

MAIDSTONE BOROUGH COUNCIL

AUDIT COMMITTEE

MINUTES (PART I) OF THE MEETING HELD ON 14 APRIL 2011

Present: **Councillor Horne (Chairman) and
Councillors Butler, Nelson-Gracie, Mrs Smith and
Warner**

96. APOLOGIES FOR ABSENCE

There were no apologies for absence.

97. NOTIFICATION OF SUBSTITUTE MEMBERS

There were no Substitute Members.

98. NOTIFICATION OF VISITING MEMBERS

There were no Visiting Members.

99. DISCLOSURES BY MEMBERS AND OFFICERS

There were no disclosures by Members or Officers.

100. DISCLOSURES OF LOBBYING

There were no disclosures of lobbying.

101. EXEMPT ITEMS

RESOLVED: That the item on Part II of the agenda be taken in private as proposed.

102. MINUTES OF THE MEETING HELD ON 21 MARCH 2011

RESOLVED: That the Minutes of the meeting held on 21 March 2011 be approved as a correct record and signed.

103. MATTERS ARISING FROM THE MINUTES OF THE MEETING HELD ON 21
MARCH 2011

Minute 84 – Implementation of IFRS in Local Authority Accounts

The Chairman advised Members that the House of Lords Economic Affairs Committee had published its report following the inquiry into "Auditors: Market Concentration and their Role". He explained that as the inquiry unfolded, the Committee had also focussed on the effects on audit of the adoption of International Financial Reporting Standards. Extracts from the

relevant sections of the report had been circulated to all Members of the Audit Committee.

RESOLVED: That consideration of the effects on audit of the adoption of IFRS should be included as a topic for discussion in the Committee's future work programme.

104. PUBLIC SECTOR PROCUREMENT

At the request of the Chairman, the Property and Procurement Manager submitted a briefing note on the issues raised in an article about public sector procurement in the December/January 2011 edition of the Computers and Law magazine of SCL and how the Council was dealing with them. The Property and Procurement Manager explained that:-

- The article had highlighted perceived concerns about public sector procurement processes, including protracted procurement programmes; lengthy and complicated documents; excessive bid costs; over reliance on consultants and lawyers; uncertainty regarding expected benefits and outcomes; and unfair allocation of risk onto the supplier. The consequences were considered to be reduced competition, exclusion of smaller suppliers, higher costs and inefficient use of public money.
- The article had suggested that the solutions were to standardise documentation; keep specifications simple; identify outcomes and expected benefits at the earliest stage possible; avoid the need to engage external consultants and lawyers; ensure proper selection and award criteria; allocate risk fairly; and ensure a compliant, transparent and easy to use process.
- These principles were key elements in procurement best practice and failure to follow these principles would constrain the Council's ability to get best value, compromise the quality of goods and services being sought and possibly lead to challenge from unsuccessful or disenfranchised bidders.
- The Council had a dedicated procurement unit and was able to ensure that these risks were managed by, inter alia, employing people directly who had the necessary experience and who were capable of developing any further skills required; developing and improving standardised pre-qualification questionnaires and invitations to tender; working closely with service managers to ensure that specifications were output based, as simple as possible and identified outcomes and expected benefits; allocating risks to those best able to deal with them; avoiding the need to engage external consultants and lawyers; and ensuring that small and local businesses were not excluded through restrictive procurement thresholds.

The Committee asked a number of questions of the Officers relating to the suggestion that the threshold of £75,000 for contracts to be let by tender was too restrictive, particularly for small and local businesses; the requirement for contractors to hold and maintain appropriate insurance and enter into bonds; the Officers responsible for drawing up the

specifications for contracts; the costs to the Council of undertaking a tender exercise depending on the complexity and type of contract; the effectiveness of the Contract Procedure Rules; and the progress to date in encouraging staff to attend training on procurement issues and to attain professional qualifications in procurement.

Arising from these questions, the Officers explained that the current Contract Procedure Rules had been adopted some two years ago and it would be appropriate to undertake a review to see whether improvements could be made. An assessment of the financial limits would form part of that exercise, including seeking the views of local businesses.

RESOLVED: That the position be noted and that the results of the proposed review of the Council's Contract Procedure Rules be reported to the Audit Committee in due course.

105. EXCLUSION OF THE PUBLIC FROM THE MEETING

RESOLVED: That the public be excluded from the meeting for the following item of business because of the likely disclosure of exempt information for the reasons specified, having applied the Public Interest Test:-

Head of Schedule 12 A and Brief Description

Report of the Assistant Director of Regeneration and Cultural Services - Maidstone Museum East Wing Development Contract	3 - Financial/Business Affairs 5 - Legal Professional Privilege/Legal Proceedings
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106. MAIDSTONE MUSEUM EAST WING DEVELOPMENT CONTRACT

The Committee considered the report of the Assistant Director of Regeneration and Communities regarding the management of the Maidstone Museum East Wing contract. The Committee asked questions of the Officers relating to the funding arrangements, the contractual issues/reasons for the delay in the contract programme and the legal position.

Having received replies to its questions, the Committee gave instructions to the Officers as to how it wished to proceed.

107. DURATION OF MEETING

6.30 p.m. to 8.30 p.m.