internal control is known to be weak, this is more important than the expenditure associated with the area.
8. Each area is assessed for each of the 9 different weighted factors to allow them to be compared with each other. This results in approximately 500 areas with an associated risk score. An example of the types of risk scores calculated is set out as an appendix.
9. The areas are categorised as High, Medium, or Low Risk dependent on their score. At this stage, a further reasonableness check is carried out, to identify whether any of the results appear to be wrong. If necessary, the scoring system is revisited to correct any anomalies.
10. The Annual Audit Plan is then compiled. Areas with a High Risk are scheduled for audit every 2 years, whilst areas with a Medium Risk are scheduled for audit every 3 years. Low Risk areas are not currently audited as a matter of routine, however they are still assessed in subsequent planning rounds and may be re-categorised as a result.

Other Options Considered

11. This report is for information and noting only.

Reason/s for Recommendation/s

12. To provide information to Members on the process used by Internal Audit to assess risk.

Statutory and Policy Implications

13. This report has been compiled after consideration of implications in respect of finance, the public sector equality duty, human resources, crime and disorder, human rights, the safeguarding of children, sustainability and the environment and those using the service and where such implications are material they are described below. Appropriate consultation has been undertaken and advice sought on these issues as required.

RECOMMENDATION

1) That Members note the process used in compiling the risk assessment for 2013/14 and raise any comments or questions, to help inform the process for 2014/15.

Paul Simpson
Service Director (Finance and Procurement)

For any enquiries about this report please contact:

John Bailey
Head of Internal Audit

Constitutional Comments

This report is for noting only.

Financial Comments (JMB 18/11/13)

The work of Internal Audit is designed to ensure that efficient and effective systems are in place to manage risk, ensure effective control is in place and demonstrate sound governance. This report highlights the process used to allocate limited internal audit resources to achieve the maximum benefit.

Background Papers

Except for previously published documents, which will be available elsewhere, the documents listed here will be available for inspection in accordance with Section 100D of the Local Government Act 1972:

None.

Electoral Division(s) and Member(s) Affected

All

Examples of risk scores calculated in compiling the 2013/14 Internal Audit Plan

Audit Area	Value Factor	Stability Factor	Sensitivity Factor	Internal Control Factor	Volume Factor	Cash Risk Factor	Complexity Factor	Time Factor	Number of sites Factor	Overall Risk Score	Risk Assessment
Maximum Score	8	12	12	12	12	12	12	15	5	100	
Payroll	8	12	12	8	12	12	12	3	2	81	High
Youth Service and Youth Clubs	8	4	8	12	7	8	8	10	5	70	Medium
Libraries and archives	8	8	8	8	12	12	8	8	5	77	High
In-house day care	8	8	12	12	7	12	8	8	5	80	High
Emergency planning	5	12	12	12	2	4	12	5	2	66	Medium
Play Service	6	4	4	8	2	8	4	15	2	53	Low
Planning and Conservation	6	8	8	4	7	4	8	5	2	52	Low

Score of 75+ is High Risk

Score of 60 to 75 is Medium Risk

Score of below 60 is Low Risk

REPORT OF SERVICE DIRECTOR – FINANCE AND PROCUREMENT**INTERNAL AUDIT SIX MONTH PROGRESS REPORT – 1ST APRIL 2013 TO
30TH SEPTEMBER 2013****Purpose of the Report**

1. To inform Members of the work carried out in the first half of the 2013/14 financial year and to comment on the progress made against the Internal Audit Plan.

Information and Advice

2. The Authority has a statutory responsibility to undertake an adequate and effective internal audit of the County Council's operations. This responsibility is discharged by the Internal Audit Service which has unrestricted access to all activities undertaken by the County Council.
3. The work carried out by Internal Audit involves reviewing and reporting on the control environment established by management to:-
 - a) determine and monitor the achievement of the Authority's objectives
 - b) identify, assess and appropriately manage the risks to achieving the Authority's objectives
 - c) facilitate policy and decision making
 - d) ensure the economical, effective and efficient use of resources
 - e) ensure compliance with established policies, procedures, laws and regulations
 - f) safeguard the Authority's assets and interests

4. Internal Audit's work is planned to cover these areas and to provide an independent assessment of whether the Authority's systems and procedures are working appropriately. The work of Internal Audit is carried out in compliance with the Public Sector Internal Audit Standards. It is good practice to provide an interim report on Internal Audit work to the Board and this report satisfies this expectation.

Summary of Internal Audit Work 01/04/13 to 30/09/13

5. The audits completed to 30 September 2013 cover a broad range of the Authority's operations, with reviews carried out at establishment, divisional, departmental and corporate levels. The time spent on audit work compared to that planned is shown in Appendix 1. Overall, the number of days spent carrying out audits is below the planned level. The main reason for this is that the Section is currently carrying a number of vacancies. The vacant posts have not been filled at this stage as the Internal Audit structure is under review, with a view to strengthening the number of staff at the Senior Auditor level, as the demands on the service have changed in recent years.
6. In the first six months of the year, a total of 61 County Council audits have been completed against a planned coverage of 137 audits for the year. For 41 of the completed audits, a formal report has been issued which includes an audit opinion on the level of internal control. A detailed analysis of the reports issued is shown in Appendix 2, setting out the area covered, the Audit Opinion, and the number of recommendations made and accepted. The other 20 audits covered a range of areas including auditing grant claims, provision of detailed written advice and responding to irregularities.
7. During the period there were 5 internal audit reports issued with an "Unsatisfactory" audit opinion. The details of these reports are set out below.

E&R 1314 – Street Lighting – June 2013. The key concerns raised related to the maintenance of the inventory of street lighting and failure to check that charges for electricity use were up-to-date and accurate. Recommendations have been made and agreed to rectify the situation.

E&R 1318 – Cleaning Service follow up – July 2013. This was a follow up audit to an initial review carried out following a Whistleblowing allegation. The original allegation was that the Cleaning Service's assets and resources were being mis-used. Whilst the allegation was not substantiated, a number of weaknesses in records and processes were identified. This follow up identified that insufficient progress had been made in implementing the agreed recommendations and the area is the subject of a separate report to the Audit Committee.

E&R 1319 – Corporate Procurement – August 2013. The Authority does not currently have an agreed procurement strategy. The old strategy, which covered the period from 2010 to 2012, has not yet been replaced. A number of aspects from the old strategy had not been implemented, for example establishing a Procurement Board and setting up a Contracts Register. However, it is unclear what will be required under any new strategy. Nineteen recommendations were made to improve procurement and thirteen of these have been agreed. The recommendations that have not been agreed have resulted from the view that the recommendations will be inappropriate when the new strategy is in place.

E&R 1404 – Imprest Accounts – August 2013. This review was carried out following the investigation of cash shortfalls in two Imprest accounts, which were subsequently referred to the Police for investigation. The review identified that there was a failure to take effective action in cases where accounts are overdrawn, out of balance or not being used. Seven recommendations have been made, and agreed, to improve the level of control.

CC 1302 – Business Continuity – May 2013. Although a strong framework for managing business continuity was in place, the majority of departmental business continuity plans were incomplete at the time of audit. Seven recommendations have been made and agreed to improve business continuity.

8. There were ten Internal Audit Reports with “Unsatisfactory” audit opinions that have been revisited during the period between 1st April 2013 and 30th September 2013 to ensure that the recommendations that were agreed for implementation have been acted upon. Four of these related to primary schools and these are now all confirmed as being satisfactory. The details of the other follow ups are set out in Table 1.

Table 1: Follow up audits completed during period 1st April to 30th September 2013

Original report number	Area audited	Current Audit Opinion
ASC 1403	Direct Payments monitoring	Satisfactory
E&R 1406	Framework <i>i</i>	Satisfactory
ASC 1306	Meals at Home Income - 2 nd follow up	Satisfactory
ASC 1307	The i-work team	Satisfactory
E&R 1318	Cleaning Service – follow up	Unsatisfactory – full details set out in separate report to this committee
E&R 1408	Car Loans	Satisfactory

Internal Audit Performance Indicators

9. Progress against the Section's performance indicators, as at 30 September 2013, is detailed in the table below:-

Internal Audit Performance Indicators 2013/14

Performance Measure/Criteria	Target	Outcome as at 30/09/13
Comply with Public Sector Internal Audit Standards	Compliance achieved	Report to be presented to March 2014 Audit Committee
Completion of Audit Plan - Days	90%	83%
- Jobs	90%	88%
Positive customer feedback	Feedback good or excellent	Achieved (average score is 1.6 where 1 is excellent and 2 is good)
Recommendations accepted	95%	97%
Productive time	70%	65%
External Audit Reliance on Internal Audit	Positive	Positive

10. Progress to date on completing the Audit Plan has been significantly below the planned time. The Internal Audit Section is currently undergoing consultation on restructuring to make it more effective in meeting changed demands. It is anticipated that there will continue to be three vacant posts (out of 13 full time equivalent posts) pending the restructure and it is anticipated that the full number of Audit Days **will not be provided** by the end of the financial year. It is expected that approximately 80% of the Plan will be completed. Discussions have taken place with key stakeholders to determine which audits will be prioritised and which audits can be deferred to 2014/15.
11. The responses to our audit reports continue to be positive. A total of 210 recommendations were made during the six month period to the end of September 2013 and 204 (97%) have been agreed for implementation. Customer feedback from the Quality Control Questionnaires is also positive with an average score of 1.6. Productive time is below the planned level – actual of 65% compared to a target of 70%. The main reason for this is a move to new Ways of Working which involved an office relocation and staff training on new systems. This has now been successfully completed.

Conclusion

12. Internal Audit work completed to 30 September 2013 is below target and this is likely to continue through to the end of the financial year. However, audit work is being prioritised, in consultation with key stakeholders, to ensure that the maximum benefits are achieved from

the available resources. The work completed shows that the Authority's overall system of internal control continues to be satisfactory at this stage of the year.

Other Options Considered

13. This report is for information and noting. No alternative options have been considered.

Reason/s for Recommendation/s

14. This report is for noting.

Statutory and Policy Implications

15. This report has been compiled after consideration of implications in respect of finance, the public sector equality duty, human resources, crime and disorder, human rights, the safeguarding of children, sustainability and the environment and those using the service and where such implications are material they are described below. Appropriate consultation has been undertaken and advice sought on these issues as required.

RECOMMENDATION/S

16. Members are asked to note the Internal Audit Progress Report and comment accordingly.

Name of Report Author: John Bailey

Title of Report Author: Head of Internal Audit

For any enquiries about this report please contact: John Bailey (telephone 0115 977 2226)

Constitutional Comments

17. The report is for noting only.

Financial Comments (JMB 29/10/13)

18. The net budgeted cost for Internal Audit for 2013/14 is £360k. As a result of vacant posts, it is expected that there will be an underspend during the year of approximately £60k.

Background Papers

Except for previously published documents, which will be available elsewhere, the documents listed here will be available for inspection in accordance with Section 100D of the Local Government Act 1972.

The reports set out in Appendix 2 are available as background papers.

Electoral Division(s) and Member(s) Affected

All

INTERNAL AUDIT PLAN 2013/14
Analysis of Audit Coverage 1 April 2013 to 30 September 2013

	Annual Plan 2013/14	Second Quarter 50% Plan	Second Quarter Actual	Variance
	Days	Days	Days	Days
Children, Families and Cultural Services (includes schools)	622	311	254	-57
Adult Social Care, Health and Public Protection	260	130	116	-14
Environment and Resources	470	235	184	-51
Policy, Planning and Corporate Services	80	40	18	-22
Cross cutting work	397	198	170	-28
Fraud and Irregularity	100	50	43	-7
Total County Council	1929	964	785	-179
External Contracts	196	98	94	-4
OVERALL TOTAL	2125	1062	879	-183

APPENDIX 2

INTERNAL AUDIT PLAN 2013/14 Audits Completed 1 April 2013 to 30 September 2013

Audit Report Department and Area audited	Audit Opinion	Recommendations made and Risk Rating			Recommendations Agreed		
		High	Medium	Low	High	Medium	Low
Adult Social Care, Health and Public Protection							
Direct Payments monitoring – follow up	Satisfactory	-	1	2	-	1	2
Homecare Management system	Satisfactory	2	7	-	2	7	-
Framework/ follow up	Satisfactory	-	-	-	-	-	-
Meals at Home Income – 2 nd follow up	Satisfactory	-	2	-	-	2	-
Mental Health Service	Satisfactory	1	1	-	1	1	-
External Day Service Commissioning	Satisfactory	-	7	-	-	7	-
The i-work Team	Satisfactory	-	3	1	-	3	1
Scambusters project grant	Satisfactory	-	-	-	-	-	-
Operation Spinnaker grant (investigation of suspected fraud by Trading Standards units)	Satisfactory	-	-	-	-	-	-
Sub Total		3	21	3	3	21	3
Children, Families and Cultural Services							
External placements for looked after children	Satisfactory	-	5	-	-	5	-
School funding formula	Sound	-	-	-	-	-	-
Public Libraries	Satisfactory	-	2	2	-	2	2
PFI schools – contract monitoring	Sound	-	1	-	-	1	-
National Award for Special Educational Needs coordination	Satisfactory	-	-	-	-	-	-
Sub Total		-	8	2	-	8	2
School Audits							
Secondary Schools (2 final reports issued)	Overall, 10 satisfactory	1	20	4	1	20	4
Primary Schools (10 final reports issued)	and 2 sound	1	53	20	1	53	20

Department and Area audited	Audit Opinion	Recommendations made and Risk Rating			Recommendations Agreed		
		High	Medium	Low	High	Medium	Low
Environment and Resources							
IT Data Backup	Satisfactory	-	3	-	-	3	-
Street Lighting	Unsatisfactory	2	3	1	2	3	1
Flood Risk Management	Satisfactory	-	2	1	-	2	1
Cleaning Service – follow up	Unsatisfactory	-	9	4	-	9	4
IT Database Management	Satisfactory	1	3	2	1	3	2
BMS Accounts Receivable Process Maps	Satisfactory	-	3	-	-	3	-
Car Loans – follow up	Satisfactory	-	-	-	-	-	-
IT Server Virtualisation	Satisfactory	-	1	-	-	1	-
Carbon Reduction Commitment return	Satisfactory	-	-	-	-	-	-
Fuel Cards	Satisfactory	-	-	-	-	-	-
Medium Term Financial Strategy	Sound	-	-	2	-	-	2
Sub Total		3	24	10	3	24	10
Policy, Planning and Corporate Services							
Broadband Project	Sound	-	3	1	-	3	1
Sub Total		-	3	1	-	3	1
Cross Cutting Reviews							
Corporate Procurement	Unsatisfactory	1	12	6	1	9	3
Imprest Accounts	Unsatisfactory	-	3	4	-	3	4
Business Continuity	Unsatisfactory	1	3	3	1	3	3
Sub Total		2	18	13	2	15	10
<u>TOTAL</u>		10	147	53	10	144	50

REPORT OF SERVICE DIRECTOR – FINANCE AND PROCUREMENT

FINANCIAL REGULATIONS WAIVERS 2012/13

Purpose of the Report

- Article 13 of the Council's Constitution contains a number of urgency procedures to enable decisions to be taken quickly in appropriate circumstances. The Constitution requires that the use of these procedures be reported to specified Committees and to the Council. This report fulfils the reporting requirement in respect of Financial Regulations Waivers.

Information and Advice

- Financial Regulations as they relate to Procurement are intended to ensure that contracts are let in such a way that the Council achieves Best Value and also complies with relevant EU Directives and UK Law one of the main intentions being to ensure that the Council acts in a way that is open, transparent and fair to all suppliers.
- Waivers from Financial Regulations are not necessarily a bad thing. There can be genuine reasons why this needs to happen. For example, there is an unexpected emergency which has implications for Public Health. In such circumstances, time may be of the essence and preclude getting a number of quotes or running a tender. One purpose of the waiver process is to act as a peer challenge to such requests to ensure they have a valid reason.
- The waiver process is that a waiver must be signed-off by a Group Manager or above to authorise the use of the budget in this way. Waivers below £100k are reviewed and authorised by the Group Manager Procurement. Waivers above £100k must also be approved by the S151 Officer and Legal.
- The reasons given for waivers over £25k fall into 4 groups as follows:-

Reason for waiver	Number of waivers	Value of waivers
Specification related	10	£1,431k
Planning related	7	£1,583k
Pilots to determine need/requirement	3	£579k
Call-off from an existing framework contract	2	£169k
TOTAL	22	£3,762k

Further details of these waivers is shown in Appendix 2.

The main reasons for needing waivers are due to a lack of time brought about in many instances by not having adequate planning procedures; and specifications which limit the number of available suppliers to just one (this also is often due to a lack of time to research what is available).

The Council has recently invested in a new tendering and contracting system (Due North). This will enable a contracts register for all Council contracts to be set up and this in turn will allow reminders to be automatically generated when a contract end date is approaching. By setting this trigger far enough in advance, Commissioners will have enough time to ensure that specifications are established and tendering/quote activity is done without the urgency that creates the need for waivers or which limit the number of suppliers available.

6. There are two relevant urgency procedures relating to the Financial Regulations which are detailed below:-

i) Exceptions to the Requirement to Seek Quotations and Tenders.

7. Section 9.3 of the Financial Regulations contains rules for the selection of suppliers including the number of quotations that must be sought (up to a certain level of contract value) after which a tender must be run. Section 9.5.1.1 specifies five categories of exception where the rules for obtaining quotations or running tenders can be suspended. These five categories are:-
 - i. The work to be executed or the goods or materials to be supplied constitute the first valid extension of an existing contract, which has been procured through a Best Value exercise, provided that such an extension has received the necessary budget approval; and does not exceed the value of the original contract or the next value threshold. Contracts must not be extended where the total value will exceed the EU Threshold.
 - ii. The Council is buying from a contract entered into following a proper tendering exercise by a consortium, collaboration, or similar central procurement body, of which the Council is a member and which the Council is authorised to buy from or through.
 - iii. The work to be executed or the goods or materials to be supplied consist of repairs to, or parts for, existing proprietary machinery, where such repairs or parts are specific to that machinery OR upgrades to existing software packages.
 - iv. Works, supplies or services are urgently needed for the immediate protection of life or property, or to maintain the immediate functioning of a public service for which the Council is responsible. In such cases the contract must only last as long as is reasonably necessary to deal with the specific emergency.
 - v. The Corporate Director decides that special circumstances make it appropriate and beneficial to negotiate with a single firm or that a single tender be invited.

This will include occasions when it can be established that there is only a single source available or where the Corporate Director or his/her designate can demonstrate that best value for the Authority can be better achieved by not tendering.

The table below summarises the number of waivers granted in 2012/13 compared to the previous year.

	2012-2013			2011-2012		
Department	£25k or less	> £25k	Total	£25k or less	> £25k	Total
Environment & Resources	10	7	17	11	1	12
Adult Social Care, Health & Public Protection	8	12	20	9	1	10
Children, Families & Cultural Services	2	2	4	6	1	7
Policy Planning & Corporate Services	8	1	9	5	5	10
TOTAL	28	22	50	31	8	39

8. Although the total number of waivers is higher than last year, it is still reduced from previous years (down from a peak of 103 in 2008-2009). The number of low value waivers was lower than last year but there was a significant increase in higher value waivers. This was largely due to ASCHPP (11 more waivers than the previous year) and E&R (6 more than the previous year).

9. The ASCHPP waivers fell into three groups as per the table below.

	ASCHPP Analysis of Waivers over £25,000			
	Extensions to contracts to allow for pilots/consultation	Single source because no other supplier found	Call-off from an external framework	TOTAL
Number of waivers	6	4	2	12
Value of waivers	£1.912m	£212k	£169k	£2.293m
% of total value	83.4%	9.2%	7.4%	100%

10. The other main variance was E&R (6 more high value waivers than the previous year). The analysis of these waivers is shown below.

	E&R Analysis of Waivers over £25,000			
	Extensions to contracts to allow for tender process	Single source because no other supplier found	Insufficient time for a tender	TOTAL
Number of waivers	2	4	1	7
Value of waivers	£177k	£939k	£172k	£1.288m
% of total value	13.7%	72.9%	13.4%	100%

11. In addition there was one waiver received for an exemption to the requirement for three years of accounts in order to set up the vendor on BMS.

12. Appendices 1 to 3 provide more detail for all of these waivers.

ii) Variation, Waiver or Suspension of Financial Regulations.

13. Financial Regulation 1.7 allows the Service Director, Finance & Procurement, after consulting with the Group Manager for Legal Services, to vary, waive or suspend any Regulation. This applies to any Regulation and is not limited to the selection of contractors which is the main focus of this report. During 2012/13, there were no requests. There was one such request in 2011/12 which was not approved.

Other Options Considered

14. This report is for information and noting only.

Reason/s for Recommendation/s

15. To provide information to Members on the Financial Regulations Waivers.

Statutory and Policy Implications

16. This report has been compiled after consideration of implications in respect of finance, the public sector equality duty, human resources, crime and disorder, human rights, the safeguarding of children, sustainability and the environment and those using the service and where such implications are material they are described below. Appropriate consultation has been undertaken and advice sought on these issues as required.

RECOMMENDATION

1. That Members note the waivers from financial regulations in 2012/13.

Paul Simpson
Service Director (Finance and Procurement)

For any enquiries about this report please contact:
Steve Carter – Group Manager Procurement

Constitutional Comments

17. The proposal in this report is within the remit of the Audit Committee.

Financial Comments (PS 18/11/13)

18. There are no specific financial implications arising from the report. However, the Financial Waivers process itself is an important element of the Council's Financial Regulations, which exist to ensure that public money is safeguarded and that decisions taken by Council officers are lawful and provide value for money for local taxpayers.

Background Papers

Except for previously published documents, which will be available elsewhere, the documents listed here will be available for inspection in accordance with Section 100D of the Local Government Act 1972:

None.

Electoral Division(s) and Member(s) Affected

All

Appendix 1

Exceptions to the requirement to seek quotations and tenders for the procurement of goods and services that were valued at £25,000 or less.

Number of waivers	Exemption categories					
	(i) Valid extension of an existing contract	(ii) Collaborative contract set up by other public sector body	(iii) Repairs or parts for existing machinery or software upgrade	(iv) Urgently needed for protection of life or property or maintain a public service	(v) Corporate Director decision that special circumstances mean Best Value is in not tendering	Total
Environment and Resources	0	0	0	1	9	10
Adult Social Care, Health & Public Protection	0	0	1	0	7	8
Children, Families & Cultural Services	0	0	0	0	2	2
Policy Planning & Corporate Services	2	0	0	0	6	8
TOTAL	2	0	1	1	24	28

Appendix 2

Exceptions to the requirement to seek quotations and tenders for the procurement of goods and services that were above £25,000.

Waiver Ref	Requesting Department	Value	Description of Contract	Summary of Decision
SPECIFICATION RELATED WAIVERS				
101	E&R	£778k	Modifications to Stapleford Library	This was a relatively late and specialist addition to the works. This was due to the client making additional funding available at a late stage in the design and tender phase of the project. It was decided to include the change and associated works as a result of the additional funding.
93	E&R	£172k	Provision of multihogs with high visibility flail mower and interchangeable gritter and snowplough attachments.	Highway Services have taken back the agency from the MOP's for grass and verge cutting maintenance and weed spraying. The machinery used by the Districts stayed in their ownership which meant that the Council had to purchase/lease its own. The timing of the contract meant that there was insufficient time to perform a full procurement. These machines were bought because they are extensively used by other Councils and are multi-purpose so can be used 12 months of the year.
95	ASCHPP	£120k	Soft furnishings for Care & Support Centres (Older Adults – Retained Homes)	<p>This is a one off purchase for essential items to support Nottinghamshire County Council's statutory responsibility to support vulnerable adults as required by the National Assistance Act 1948.</p> <p>The request is for the Authority to waive financial regulations for the purchase of items of soft furnishings and furniture to replace poor standard items in bedrooms and some communal areas and allow single sourcing from the identified provider. Alternatives were researched but none could provide the full range of items required as a package for six homes.</p>
94	E&R	£99k	Contract for thorough inspection of plant and equipment	The contract was originally negotiated by NCC's Risk and Insurance Management Section. Responsibility for the contract was transferred over to the Health and Safety Team in 2012 and a request was made to extend this until 31/10/13. This will allow time to put together a specification/ more complete list of equipment requiring inspection and go out to competitive tender.

78	E&R	£78k	1 year extension to software renewal of Nottinghamshire's Highway Asset Management System.	The 1 year extension allows the highways division to develop improvements identified for highway services review, roll out improved mobile working and identify requirements managing new 'Term Service Contract' (TSC) before committing to longer term software contracts.
99	E&R	£54k	Financial Payment Analysis	Investigation of the market has identified only one software product available that would meet the Authority's business requirements of both preventing duplicate payments and great range of additional checks of payments to avoid errors.
59	E&R	£38k	Commissioning Consultant Support	In February 2012 full Council agreed to use the Midland Highways Alliance common form of contract. This waiver is a single source justification to use a specific supplier to support the Highways term service contract procurement as they drafted the contract template for MHA.
68	ASCHPP	£31k	Care and Support Centres (Older Adults) (Retained Homes)	<p>NCC has six retained homes for older adults which were not sold as the result of the 2011 tendering exercise. These units (now renamed Care and Support Centres) are now incorporated into the NCC Living at Home Programme and are undergoing a process of member approved refurbishment and a programme of strategic change leading towards an increased focus of short stay and local community support.</p> <p>This is a one off purchases for 2 baths at a cost of £13,200 from one supplier and 3 baths from another at a cost of £20,589. Other suppliers have been considered but none able to provide competitive quotes for the specific equipment required.</p>
72	ASCHPP	£31k	Care assessments	<p>There is a national target expectation that Councils complete assessments for new service users within 28 days. This is a key local target for Nottinghamshire County Council. Currently less than 70% of people receive an assessment in the required timescale against a target of 80%.</p> <p>An alternative model used in a small number of Councils was to appoint a specialist OT agency. The Health and Social Care Committee have given approval and authorised funding to appoint an independent agency.</p>

to end process and are familiar with how to use framework, NCC's social care record system. No other provider was identified who could undertake this work.

83	ASCHPP	£30k	Membership of Institute of Public Care (IPC) Oxford Brookes University – Network Partnership Programme	We have already undertaken valuable preliminary analysis and evaluation with IPC and feel that between us we have identified some key areas where they can help us to make the transformation and savings required.
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The IPC is a well-respected organisation with consultants that specialise and have a wealth of experience in social care so they understand the issues and the current landscape. They are prepared to work with us on a year by year basis as we require (normally sign up to the programme would be for 3 years) and are offering the first year at £30,000, since we have already joined the IPC Network. One year membership would normally be £32,500 (50 days at £650 per day).

PLANNING RELATED WAIVERS

80	ASCHPP	£880k	Framework Accommodation Based Services	This supplier is both the landlord and the provider of support services in the supplier's property. There are aspects of the accommodation which consist of communal facilities which would be required for use by alternative support providers.
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Before any procurement process can commence approval would need to be given by this supplier for the use of their accommodation for these services whether they are successful in the tender process as the preferred provider of support services. If the supplier was not successful in the award of the support contracts they may levy a charge to the support provider for the use of the communal facilities as a means of rental income. This may prevent other potential providers submitting a bid because the rental charges are prohibitive.

This has already been the case with one of the existing services, Elizabeth House for which the supplier was the only bidder when the service was tendered in 2008-09.

The legal advice was that a consultation exercise should be undertaken on this preferred option. Consultation would commence in early 2013-14 to inform the procurement which would need to commence in September 2013.

81	ASCHPP	£300k	Contract extension for a service funded by Supporting People	An extension for a service delivered under contract by Places for People. The contract expired on the 12th May 2012. Large scale tenders for mental health, domestic violence and homeless prevention services are all currently underway. The reconfiguration of these service areas has taken priority over this individual service. A paper will be presented to a future ASCH Committee to recommend the outsourcing of the Dual Sensory Impairment services. If this recommendation is approved, the deaf floating support service will be tendered in conjunction with the dual sensory impairment services to ensure maximum efficiency.
100	ASCHPP	£153k	Stonham Quick Access Service	It is the intention to consult on a new approach to contracting for Supporting People accommodation based services. The contract for Stonham has already been extended and therefore cannot be extended again though option 1. Therefore, it is necessary to extend the contract with the existing provider whilst the consultation and following tender process is conducted.
98	PPCS	£96k	Increasing the capacity of the contract to ensure that pre-procurement, procurement and post-procurement phase of the broadband plan is sufficiently sourced.	<p>The supplier was successfully awarded the technical support contract after a competitive procurement process in June 2012. At the time of that procurement, it was impossible to predict the nature, scale and complexity of the tasks required to successfully navigate the BDUK procurement process. There is no in-house expertise to undertake these tasks outlined in the waiver requests.</p> <p>Revenue funding to support project delivery up to a total value of £400K was approved by Full Council in December 2011. To date, expenditure of £37,000 has been incurred.</p>
73	E&R	£69k	Gedling Country Park Provision of Professional Services in Respect of Redevelopment Planning of the site to allow construction of country park.	NCC Landscape and Reclamation team were commissioned by Gedling Borough Council to provide master planning and environmental due diligence services in relation to Gedling's acquisition and future development of the Gedling Colliery Spoil Tip as a country park. Sub-consultants were appointed for phase 1 following a best value tender process. Gedling have instructed NCC to retain the same consultants for Phase 2 as the most cost-effective way of delivering the service.
96	CFCS	£50k	Troubled Families Programme - Interim	The DoE announced in February 2013 additional requirements for

Intensive Family Support

the grant given for the Troubled Families Programme. This meant that services were urgently needed to maintain the immediate functioning of a public service for which the Council is responsible. The contract will only last as long as is reasonably necessary to complete a full legal tender.

57	CFCS	£35k	Appointment of a technical partner to identify and report on property information and terms of transfer required in the academy transfers for school sites
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The Council requires the work to be undertaken in order to meet an urgent need to comply with DfE requirements. The timescale to satisfy the requirement is such that going to tender would preclude the Authority from meeting the deadlines as set out above. The Council is achieving Best Value in this matter because the proposed cost is below that of employing agency staff or using the EMPA framework as previously agreed.

PILOT RELATED WAIVERS

67	ASCHPP	£348k	Pilot to develop supported living for vulnerable adults
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The council has a consistent requirement to work with service users who are vulnerable but who do not fit into any of the existing service areas e.g. learning disability. A pilot will be undertaken with approved providers under the Care, Support and Enablement contract and with landlords to develop value-for-money alternatives to residential care for service users requiring housing in the next 12 months.

82	ASCHPP	£168k	Pilot 24 Hour Telecare Response Service
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Some vulnerable service users are unable to utilise the telecare night response service to keep them independent in their own home because they do not have access to a similar emergency response during the daytime. To evaluate this gap in service provision, short term reablement funding has been secured for a six month period to expand the operating hours of the current night response service on a pilot basis, so that it can be accessed 24 hours a day. If the pilot is a success then the on-going requirement will be included in the homecare contract tender.

64	ASCHPP	£63k	Hospital discharges
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To award a six month contract to a supplier to provide an immediate response to delayed hospital discharges – this is to ensure that patients can be discharged home earlier and more speedily so that much needed hospital beds are released.

It is proposed this service would be a piloted for six months to establish what works and what doesn't to inform the forthcoming Home Based Services Tender. It is anticipated that the service

would release 10-14 bed delays per week at a saving of £450 a day for each bed.

CALL-OFF RELATED WAIVERS

91	ASCHPP	£112k	Purchase Of Just Checking Dementia Assessment System
79	ASCHPP	£57k	Web based directory – Choose My Support

The Just Checking system will be purchased from the Government Procurement Service framework agreement for Telecare, Telehealth and Telecoaching (Agreement Reference number: RM784). This framework agreement has been established following a process which fully complies with EU and UK procurement rules.

Choose My Support is a regional consortium that would enable Nottinghamshire County Council to become involved in a local initiative for the benefit of members of Nottinghamshire and Nottingham city. One system could be used across four local authorities making it easier for users and more effective and credible for providers.

There has already been a robust procurement process carried out by Leicestershire County Council on behalf of the consortium (i.e. Leicestershire County Council and Leicester City Council), who originally procured Systems Associates through open tender with ESPO (the Eastern Shires Purchasing Association).

Appendix 3

Applications for waivers from other financial regulations.

Waiver Ref	Requesting Department	Value	Description of Contract	Summary of Decision
90	E&R	<£9k	Waiver from requiring 3 years accounts in order to set up a vendor account on BMS	A former employee of Rufford Park set up his own business and was appointed to provide landscaping services. As a new business he did not have the required 3 years of accounts.

REPORT OF SERVICE DIRECTOR, FINANCE AND PROCUREMENT

UNSATISFACTORY FOLLOW-UP AUDIT REPORT – CLEANING SERVICE

Purpose of the Report

1. To inform Members of a follow up audit where the audit opinion remained “unsatisfactory” because insufficient progress had been made in implementing agreed Internal Audit recommendations.

Information and Advice

2. Internal Audit work is carried out in accordance with an agreed Annual Plan. On completion of the audit, the findings and recommendations are discussed with the relevant manager. A draft report is then issued to the manager, who is asked to provide a formal response to the recommendations. Once this response has been received, the final audit report is issued which includes the response to all recommendations and a date by which they will be implemented.
3. In each report, an opinion on the controls in place is included, and is one of three standard opinions, as follows:-
 - Sound – there are no weaknesses or only minor weaknesses
 - Satisfactory – most of the arrangements for financial management are effective, but some weaknesses have been identified
 - Unsatisfactory – there is an unacceptable level of risk which requires the prompt implementation of the recommendations to correct the weaknesses identified.
4. If the audit opinion is sound or satisfactory, then the implementation of the recommendations concerned is followed up the next time the system is audited. However, if the audit opinion is unsatisfactory a follow up audit is carried out approximately six months after the final report has been issued, to determine whether the agreed recommendations have been implemented.
5. A follow up audit has recently been completed on the Cleaning Service. The original audit was carried out following a Whistleblowing allegation. The claim was that County Council resources and equipment had been used inappropriately. Whilst the allegations were not substantiated, the audit identified a number of system weaknesses in control over vehicle

use, fuel costs, attendance records, authorisation of annual leave and payment for personal use of Council mobile phones. An Action Plan to address the weaknesses was agreed with the Cleaning Services manager, with the recommendations being followed up at the latest audit. Whilst progress had been made in implementing the agreed recommendations, further work was still required. In particular, there was a requirement to ensure that fleet records were accurate and up-to-date, best use was made of available information, effective controls over fuel costs were in place and leave arrangements were standardised. A copy of the follow up report is attached as **exempt Appendix A**.

6. A further follow up to this report is now substantially complete and a report will be issued in due course. Significant improvements have now been implemented and the vast majority of the recommendations made in the report at Appendix A have been successfully implemented.
7. The Head of Service for Catering, Cleaning and Landscaping has management responsibility for the Cleaning Service, and will be attending the meeting to explain the issues involved in improving controls over income and the progress made since the report was issued in July 2013.

Other Options Considered

8. This report is for information and noting only.

Reason/s for Recommendation/s

9. To provide information to Members on the work required in the Cleaning Service to ensure that effective controls are in place.

Statutory and Policy Implications

10. This report has been compiled after consideration of implications in respect of finance, the public sector equality duty, human resources, crime and disorder, human rights, the safeguarding of children, sustainability and the environment and those using the service and where such implications are material they are described below. Appropriate consultation has been undertaken and advice sought on these issues as required.

RECOMMENDATION

- 1) That Members note the proposed actions to be taken to fully implement the outstanding audit recommendations and that, following a further review, these are now substantially complete.

Paul Simpson
Service Director (Finance and Procurement)

For any enquiries about this report please contact:

John Bailey
Head of Internal Audit

Constitutional Comments

This report is for noting only.

Financial Comments (JMB 19/11/13)

The work of Internal Audit is designed to ensure that efficient and effective systems are in place to manage risk, ensure effective control is in place and demonstrate sound governance. This report highlights an area where further work was required to achieve these aims and reduce the risk of financial loss.

Background Papers

Except for previously published documents, which will be available elsewhere, the documents listed here will be available for inspection in accordance with Section 100D of the Local Government Act 1972:

None.

Electoral Division(s) and Member(s) Affected

All

**REPORT OF CORPORATE DIRECTOR, POLICY, PLANNING AND
CORPORATE SERVICES****WORK PROGRAMME****Purpose of the Report**

1. To consider the Committee's work programme for 2013/14.

Information and Advice

2. The County Council requires each committee to maintain a work programme. The work programme will assist the management of the committee's agenda, the scheduling of the committee's business and forward planning. The work programme will be updated and reviewed at each pre-agenda meeting and committee meeting. Any member of the committee is able to suggest items for possible inclusion.
3. The attached work programme has been drafted in consultation with the Chairman and Vice-Chairman, and includes items which can be anticipated at the present time. Other items will be added to the programme as they are identified.
4. As part of the transparency introduced by the revised committee arrangements from 2012, committees are expected to review day to day operational decisions made by officers using their delegated powers. It is anticipated that the committee will wish to commission periodic reports on such decisions. The committee is therefore requested to identify activities on which it would like to receive reports for inclusion in the work programme.

Other Options Considered

5. None.

Reason/s for Recommendation/s

6. To assist the committee in preparing its work programme.

Statutory and Policy Implications

7. This report has been compiled after consideration of implications in respect of finance, equal opportunities, human resources, crime and disorder, human rights, the safeguarding of children, sustainability and the environment and those using the service and where such

implications are material they are described below. Appropriate consultation has been undertaken and advice sought on these issues as required.

RECOMMENDATION/S

- 1) That the committee's work programme be noted, and consideration be given to any changes which the committee wishes to make.

Jayne Francis-Ward
Corporate Director, Policy, Planning and Corporate Services

For any enquiries about this report please contact: Sarah Ashton x 73962

Constitutional Comments (HD)

1. The Committee has authority to consider the matters set out in this report by virtue of its terms of reference.

Financial Comments (PS)

2. There are no direct financial implications arising from the contents of this report. Any future reports to Committee on operational activities and officer working groups, will contain relevant financial information and comments.

Background Papers

None.

Electoral Division(s) and Member(s) Affected

All

AUDIT COMMITTEE - WORK PROGRAMME

<u>Report Title</u>	<u>Brief summary of agenda item</u>	<u>For Decision or Information</u>	<u>Lead Officer</u>	<u>Report Author</u>
19 March 2014				
Audit Plan	To inform Members of the External Auditors proposed approach and External Audit Plan	Decision	Nigel Stevenson	Nigel Stevenson
Accounting Policies	To allow the Audit Committee to review and approve the proposed accounting policies used in creating the Authority's Statement of Accounts	Decision	Nigel Stevenson	Nigel Stevenson
Certification of Claims and Returns 2012/13	To inform Members of the External Auditors' Annual Report on the certification of Claims and Returns.	Information	Nigel Stevenson	Nigel Stevenson
Statement on conformance with the Public Sector Internal Audit Standards	Outline of the new Public Sector Internal Audit Standards, results of quality assurance and improvement programme to address areas of non-compliance	Information	John Bailey	John Bailey
11 June 2014				
Internal Audit Report 2013/14	Report from the Head of Internal Audit providing an internal audit opinion that can be used to inform the Authority's Governance Statement.	Information	John Bailey	John Bailey
Internal Audit Plan 2014/15	Provision of a risk-based plan for the Authority which will enable an annual internal audit opinion to be produced.	Information	John Bailey	John Bailey
Draft Annual Governance Statement 2013/14	Review and comment on the draft Annual Governance Statement prior to being forwarded on to Full Council to accompany the Statement of Accounts	Decision	John Bailey	John Bailey
Annual External Audit Fees	To inform Members of proposed external audit fees for 2014/15	Information	Nigel Stevenson	Nigel Stevenson / External Auditor

