

*Meeting:* **Corporate Governance Committee**

*Date/Time:* **Friday, 14 June 2013 at 2.00 pm**

*Location:* **Guthlaxton Committee Room, County Hall, Glenfield**

*Contact:* **Mrs. J. Twomey (tel: 0116 305 6462)**

*Email:* **joanne.twomey@leics.gov.uk**

### **Membership**

Mr. G. A. Boulter CC  
Mr. G. A. Hart CC  
Mr. K. W. P. Lynch CC  
Mrs. J. Richards CC

Mr. S. D. Sheahan CC  
Mr. R. J. Shepherd CC  
Mr. E. D. Snartt CC

### **AGENDA**

#### **Item**

#### **Report by**

1. Election of Chairman.

Mr E. D. Snartt CC was nominated Chairman elect at the Annual Meeting of the County Council held on 15 May 2013.

2. Appointment of Vice-Chairman.

3. Minutes of the meeting held on 13 February and 7 March 2013.

(Pages 3 - 10)

4. Question Time.

5. Questions asked by members under Standing Order 7(3) and 7(5).

6. To advise of any other items which the Chairman has decided to take as urgent elsewhere on the agenda.

7. Declarations of interest in respect of items on



the agenda.

- |     |  |   |                   |
|-----|--|---|-------------------|
| 8.  | External Review of the Medium Term Financial Strategy 2013/14 - 2016/17. | Director of Corporate Resources                     | (Pages 11 - 34)   |
| 9.  | Risk Management Update.  | Director of Corporate Resources                     | (Pages 35 - 54)   |
| 10. | Annual Governance Statement.   | Director of Corporate Resources                     | (Pages 55 - 80)   |
| 11. | Quarterly Treasury Management Report.                                    | Director of Corporate Resources                     | (Pages 81 - 84)   |
| 12. | Annual Treasury Management Report.                                       | Director of Corporate Resources                     | (Pages 85 - 88)   |
| 13. | Internal Audit Service Annual Members' Report.                           | Director of Corporate Resources                     | (Pages 89 - 104)  |
| 14. | Internal Audit Service Annual Plan.                                      | Director of Corporate Resources                     | (Pages 105 - 126) |
| 15. | Internal Audit Service Progress Report.                                  | Director of Corporate Resources                     | (Pages 127 - 138) |
| 16. | Investigations into Allegations concerning Member Conduct                | County Solicitor                                    | (Pages 139 - 144) |
| 17. | East Midlands Councils: Governance and Finance Issues.                   | Chief Executive and Director of Corporate Resources | (Pages 145 - 148) |
| 18. | Regulation of Investigatory Powers Act 2000.                             | County Solicitor                                    | (Pages 149 - 150) |
| 19. | Date of next meeting - Monday, 23 September 2013 at 10.00am.             |   |                   |
| 20. | Any other items which the Chairman has decided to take as urgent.        |   |                   |



Minutes of a meeting of the Corporate Governance Committee held at County Hall, Glenfield on Thursday, 7 March 2013.

PRESENT

Mr. E. D. Snartt CC (in the Chair)

Mr. G. A. Boulter CC  
Dr. R. K. A. Feltham CC  
Mr. P. S. Harley CC  
Mr. G. A. Hart CC

Mr. K. W. P. Lynch CC  
Mr. J. Miah CC  
Mr. P. C. Osborne CC

66. Questions.

The Chief Executive reported that no questions had been received under Standing Order 35.

67. Questions asked by members.

The Chief Executive reported that no questions had been received under Standing Order 7(3) and 7(5).

68. Urgent Items.

There were no urgent items for consideration.

69. Declarations of interest.

The Chairman invited members who wished to do so to declare any interest in respect of items on the agenda for the meeting.

No declarations were made.

70. Revised Members' Code of Conduct.

The Committee considered a report of the County Solicitor, the purpose of which was to present to Members a revised Members' Code of Conduct for consideration prior to it being submitted to the County Council on 20 March 2013 for approval.

Arising from the discussion, the following points arose:

- i. Members welcomed the draft new Code and the proposal for this to be introduced as a common Code across Leicestershire. It was considered that authorities having different Codes would lead to confusion for those Members who served on more than one local authority;

- ii. Concern was expressed that the Code should make specific reference to the need for Members to abide by the local authority's safeguarding responsibilities in respect of both adults and children. Whilst recognising the importance of these issues, the Committee acknowledged that there were many responsibilities undertaken by Members when acting in that capacity and it would not be practical to detail them all within the Code. The Committee considered that specific reference to certain responsibilities, such as safeguarding, could be appropriately identified in a guide to the Code;
- iii. The Localism Act 2011 provided that a Member with a Disclosable Pecuniary Interest (DPI) in a matter could not participate in any discussion or vote on that matter at a meeting. What this would mean in practice had been the subject of much debate and there had been a difference of opinion on this point both locally and nationally. Advice provided by Queen's Counsel to another local authority suggested that this would not prevent a Member from addressing a meeting as a private individual, or as a locally elected Member in cases where a member of the public would be allowed to attend for the same purpose, provided that the Member, after having addressed the meeting, then withdrew from the debate and before a vote took place. In contrast, guidance provided by the Department for Communities and Local Government (DCLG) stated that a Member with a DPI would be prohibited from any form of participation, 'including speaking as a member of the public'. It was the view of the County Solicitor that the advice given by Queen's Counsel was appropriate and clause 4.3 of the new draft Code had been inserted to reflect this. However, given the conflicting guidance received, and in light of the potential criminal liability for Members who failed to abide by the legislation, what action to take in such circumstances had to be a personal decision for each Member, as despite the view of the County Solicitor, full reassurance could not be given as the provisions had not been tested in the courts;
- iv. There might be rare circumstances when a Member could not take part in a debate due to being a member of more than one authority when the matter being discussed was considered to be of great importance to one or both authorities. Declaration at one authority did not mean it would be necessary for a member to declare at another and it would be important to distinguish between a Member representing the view of residents in the area and acting in the interests of the other authority. Paragraph 4.12 had been inserted into the new draft Code to highlight this issue for the benefit of Members and the public. However, the circumstances of each case would need to be considered on an individual basis and in all cases Members would need to have regard to the Nolan principles;
- v. The power to impose sanctions if a Member had breached the Code now rested in the hands of the relevant political groups and the new system would therefore only be effective against those Members that belonged to and remained aligned to such a group. The Committee acknowledged that the Council had four Members that did not belong to a political group and views were expressed that this meant they were not on a level playing field as regards the need to comply with the

standards set out within the Code;

- vi. To ensure all Members felt the same level of public responsibility to abide by the Code, whether belonging to a political group or not, it was suggested that the outcome of a Member Conduct Panel hearing, in cases when a Member had been found to have breached the Code, be reported to County Council for public record. It was acknowledged that it would not be appropriate for such a report to be debated, otherwise there was a risk it could be used inappropriately by the Member complained about, i.e. as a means of appeal, or by other Members to further re-open the decision taken by the Member Conduct Panel. The County Solicitor undertook to consider this proposal further and report back to the Committee;
- vii. The Member Conduct Panel was a politically balanced Panel and, in cases where Members disagreed and a decision was taken by a majority vote, it would be important to record this within the minutes of the hearing;
- viii. The County Council would consider adoption of the new Code on 20 March. Thereafter, District Council's would take this forward through their own processes before considering whether or not to adopt the Code as drafted, or subject to local amendment. It was expected that many, although possibly not all, would adopt the common Code. It was acknowledged that adoption of the new Code would be difficult in those areas that had adopted a new Code in July 2012 which applied at both district and parish level.

RESOLVED:

- (a) That the County Council be recommended to approve the adoption of the revised Code of Conduct for Members as set out in Appendix 1 to the report;
- (b) That the County Solicitor be asked to report to a future meeting of the Committee on the suggestion now made for all Member Conduct Panel decisions, when a Member is found to be in breach of the Code of Conduct, to be referred to County Council for public record, but not for debate.

71. Date of next meeting.

RESOLVED:

That the next meeting of the Committee be held on 14 June 2013 at 2.00pm.

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PRESENT

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RESOLVED:

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71. Date of next meeting.

RESOLVED:

That the next meeting of the Committee be held on 14 June 2013 at 2.00pm.

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**CORPORATE GOVERNANCE COMMITTEE – 14 JUNE 2013**

**REPORT OF THE DIRECTOR OF CORPORATE RESOURCES**

**EXTERNAL REVIEW OF THE MEDIUM TERM FINANCIAL STRATEGY**  
**2013/14 – 2016/17**

**Purpose of the Report**

1. The purpose of this report is to present the key findings from a review undertaken by the Council's external auditor, PricewaterhouseCoopers (PwC), on the Medium Term Financial Strategy (MTFS) 2013/14 – 2016/17.

**Background**

2. The County Council approved the MTFS 2013 on 20 February 2013. The external auditor, PwC, is required by the Use of Resources Code to carry out sufficient and relevant work in order to conclude on whether proper arrangements are place to secure economy, efficiency and effectiveness in the use of resources and financial resilience.
3. As part of this process they have undertaken a review of the approved MTFS 2013 and their report is attached as Appendix 1. The PwC audit manager will attend the meeting of this Committee to present their findings.

**Recommendation**

4. The Committee is asked to consider any issues raised by the auditor in their report.

**Equal Opportunities Implications**

5. None.

**Circulation Under Local Issues Alert Procedure**

6. None.

**Background Papers**

The Medium Term Financial Strategy 2013 approved by County Council on 20 February 2013.

**Officers to Contact**

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E-mail: [judith.spence@leics.gov.uk](mailto:judith.spence@leics.gov.uk)

**Appendices**

Appendix 1 – PwC Medium Term Financial Strategy Report 2013



# *Leicestershire County Council*

June 2013

## Medium Term Financial Strategy report

# Contents

Introduction.....	3
Section I: Progress to date .....	5
Section II: Programme management .....	6
Section III: Assumptions .....	8
Section IV: Reserves.....	13
Section V: Economy, Efficiency and Effectiveness .....	16
Section VI: Conclusions .....	20
Appendix: Scope of Work.....	21

## Code of Audit Practice and Statement of Responsibilities of Auditors and of Audited Bodies

In March 2010 the Audit Commission issued a revised version of the ‘Statement of responsibilities of auditors and of audited bodies’. It is available from the Chief Executive of each audited body. The purpose of the statement is to assist auditors and audited bodies by explaining where the responsibilities of auditors begin and end and what is to be expected of the audited body in certain areas. Our reports and letters are prepared in the context of this Statement. Reports and letters prepared by appointed auditors and addressed to directors or officers are prepared for the sole use of the audited body and no responsibility is taken by auditors to any director or officer in their individual capacity or to any third party.

# Introduction

## Use of Resources

Our Use of Resources Code responsibility requires us to carry out sufficient and relevant work in order to conclude on whether you have put in place proper arrangements to secure economy, efficiency and effectiveness in the use of resources.

In accordance with recent guidance issued by the Audit Commission, in 2012/13 our conclusion will be based on two criteria:

- The organisation has proper arrangements in place for securing financial resilience; and
- The organisation has proper arrangements for prioritising resources.

The focus of these criteria for 2012/13 will be on whether:

- The organisation has robust systems and processes to manage financial risks and opportunities effectively, and to secure a stable financial position that enables it to continue to operate for the foreseeable future.
- The organisation is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity.

We will not be required to reach a scored judgement in relation to these criteria and the Audit Commission will not be developing 'key lines of enquiry' for each criteria. Instead, we will be carrying out sufficient work to allow us to reach a conclusion on your arrangements. As part of our work in this area we have undertaken a review of your Medium Term Financial Strategy.

## Background

On 20 October 2010 the coalition government published the Spending Review 2010, which set out government department budgets for the period 2011/12 to 2014/15. The impact of the reductions in central government funding on individual local authorities in the two final years of this period was finalised in December 2012.

The Chancellor's Autumn Statement was given on 5 December 2012 and it described a medium term position characterised by lower than anticipated economic growth and, as a result, a higher forecast public sector borrowing requirement. It included the following key headlines:

- Economic growth forecasts were revised down to 1.2% for 2013, 2% in 2014 and 2.3% in 2015.
- The deficit was due to fall from 7.9% to 6.9% of GDP this year, and to continue falling to 1.6% by 2017/18.
- Public sector pay rises would be limited to 1% after the end of the pay freeze in 2013.

### Medium Term Financial Strategy

In our audit plan presented to you in November 2012, we highlighted a specific audit risk in relation to your savings requirement over the next few years. You will be required to make around £79m of savings and service reductions. Of this £49 million has been identified to date for 2013/14 and 2014/15. The remaining £30 million for 2015/16 and 2016/17 is unidentified at this stage. This is needed to balance your budget over a four year period.

The Council took prompt action in 2010 to cut costs in advance of the Comprehensive Spending Review and you are re-organising services. You have been planning in advance for the impact of the economic environment for a number of years, and are on track to deliver the £27m of savings planned to be achieved during 2012/13.

We agreed in the audit plan that we would review your MTFS, including how you manage the plan and comparing it with other similar plans. The areas of focus for this work are:

- Programme management;
- Progress to date;
- Assumptions;
- Sensitivity analysis;
- Reserves; and
- Economy, efficiency and effectiveness.



# Section I: Progress to date

## Progress to date

The Authority has made significant strides over the past few years to identify savings and deliver more efficient services. There is a well established Change Management Programme and Organisational Efficiency Programme which has helped deliver demonstrable value for money over a number of years. Examples cited in your Medium Term Financial Strategy (MTFS) include reductions in management and associated costs which are estimated to generate further savings of £3m over the MTFS period through reducing the layers of management, exploiting new technology and a further review of employee terms and conditions.

You have also consistently been at or near the top of the 'PwC Benchmarking Club' for delivering value for money in terms of performance against net spend. However, the scale of the challenge over the next few years is significant and much of the good practice you have demonstrated will need to continue and be intensified if your planned savings and service reductions are to be delivered.

During 2012/13 you have continued to deliver savings and you reported to the January Cabinet a forecast net under-spend against the updated budget of around £4.7 million. This was for a variety of reasons including achievement of efficiencies ahead of further reduction in formula grant and spending power in later years. This gives you further flexibility to invest to save, for example:

- The ongoing shared services project with Nottingham City Council;
- The funding of any required severance payments;
- Replacement of leased premises;
- A Council-wide energy efficiency programme; and
- A variety of departmental projects.

There is clear evidence of proactivity and looking forward, with in-year projects identified and progressed, enabling required future savings to be realised.

There have been no significant adverse variances against the updated budgets for key services. For example, the position reported to the Cabinet in January identified that all services had a 'green' rating other than the Highways and Transport, which was forecasting an £850,000 overspend, or 1.6% of the updated budget. The cost pressures relating to Highways and Transport primarily relate to £735,000 of school transport savings included within the agreed MTFS not being implemented in line with the original timescales. However, the Authority has continued to deliver planned savings and manage services within the available funds.

## Link to your MTFS

Progress to date puts you in a good position to address future challenges. For example, the earmarked reserves you have established for 'invest to save' projects and other future commitments mean that you can continue to proactively plan for the reduction in your grant from central government over the next few years.

However, the challenge remains significant. This should not (and in our view is not) being underestimated. Your MTFS for 2013/14 and beyond was approved at the February Council meeting. This highlights that in 2013/14, for example, you will be required to deliver savings of around £23 million, or 6.6% of your net budget.

## Section II: Programme management

### Programme Management

You have effectively managed savings programmes over a number of years, but the scale of the current challenge will continue to put your arrangements to the test.

Governance structures in each department have overseen delivery of past plans, and our recent work suggests these remain fit-for-purpose. There continues to be:

- strong leadership from your Directors who have taken responsibility for delivering the required savings and service reductions;
- agreed priorities which have influenced spending decisions;
- a well-established reporting framework with clear accountability to ensure that projects down to a granular level are delivered; and
- business partners in each Directorate to support the delivery of savings projects and improve information to support decision making.

The MTFS includes a number of significant service reduction and efficiency schemes which will be particularly influential in meeting your targets. The largest of these schemes in 2013/14 are as follows:

Department	Scheme	2013/14 £'m	Comments
Children and Young People	Departmental restructure	2.530	This represents the full year effect of savings agreed and first delivered during 2012/13. This was approved by Cabinet on 6 March 2012 and 8th May 2012.
	Contract re-commissioning – 16 - 19	1.030	The responsibility for the provision of careers advice, information and guidance for 14-16 year olds transferred from local authorities to schools in September 2012. As a result a revised contract was procured which generates savings in both 2012/13 and 2013/14.
Adults and Communities	Effective Support	6.500	This workstream will include a review process which focuses on the wider identification of sources of effective support, including alternative services within the community, in addition to the social care offer. This is partly dependent on the development of the market.
	Increased income from fairer charging	1.000	This includes the full year effect of previous decisions and the full year effect of removing some remaining subsidies.
	Eligibility criteria	2.200	This saving is as a result of reduced demand and more efficient packages due to changes made during 2012/13 around eligibility.

Environment and Transport	Reduced level of Highways maintenance	1.195	This represents an extension of savings contained within the existing MTFS for Highways Maintenance, with priorities determined by the third Local Transport Plan.
Chief Executive	No individual schemes above £1m due to be realised in 2013/14.		
	Savings of £2.085m per annum need to be made by 2016/17. The largest scheme is a review of the contribution towards Police Community Support Officers which will save £525,000 by 2016/17.		
Corporate Resources	No individual schemes above £1m due to be realised in 2013/14.		
	Savings of £4.525m per annum need to be made by 2016/17, the largest schemes of which are:		
	<ul style="list-style-type: none"> <li>• Customer services and operations – £1.515m;</li> <li>• Central service reductions relating to Dedicated Schools Grant - £545,000; and</li> <li>• Efficiency savings from sharing services with Nottingham City Council - £800,000.</li> </ul>		

In addition to the significant savings noted above, you have included a £4 million contingency in your budget for 2013/14 to help manage financial risk. This has been determined following a robust risk assessment. It should also be noted that the majority of the largest schemes have been already agreed or are subject to consultation for implementation in 2013/14. The delivery needs to be effectively monitored, and slippage identified early stage for mitigating action. Your arrangements should enable this.

### Involvement of Members

Members are involved through each of the lead-members and the review of corporate performance against capital and revenue budgets at relevant committees. Members also have a significant involvement in the development of the Medium Term Financial Strategy through a number of means:

- Meetings with members and briefings for individual political parties;
- detailed scrutiny of the plans for Adult & Communities and Children & Young People's Services at separate scrutiny meetings;
- detailed scrutiny of all other departmental plans at the Budget and Performance Monitoring Scrutiny Panel;
- scrutiny at a summary level by the Scrutiny Commission;
- discussion of the proposals at Cabinet meetings; and
- approval of the final MTFS at the Council meeting in February 2013.

Members are also involved in reviewing your financial performance during the year, through the review of budget monitoring information at the Budget Scrutiny Commission. Since the budget was reviewed, a 'Transformation Board' has been introduced on an all party-basis for members to engage with officers around the medium term transformation of the way the Council operates.

In overall terms, we think that your programme management arrangements are good and should enable you to positively manage the challenging savings target you need to deliver.

## Section III: Assumptions

### Key Assumptions

The MTFS is underpinned by a number of key assumptions. These include:

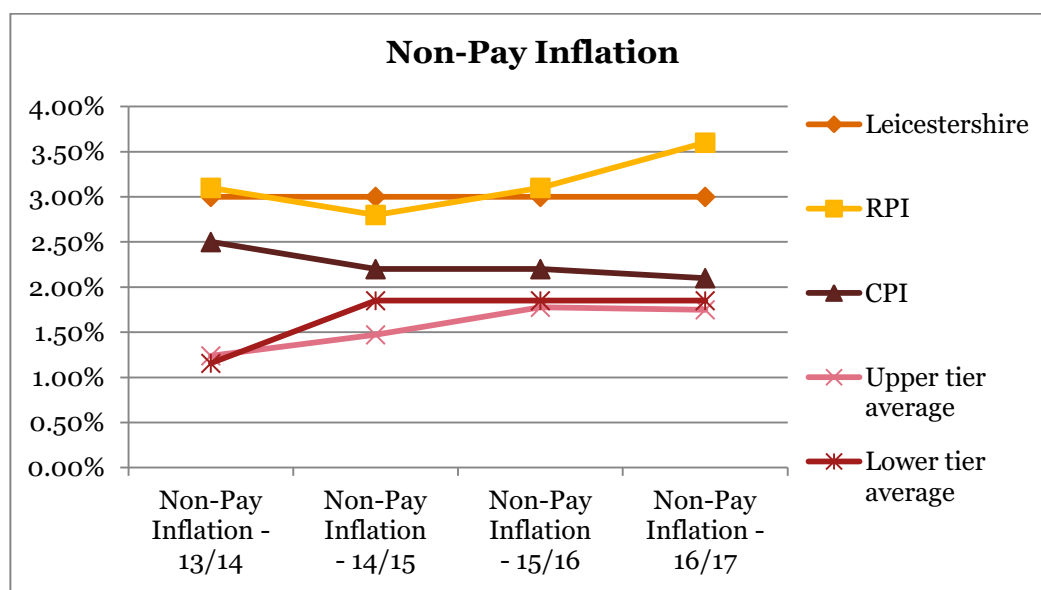
- Inflation – for both pay and non-pay expenditure;
- Growth – your estimate of future cost and budget pressures from changes in demand and volume;
- Efficiency savings – the level and timing of the savings you need;
- Council tax; and
- Use of reserves.

Each of these assumptions has varying degrees of inherent uncertainty. Assumptions applied to forecasts can often have a significant impact on balancing budgets. You have a history of delivering good financial management. However, the current economic climate is difficult and with so many assumptions being applied there is an increased risk that one of the influencing factors may vary significantly from the assumptions you have applied.

We have reviewed the assumptions in your MTFS and compared them to all of our other External Audit clients, which number over 30. We have also taken into account our wider understanding of the sector. A summary of our findings is included below.

### Inflation – non-pay costs

You have applied higher non-pay inflation assumptions for the whole MTFS period than our benchmark group, showing prudence in your estimation of the potential costs for non-pay items. You are above current Treasury projections for CPI, the government's preferred measure of inflation, and tend to track the forecast RPI measure. You are also anticipating higher inflationary costs than the average of our benchmark group for both upper tier and lower tier authorities:

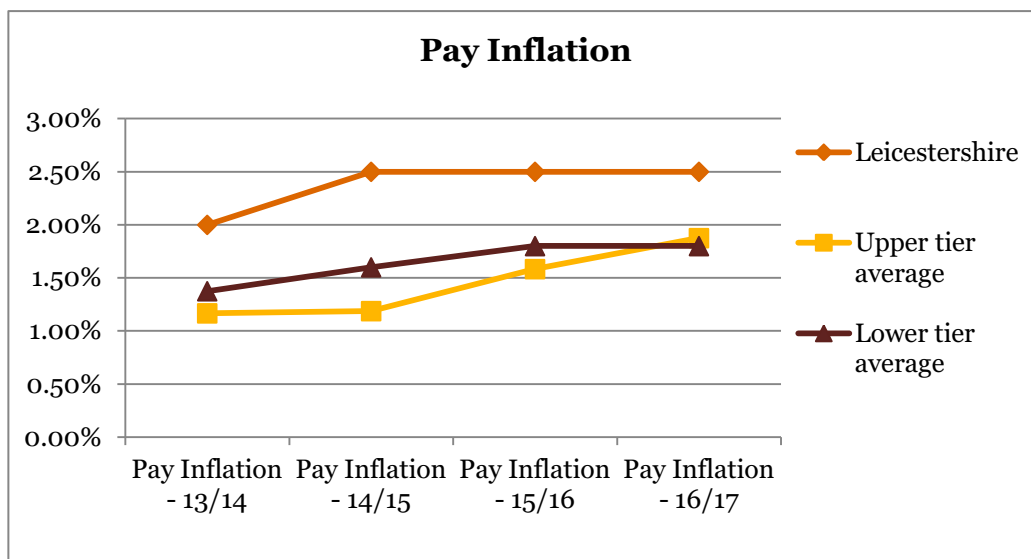


A number of expenditure items are not included in the CPI measure of inflation. The Retail Prices Index (RPI) shows a predicted inflation forecast which is broadly consistent with your own projections for the next three years of the plan. A 1% increase in inflation above your assumptions would result in an overspend of approximately £4m in 2013/14.

You have also included some specific inflationary items to address cost pressures significantly above your general inflation assumptions.

### Inflation – pay costs

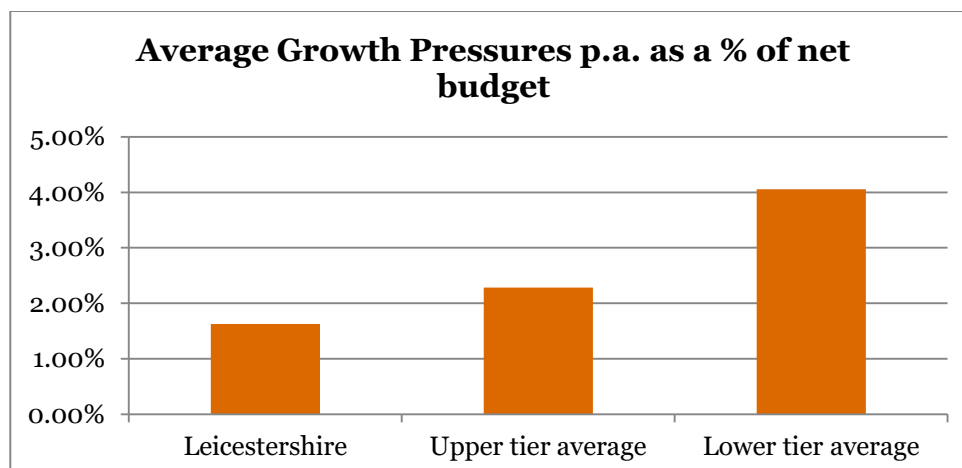
The majority of the Local Authorities in our benchmark group have assumed a 1% pay inflation for 2013/14. This is in line with the agreed local government pay settlement. The assumption of pay varies across our benchmark group between 2013 and 2016, even in the context of the recent announcement of a 1% rise for local government staff in 2014/15 and 2015/16. The range of pay costs modelled by other Authorities ranges between 1% and 3% in these later years. You are at the higher end of the range. Your rationale is that after pay freezes for three years there will be significant cost pressures for pay and on-costs, including employer pension contributions. We believe this is a reasonable assumption for planning purposes:



With pay costs representing over 50% of Leicestershire County Council expenditure, a 1% increase in this assumption would represent additional cost to the Authority of approximately £1.6m in 2013/14.

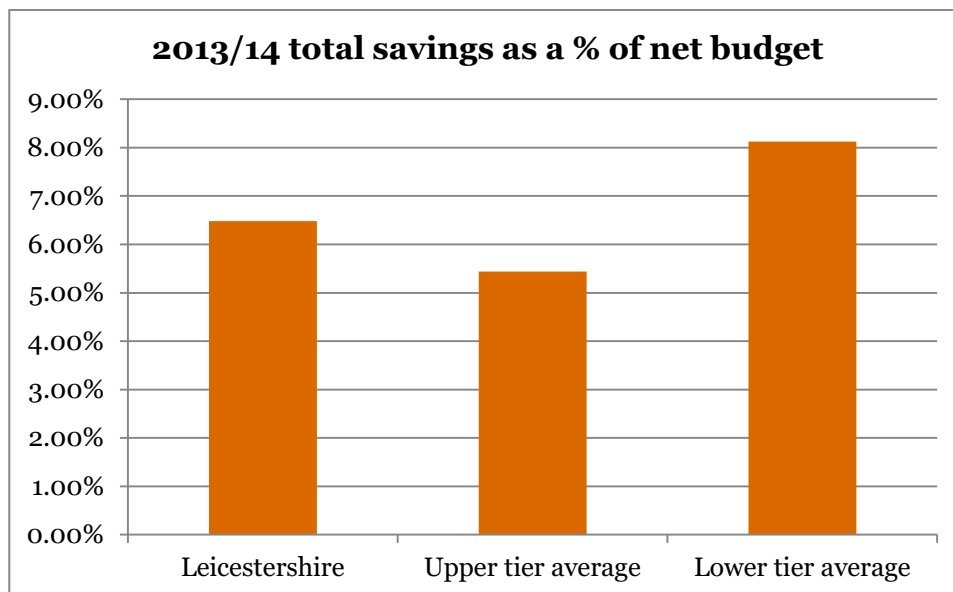
### Growth pressures

The growth and demand pressures you have modelled in your MTFS, when reviewed as a percentage of your net budget, are slightly lower than our upper tier benchmark by approximately 0.5%. The growth you have identified in 2013/14 is nearer to 2.7%, and reflects greater growth pressures identified earlier in the MTFS:

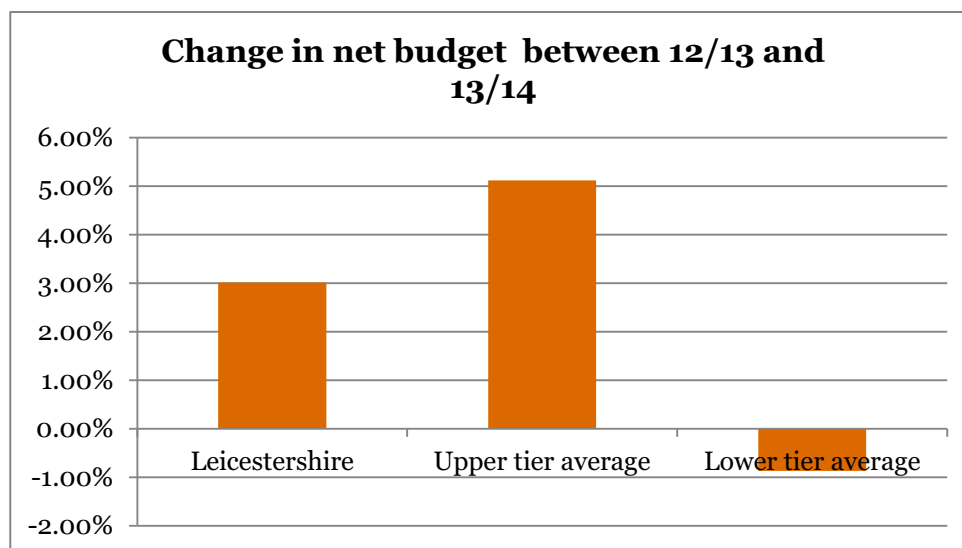


## Total Savings

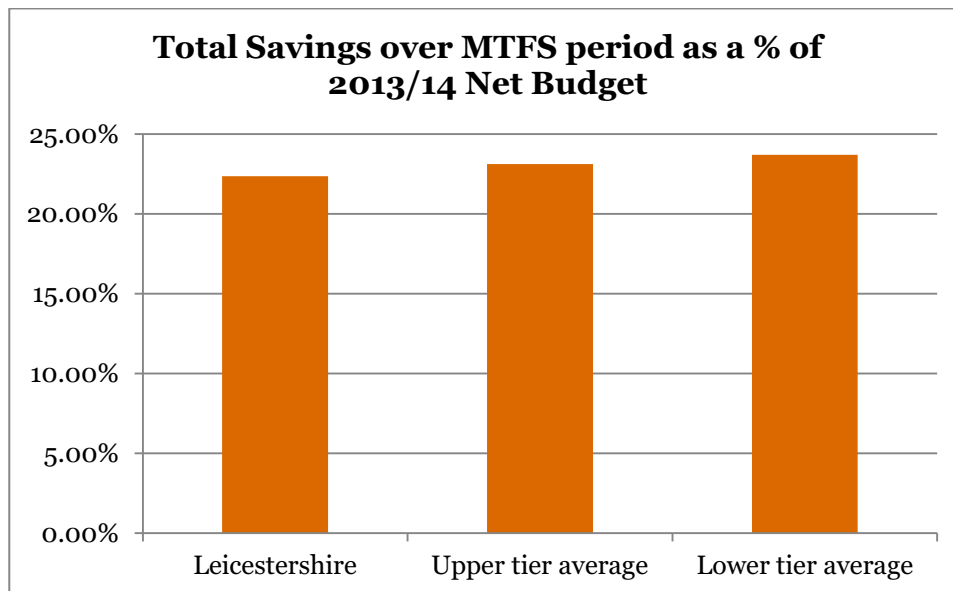
The level of savings you are planning to make in 2013/14 to deliver a balanced budget are slightly above those being made by the upper tier benchmark group as a percentage of their net budgets, reflecting some of the assumptions made in your plan and the timing of delivery you are planning. There are also significant savings to be made in the later years of the plan:



This is also reflected in the change in your net budget between 2012/13 and 2013/14, which is slightly lower when compared with your upper tier peers. The increase in net budgets for upper tier authorities generally reflects changes to the way certain grants are distributed and the transfer of public health responsibilities into upper tier authorities from 1 April 2013. On a like for like basis you have calculated that the net budget has actually fallen by 2.6%:



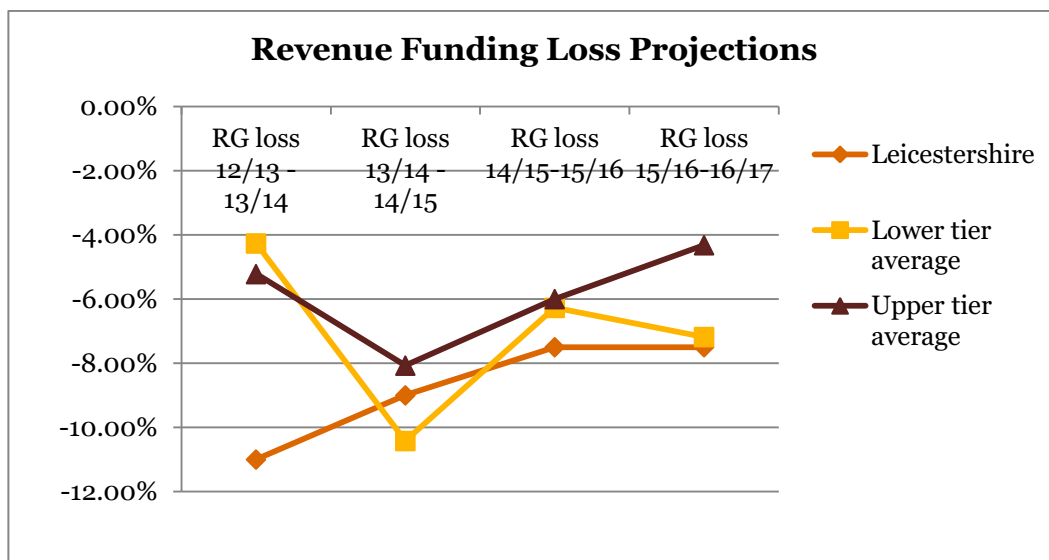
The levels of savings you are making over the period from 2013/14 to 2016/17 as a whole are lower, however, than our upper tier benchmark group. This may indicate that, although you are making significant savings in earlier years, the level of savings you will be required to make in later years of your MTFS may be lower than at other similar Authorities:



This indicates that, relative to your local peers, you are making proportionally fewer savings or reductions over the course of your MTFS, partly as a result of the up-front planning and preparation you have undertaken in previous years. This is despite being more conservative about the extent of cost increases and formula grant reductions which might be experienced in later years of the plan when compared to other Authorities.

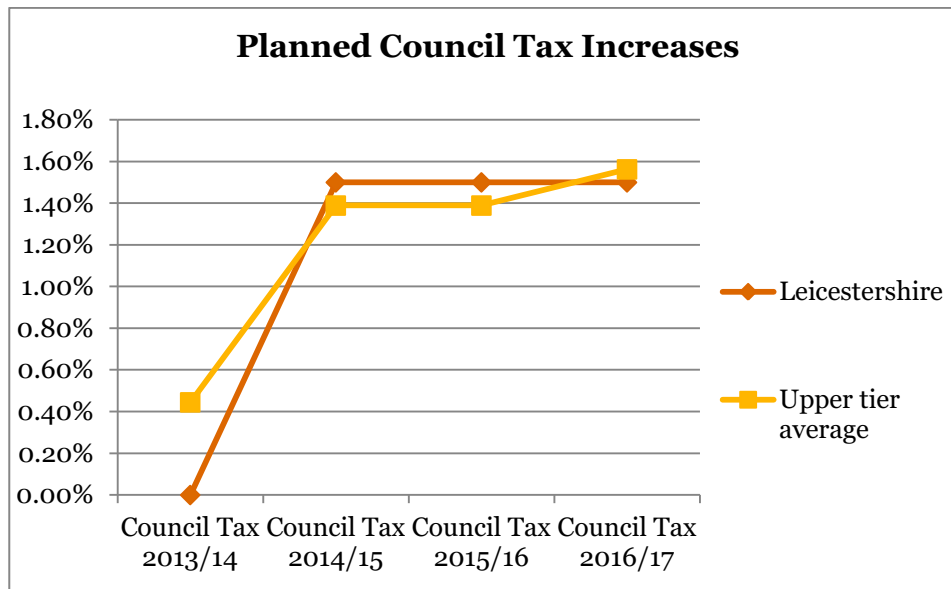
### Funding

The provisional level of revenue support grant (RSG) is known for 2013/14 and 2014/15, but has not yet been disclosed for 2015/16 onwards. You have also made assumptions about the level of business rates which will be received following the localisation of this income stream. You have assumed a more significant continued reduction in revenue funding for later periods of the plan when compared with our benchmark group, because of the impact of academy schools and the national review of local government finance:



## Council Tax

You have assumed a 0% increase in Council tax for 2013/14, with an increase of 1.5% in subsequent years modelled for planning purposes. This is alongside an assumption that you will receive an additional grant from the Government that is equivalent to a 1% increase in Council Tax in 2013/14, with no funding assumed for subsequent individual years. The majority of Councils are planning a Council Tax increase of at least 2% in later years of their MTFS, and the average increase is around 1.5%:



## Use of Reserves

See section IV of this report for more details.

## Sensitivity Analysis

Sensitivity analysis of your inflation assumptions was performed to give an idea of what total expenditure would look with a 1%, 2%, 3% and 4% increase and decrease in inflation. In broad terms, a 1% increase in inflation above your assumptions would result in a cost pressure of approximately £5.6m in 2013/14.

## Summary of Assumptions

You have generally made prudent assumptions in your MTFS when compared with other similar authorities. This means that you are in a comparatively more favourable position to respond to the challenges which the MTFS presents. However, as we highlighted in our report last year, there are a number of risks to the delivery of your plan. In our view these continue to be:

- Slippage - you may not be able to achieve the savings you want either from a service reduction or through efficiencies;
- Timing - the timing of savings, service reductions and funding announcements will impact how you deliver against your MTFS; and
- Assumptions - we have gone some way above to assess the assumptions you have applied in your MTFS. If these assumptions turn out to be false, this would have a significant impact on your ability to deliver a balanced budget over 4 years. In particular, the implementation of policy may have a significant impact on the accuracy of your plan.

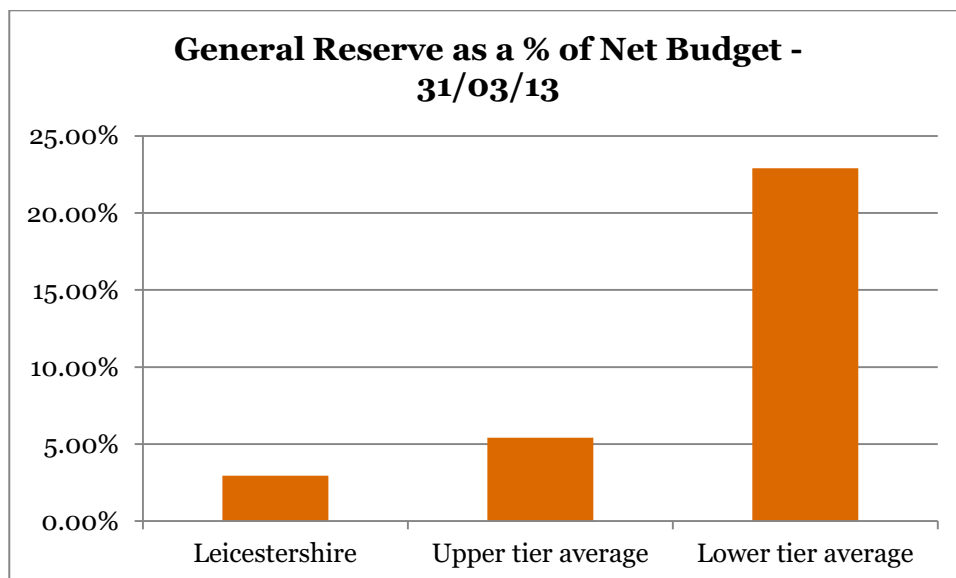
You need to ensure that you continue to monitor your progress against the plan, paying particular attention to changes in the original assumptions you have made.



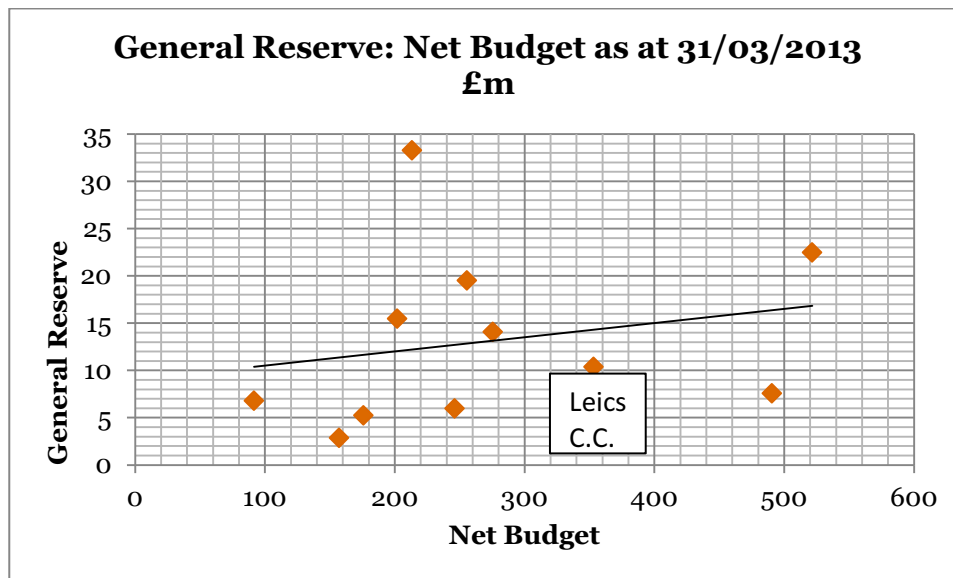
## Section IV: Reserves

### Reserves – General Fund

You have a policy to maintain your general fund at a level consistent with the risks you face, which has historically been at 2-3% of net expenditure. Your forecast for the end of the 2012/13 financial year is to be holding £10.4m of general fund reserves, which represents 2.9% of your net spend. The policies in our benchmark group of Local Authorities ranges from 2% of net expenditure to around 5% of net expenditure. Your level of General Fund held is therefore relatively lower when compared to others where this information was accessible, but is broadly consistent with our upper tier benchmark:



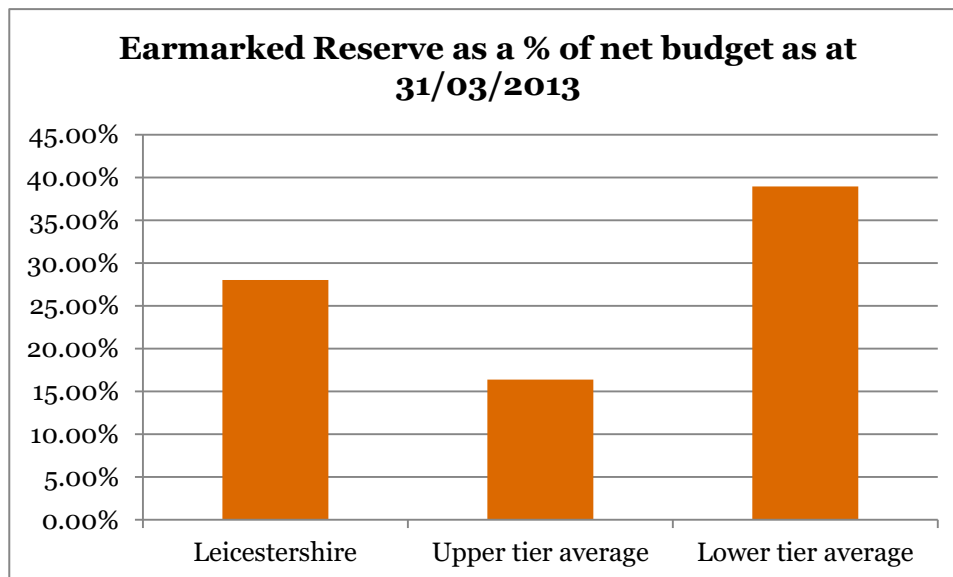
Your policy is within our own expectation for the level of general fund reserves which we would independently expect you to hold. In addition, you hold a higher level of earmarked reserves than the Local Authorities in our benchmark group which mitigates this difference to some degree. The following graph shows the level of general reserves the authorities in our upper tier benchmark group held relative to their net budget:



### Reserves – Earmarked Reserves

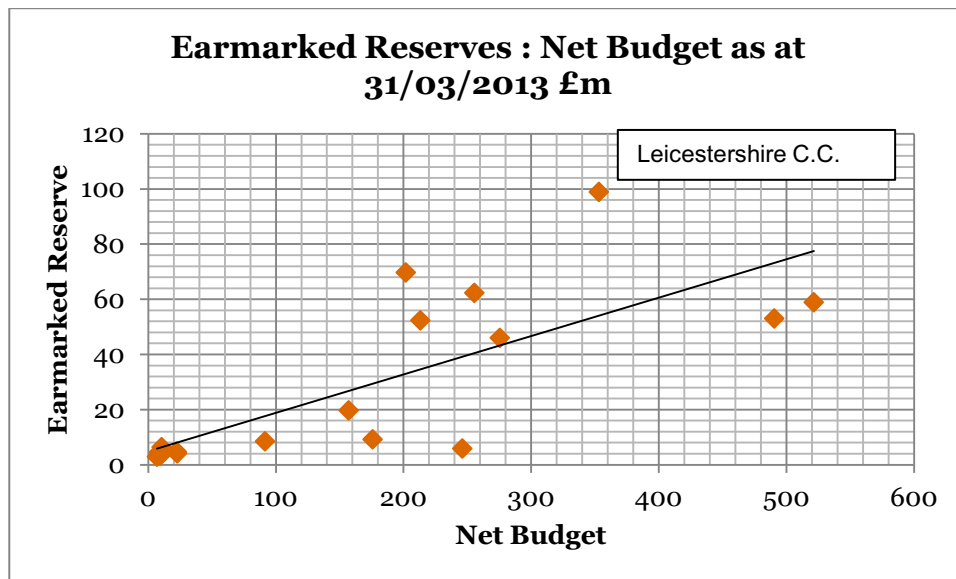
During 2012 you undertook a detailed review of your earmarked reserves to ensure that all reserves held were in relation to identified future spend, cost pressures and invest to save schemes. This review involved members and resulted in some changes to earmarked reserves being made to reflect future plans.

However, your earmarked reserves start the MTFS period remains higher than the average for our benchmark group. These are being held to manage the transition period, fund specific cost pressures and to deliver the transformation programme which you have set out in your MTFS. The costs associated with this transformation, such as severance costs, are being met through the use of these reserves rather than recurrent spending:



The level of earmarked reserves reduces to a level more comparable with our benchmark group from in later years of the plan. The level of earmarked reserves is being held to manage specific future costs identified and address the medium term financial risks which you face. This includes the potential impact of the Local Government finance review, the localisation of business rates, future changes to public policy and the transfer of schools to academy status.

The following graph shows the level of earmarked reserves the authorities in our upper tier benchmark group held relative to their net budget:



Your total level of reserves gives you a position of strength from which to manage the costs of change.

## Section V: Economy, Efficiency and Effectiveness

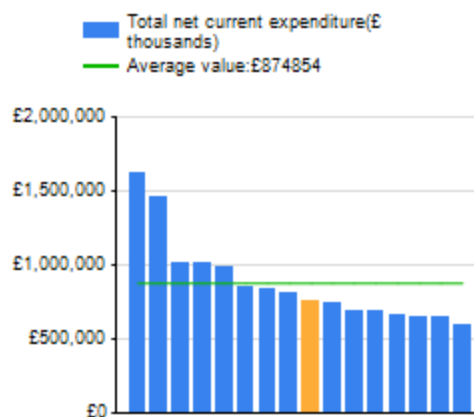
### Economy, Efficiency and Effectiveness

The Authority has a responsibility to challenge economy, efficiency and effectiveness in everything it does. This is performed in each department and evident as part of your response to the identification of specific savings compared to service reductions.

### Value for Money Profile

We have reviewed the Audit Commission Value for Money (VfM) profile for the Authority. Please note that this section contains comparators with your statistical nearest neighbours. These are the other County Councils which are most like Leicestershire County Council. This is a different benchmark group to that used for the analysis in previous sections of the report, which focussed on our other audit clients. The most recently available information is for the 2011/12 financial year.

An overview shows that during 2011/12 you spent a lower than average amount both in overall terms and on a spend-per-head basis. Your position is marked by the yellow bar:

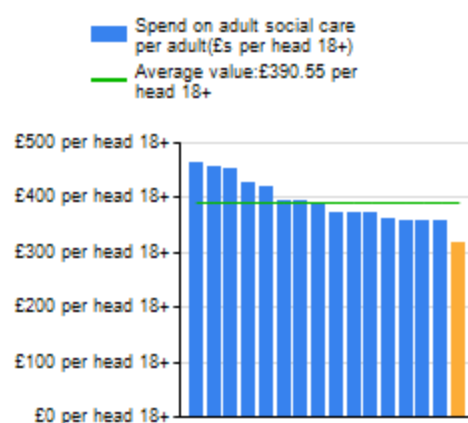


**Financial Resilience:** The specific measures identified in the 'financial resilience' section of the VFM profile show that during 2011/12 against your statistical nearest neighbours:

- Council tax requirement was in the middle third at £238.821m against an average of £276.644m;
- Income from fees and charges was in the highest 20% at 8.13% of total spend;
- Non-school reserves are in the highest 20%;
- Spend on management and support (back office) services as a proportion of total service spend was significantly lower than at other County Councils, being at 1.6% (reduced from 1.8% in the prior period) compared to an average of 5.3%; and
- The total value of assets is in the lowest 20%.

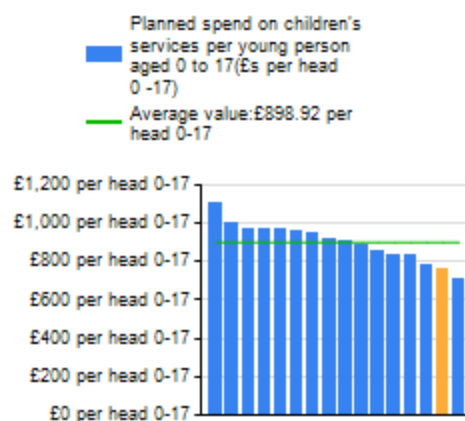
This indicates a broadly positive, financially resilient position. There is a low relative spend in most areas, low management support & back office costs and relatively high levels of income from fees and charges. The level of your reserves was explored in a previous section of the report.

**Adult and Social Care (ASC):** spending per person on ASC is in the lowest 10% and is the lowest in your benchmark group by a clear margin. This is particularly the case in services for older people (lowest 10%) and adults with learning disabilities (lowest 20%). There is average spend on adults with mental health needs and those with a physical disability.

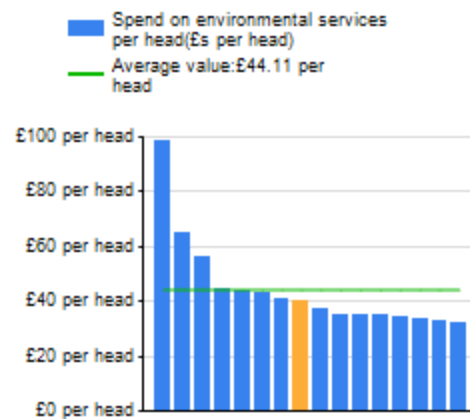


The performance indicators also show that a good service is generally being delivered in those areas. For example, in relation to the number of delayed transfers of care performance is average and improving for the latest period available.

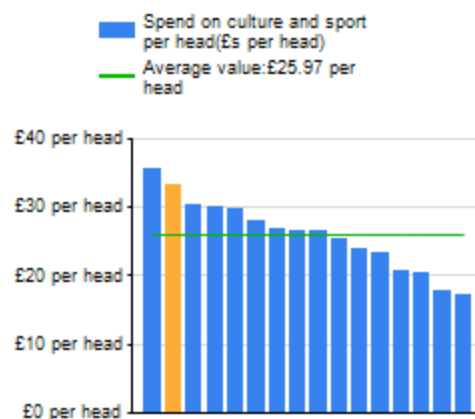
**Spend on children's services and young people aged 0 - 17:** planned spending per young person in 2011/12 is in the lowest 20% of your benchmark group. This is reflected across all key areas of spend, such as social services, looked after children and special educational needs:



**Environmental Services:** spend on environmental services has decreased from being well above average in 2005/06 to at or below since 2007/08. This continues to be the case:

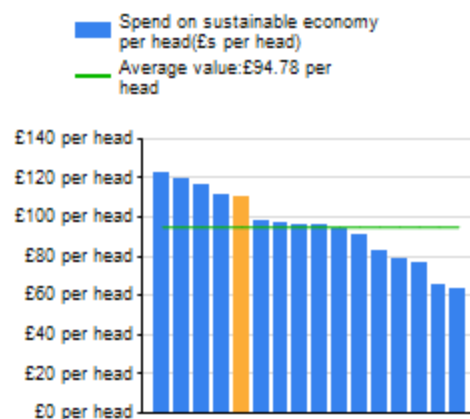


**Culture and Sport:** spend per person is above average when compared with the benchmark group:



This benchmark reflects your provision of a museums service; in most other County Council areas in the benchmark group the museums service is typically provided at District Council level. Nevertheless, your spend is matched by strong performance. For example, the number of library visits per 1,000 of population was in the best 5% of all County Councils during 2011/12 and adult satisfaction with libraries was in the best 20%.

**Sustainable Economy:** total spend on sustainable economy activities is above average, as is the total spend on highways and roads:



**Outliers reporting:** The Audit Commission tool identifies any significant outliers from their data. The most relevant are as follows:

- The number of adults with mental health needs aged 18-64 receiving direct payments is in the highest 5%;
- The number of emergency bed days being in the worst 10%;
- Income from area based grant as percentage of total spend is in the lowest 10%;
- Spend on street cleaning, planning, planning policy, museums and galleries, sports development, community recreation and trade waste are all in the top 5%;
- Planned spend on schools per pupil aged 3 to 19 is in the lowest 10%.

No other significant outliers were identified.

**Overall:** In overall terms, your spend tends to be below average in the largest areas when compared to other County Councils, particularly for Adult and Social Care and Services for Young People. You continue to produce good performance when performance indicators are reviewed. This also supported by your performance in the 'PwC Benchmarking Club', where was historically at or consistently near the top for a number of years in terms of value for money achieved when compared to other, similar authorities.

### **Prioritisation of resources**

You undertook an extensive consultation process, both with the public through '*Leicestershire Matters*' and through your scrutiny process to involve members as part of the 2012 Medium Term Financial Strategy. You identified strategic priorities and these have flowed through to decisions you made in your MTFS in both 2012 and 2013.

You have consulted in preparation for this MTFS and responded to as part of your financial plans. Your MTFS shows that you have, in broad terms, prioritised your services in the areas of greatest need.

## Section VI: Conclusions

### Conclusions

You have set a challenging and robust MTFS after going through a process of extensive consultation. The key points we have noted are:

- You have demonstrated in the past that you have robust programme management arrangements in place and that you achieve the savings targets which you have set yourself. However, the scale of the challenge for 2013/14 and beyond continues to be significant. This is something you recognise;
- You have applied a number of prudent assumptions in setting your MTFS. In a number of cases these were more prudent than in our benchmark average. However, we believe these are realistic assumptions which will help you to meet manage the financial risks which exist over the plan period;
- The Audit Commission value for money profile, whilst backwards looking, continues to show a number of key areas where the Authority is providing services which can demonstrate value for money when compared with other County Councils;
- You need to focus on how you are going to continue to demonstrate the delivery of value for money services going forward given that a number of national indicators have been withdrawn; and
- You have set aside a significant level of earmarked reserves and a level of contingency to manage future cost pressures. Whilst these are larger than in other similar Local Authorities, we believe that you have taken a prudent approach in setting your MTFS.

In conclusion, we have reviewed your MTFS and the assumptions which lie behind it. We have compared you with other, similar Local Authorities and taken into account our wider understanding of the Local Government sector. Our work in this particular area has not identified any issues which would lead to an unqualified value for money conclusion.

However, despite the preparation you have undertaken and the prudent assumptions you have made, there continues to be a risk around delivery of your MTFS. The main risks you face as an organisation to non achievement of your medium term financial strategy are consistent with those we reported to you in 2012 and can be summarised as follows:

### Risk

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**Slippage:** you may not be able to identify or achieve the savings you want either from a service reduction or through efficiencies.

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**Timing:** The timing of savings, service reductions and funding announcements will impact how you deliver against your MTFS.

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**Assumptions:** We have gone some way above to assess the assumptions you have applied in your MTFS. If these assumptions turn out to be false, this would have a significant impact on your ability to deliver a balanced budget over 4 years.

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## Appendix: Scope of Work

In our audit plan we set out our areas of focus for the year. One of these was the significant savings requirement to balance your budget over 4 year period.

We agreed to undertake a review of your Medium Term Financial Strategy (MTFS). This work will be done as part of our work on Use of Resources. In particular, this will contribute towards our assessment of you against the Audit Commission's criteria for 2013/14 which consider whether you have proper arrangements in place for:

- securing financial resilience; and
- challenging how you secure economy, efficiency and effectiveness.

Our proposed areas of focus are as follows:

Area of Focus	Proposed work.
Programme management	Review the governance structure in place to deliver your plans (including extent of Member involvement), the level and extent of accountability including escalation of issues, and how your monitoring and reporting will work.
Progress to date	<ul style="list-style-type: none"> <li>• Undertake a detailed review of how you have managed your 2012/13 savings programme;</li> <li>• Investigate the reasons behind any significant variations from the plan; and</li> <li>• Consider how this is connected with the forward-looking MTFS.</li> </ul>
Assumptions	Review the key assumptions included in the MTFS, comparing them with best practice and those used by other Local Authorities.
Sensitivity analysis	<ul style="list-style-type: none"> <li>• Apply sensitivity analysis to key assumptions; and</li> <li>• Consider the impact of potential changes to key assumptions and the rigour behind the MTFS.</li> </ul>
Economy, efficiency and effectiveness	<ul style="list-style-type: none"> <li>• Assess how you have prioritised resources as part of the MTFS; and</li> <li>• Update our understanding of your arrangements to review the value for money which your services provide and the actions you have taken in response.</li> </ul>
Reserves	Consider the adequacy of your planned level of reserves and contingencies against your stated policy and the level of future risk in delivering the MTFS.

We intend to undertake this work during February 2013 in conjunction with the finance team. We plan to meet with the following people to discuss the points of focus outlined above:

- Judith Spence and Chris Tambini;
- Mick Connell and Business Partner (Adults and Communities);
- Lesley Haggar and Business Partner (Children and Young People's); and
- Matthew Lugg and Business Partner (Environment and Transport).

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**CORPORATE GOVERNANCE COMMITTEE – 14 JUNE 2013****REPORT OF THE DIRECTOR OF CORPORATE RESOURCES****RISK MANAGEMENT UPDATE****Purpose of the Report**

1. This report updates the Committee on progress with current risk management initiatives. It covers:
  - Refresh of the Corporate Risk Register;
  - Feedback from the Member Risk Workshop on 8th April 2013;
  - Revised Corporate Risk Register (CRR).

**Refresh of the Corporate Risk Register**

2. At its meeting in February 2013, the Committee was presented with an update on the implementation of the revised risk management framework, which also included details on the production of a revised Corporate Risk Register (CRR).
3. Information from departments initiated the overall process to refresh the Corporate Risk Register. Key risks from services formed departmental risk registers, which were reported to individual Departmental Management Teams, setting clear accountability for managing them. A corporate review of departmental registers was performed to identify 'high' risks for inclusion in the Corporate Risk Register, either individually or as a consolidated risk.
4. As part of the above process, risks from the existing Corporate Risk Register (approved February 2013) were re-assessed for relevance using the new assessment criteria. In some cases, this resulted in the downgrading or removal of risks, as well as new and more relevant risks being added. As per the Committee's request, a summary of risks removed from the Register has been provided and attached as Appendix 1.
5. The refresh also involved an All Member Workshop which took place on 8 April 2013 to ensure Elected Members' views on the changes were obtained. A similar workshop took place to establish the previous CRR and Members' input to this proved invaluable.

**Member Workshop**

6. At its meeting on 4 April 2013, the Corporate Management Team (CMT) was presented with an update on the implementation of the revised risk management framework. This included an initial list/register of corporate risks identified (including cause, consequence and current risk score).

7. CMT was requested to review and comment on this list, with feedback incorporated to produce a final draft for the Member risk workshop. At the workshop, Members were given a brief introduction to the revised draft CRR and the background on how it had been collated. As part of the session, Members were asked to partake in two group exercises.
8. During exercise 1, the groups were provided with an extract of 4-5 risks from the revised CRR and asked to discuss, from a Member perspective, the consequences if this risk materialises. Members engaged well and also commented on the format of the CRR. In order for them to be more engaged they wanted the consequence column to be more articulate, consistent and informative. In particular, it would help them greatly if:
  - Where possible, reference was made on whether the risk was related to a statutory responsibility and/or if any of the consequences would impact a statutory responsibility;
  - Where relevant, consequence(s) are covered by 4 key headings: service delivery; people; reputation and financial.
9. During exercise 2, the groups were provided with a summary list of the CRR and were asked to identify any other risks they felt were missing from the revised CRR. This exercise was very well received, with a variety of risks identified. Outcomes from the workshop are attached as Appendix 2.
10. Risks identified were communicated to relevant departments for discussion and, where necessary, to rate the County Council's exposure to the risk (impact and likelihood) given Members' views. In many cases, the departments' assessment of the identified risk(s) has resulted in either a 'green' or an 'amber' risk score and therefore included within the relevant service or departmental risk register. For consistency, where the risk score did not result in a high/red risk, departments were requested to obtain agreement with their Lead Member.

### **Revised Corporate Risk Register**

11. The production of departmental service plans and corresponding risk registers is coming to completion; this, combined with Members' input, has resulted in an update to the CRR presented to the CMT in April. A summary of the updated revised CRR is attached as Appendix 3. The full register is attached as Appendix 4.
12. At its meeting on 3 February 2010, the Committee agreed that at each meeting it would take an in-depth look at specific areas of the Corporate Risk Register to consider how each risk was identified, the key controls put in place, further action to be taken and scoring mechanisms in terms of likelihood/impact and residual risk. Given the value of the exercise for both Members and Officers, it is assumed that the Committee will wish to continue with this arrangement and select a risk for scrutiny for its next meeting in September 2013.
13. The improvements introduced to the risk management framework acknowledge that the CRR is a working document and therefore assurance

can be provided that through timetabled 'corporate' view of departmental risk registers, high/red risks will be introduced to the Corporate Risk Register on an ongoing basis, as necessary. Equally, as further mitigation actions come to fruition and current controls are enhanced, the risk scores will be reassessed and this will result in some risks being removed from the CRR and being reflected within the relevant departmental risk register.

### **Recommendation**

14. The Committee is asked to note and comment on the contents of this report, and identify a risk for presentation at its next meeting.

### **Resources Implications**

None.

### **Equal Opportunities Implications**

None.

### **Circulation Under the Local Issues Alert Procedure**

None.

### **Background Papers**

Report of the Director of Corporate Resources – 'Risk Management Update' – Corporate Governance Committee, 3 February 2010

Report of the Director of Corporate Resources – 'Risk Management Update' – Corporate Governance Committee, 13 February 2013

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### **Appendices**

Appendix 1 – Summary of risks removed

Appendix 2 – Outcomes of Member Workshop

Appendix 3 – Summary of Revised Corporate Risk Register

Appendix 4 – Revised Corporate Risk Register

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**APPENDIX 1****Summary of Risks Removed**

- Risks from the previous Corporate Risk Register (CRR) have been reassessed using the new risk assessment criteria - this has resulted in one of the following:
  1. Management at departmental level;
  2. Removal of risk;
  3. Consolidation of the risk within revised CRR
- The revised risk scores reflect the significant work that has evolved around some of the risk areas, as well as taking into account established and robust processes (Legal, HR etc)
- Although some risks no longer appear on the revised Corporate Risk Register, they are recognised as 'high amber' on the relevant departmental risk register and will be monitored accordingly

**Existing Corporate Risk Register as approved by Corporate Governance Committee on 13<sup>th</sup> February 2013**

<b><u>Risk Area</u></b>	<b><u>Brief risk description</u></b>	<b><u>Result - including justification of downgrading or removal</u></b>
Business Continuity (BC)	<ul style="list-style-type: none"> <li>• Failure to meet requirements of Civil Contingencies Act</li> <li>• Failure to recover critical services</li> </ul>	<p><i>Result = Consolidation</i></p> <ul style="list-style-type: none"> <li>• In the event of key failure, BC provides mitigating action(s). Departments have considered the adequacy of their BC plans and have actions to improve. Where there is a potential service failure that will not be mitigated by BC these are included directly on the register as risks.</li> </ul>
Emergency Management	<ul style="list-style-type: none"> <li>• Failure to meet requirements of Civil Contingencies Act</li> <li>• Failure to maintain Resilience Partnership</li> </ul>	<p><i>Result = Removal</i></p> <ul style="list-style-type: none"> <li>• The Council is active on the Local Resilience Forum (LRF), the LRF Programme Board and the LRF General Working Group.</li> <li>• There have been no examples of failure.</li> </ul>
Changes in Legislation	<ul style="list-style-type: none"> <li>• Failure to respond adequately to new legislation and regulation with regards to employment/pay</li> </ul>	<p><i>Result = Departmentally managed</i></p> <ul style="list-style-type: none"> <li>• The County Council has an established, strong and robust HR service and legal team that is up to date with appropriate legislation. The risk has been reassessed and included within the Corporate Resources departmental risk register but has not been assessed as high/red risk.</li> </ul>
Changes in Legislation – Sub Risk	<ul style="list-style-type: none"> <li>• Failure to maintain and embed the duties of Equality Act 2010</li> </ul>	<p><i>Result = Removal</i></p> <ul style="list-style-type: none"> <li>• The County Council has achieved the 'Excellence' level of Equality Framework and there is ongoing work with to further</li> </ul>

		strengthen equalities structures and meet legislative requirements.
Changes in Legislation – Sub Risk  Legal implications of major service provision change	<ul style="list-style-type: none"> <li>Failure within the consultation process can lead to external bodies challenging LA decisions through a judicial review leading to: decisions already made overturned; financial impact</li> </ul>	<p><i>Result = Departmentally managed</i></p> <ul style="list-style-type: none"> <li>It is the Monitoring Officer's view that the approach in all departments is much sounder and the Authority is doing a good deal to counter it.</li> <li>The risk has been considered and included within relevant departmental risk registers' but has not been assessed as high/red.</li> </ul>
Changes in Legislation	<ul style="list-style-type: none"> <li>Failure to respond adequately to new legislation and regulation: health and safety</li> </ul>	<p><i>Result = Departmentally managed</i></p> <ul style="list-style-type: none"> <li>Review of Health, Safety and Wellbeing service completed with new service and team that is up to date with appropriate legislation.</li> <li>This risk has been considered and included within the Corporate Resources departmental risk register but has not been assessed as high/red</li> </ul>
Organisation Change	<ul style="list-style-type: none"> <li>Failure to adequately manage change in light of revised structures</li> <li>Impact of EMSS</li> </ul>	<p><i>Result = Departmentally managed &amp; Specific Risk</i></p> <ul style="list-style-type: none"> <li>Risk around managing the impact on staff of restructures has been considered and included within the Corporate Resources departmental risk register. Although it has not been assessed as high/red, the Assistant Director will review the risk over coming months as the impact of future transformation becomes clearer.</li> <li>EMSS risk included in revised CRR (risk # 5)</li> </ul>
Value for Money	<ul style="list-style-type: none"> <li>Efficiency gains are insufficient to meet budget/MTFS requirements</li> </ul>	<p><i>Result = Consolidated</i></p> <ul style="list-style-type: none"> <li>This risk was incorporated within the risk area 'economic downturn/financial management'</li> <li>Departments have highlighted risks in relation to achievement of savings/efficiencies within the MTFS.</li> <li>Saving/Efficiency risk included in revised CRR as a consolidated risk (risk # 10)</li> </ul>
Staff and members	<ul style="list-style-type: none"> <li>Failure to maintain a workforce that can provide good service delivery in a period of economic downturn.</li> </ul>	<p><i>Result = Departmentally managed</i></p> <ul style="list-style-type: none"> <li>Staff risks have been considered and included within the Corporate Resources departmental risk register. Although has not assessed as high/red, the Assistant Director will review the risks over coming months as the impact of future transformation becomes clearer.</li> </ul>



ICT	<ul style="list-style-type: none"> <li>Risk of heavy dependence on ICT systems to support current service delivery and future improvements</li> </ul>	<p><i>Result = Consolidated</i></p> <ul style="list-style-type: none"> <li>ICT dependency risk included in revised CRR (risk # 6)</li> <li>ICT resource risk included in revised CRR (risk # 15)</li> </ul>
Public Service Structures	<ul style="list-style-type: none"> <li>Risk of service delivery being adversely affected by implementing Government proposals to change public service structures</li> </ul>	<p><i>Result = Consolidated</i></p> <ul style="list-style-type: none"> <li>Relevant Public Health risk included in revised CRR (risk # 9)</li> <li>Police &amp; Crime Commissioner - risks considered and included within Chief Executives' departmental risk register but have not been assessed as high/red</li> <li>Commissioning risk included in revised CRR (risk # 14)</li> </ul>
Partnership Working	<ul style="list-style-type: none"> <li>Risk of failure of key partnerships to deliver expected benefits and improvements</li> </ul>	<p><i>Result = Consolidated</i></p> <ul style="list-style-type: none"> <li>Partnership working risk included on revised CRR (risk # 3)</li> </ul>
Environment and Environment Sub - Risks	<ul style="list-style-type: none"> <li>Failure to comply with the Council's duties to protect and enhance the natural environment</li> <li>Failure to record and reduce Carbon Emissions</li> <li>Failure to identify and manage risks around Climate Change</li> </ul>	<p><i>Result = Departmentally managed</i></p> <p>Various environmental risks have been considered / reassessed through the Environment &amp; Transportation departmental risk register and have currently been assessed as high amber risks and will be monitored accordingly.</p>
Community Client Needs	<ul style="list-style-type: none"> <li>Risk of failure to adequately respond to community/client needs</li> </ul>	<p><i>Result = Departmentally managed</i></p> <ul style="list-style-type: none"> <li>Risk around Localism Bill have been considered and included within the Chief Executives' departmental risk register but have not been assessed high/red.</li> <li>Forecasting for increased demand risk included in revised CRR (risk # 13)</li> </ul>
Waste Management	<ul style="list-style-type: none"> <li>Risk of failure to meet statutory obligations for landfill diversion</li> </ul>	<p><i>Result = Consolidated</i></p> <ul style="list-style-type: none"> <li>From 2013/14 there are no statutory LATS targets but an EU statutory obligation target for 2019/20 which LCC will have to contribute to.</li> <li>Risks around this have been reassessed within the E&amp;T departmental risk register but have not been assessed as high/red.</li> <li>Forecasting for increased demand risk</li> </ul>

		included in revised CRR (risk # 13)
Growth Agenda	<ul style="list-style-type: none"> <li>Failure to plan effectively for the growth (and decline) agenda with particular reference to population, housing and transport</li> </ul>	<p><i>Result = Consolidated</i></p> <ul style="list-style-type: none"> <li>Population - risks around this have been considered and included within Chief Executives' and Adults &amp; Communities departmental risk registers but have not been assessed as high/red.</li> <li>Transport and Waste risks have been considered within the Environment &amp; Transportation departmental risk register but have not been assessed as high/red.</li> <li>Forecasting for increased demand risk included in revised CRR (risk # 13)</li> </ul>
Economic Downturn & Financial Management	<ul style="list-style-type: none"> <li>Impact on LCC of Local Government Finance Settlement and key risks around the MTFS</li> </ul>	<p><i>Result = Consolidated</i></p> <ul style="list-style-type: none"> <li>Saving/Efficiency risk included in revised CRR as a consolidated risk (risk # 10)</li> <li>Additional financial risk on the last two years of the current MTFS included in revised CRR (risk # 11)</li> </ul>
Sub Risk – Financial implications of schools converting to academies	<ul style="list-style-type: none"> <li>Significant financial risk through loss of DSG; loss of income; reduction of formula grant</li> </ul>	<p><i>Result = Departmentally managed</i></p> <ul style="list-style-type: none"> <li>Risk has been considered and included within the Corporate Resources departmental risk register but has not been rated as high/red</li> </ul>
Sub Risk – MMI	<ul style="list-style-type: none"> <li>Adverse financial impact on LCC Liability Find as a result of deteriorating position of MMI</li> </ul>	<p><i>Result = Consolidated</i></p> <ul style="list-style-type: none"> <li>Included in revised CRR (risk #14)</li> </ul>
Information Security	<ul style="list-style-type: none"> <li>Continuing risk of failure of information security</li> </ul>	<p><i>Result = Consolidated</i></p> <ul style="list-style-type: none"> <li>Information Security risk included in revised CRR (risk # 7)</li> </ul>
Safeguarding – Child Protection Service and Adults Service	<ul style="list-style-type: none"> <li>Risk of failure in children's and adult's procedures not having robust systems in place resulting to harm to a child or adult known to the Council</li> </ul>	<p><i>Result = Departmentally managed</i></p> <p><u>Adults &amp; Communities –</u></p> <ul style="list-style-type: none"> <li>The risks around safeguarding vulnerable adults have been reassessed within the departmental risk register and have resulted in an amber rating.</li> </ul> <p><u>CYPS –</u></p> <ul style="list-style-type: none"> <li>The risk of loss of confidence in the ability of management to safeguard children has been reassessed within the departmental risk</li> </ul>

		register and resulted in an amber rating.
Legal challenge of procurement process	<ul style="list-style-type: none"> <li>Procurement process is challenged</li> </ul>	<p><i>Result = Departmentally managed</i></p> <ul style="list-style-type: none"> <li>This risk has been considered and included within Corporate Resources departmental risk register and has not been rated as high/red</li> </ul>
Managing demand for LCC services to reduce cost and provide better local services	<ul style="list-style-type: none"> <li>Failure by LCC to effectively ascertain and manage increased demand for services heightened by: continuing cost pressures from ageing population and complex family support; insufficient business intelligence; devolving and managing externally commissioned services; state of the economy; changes in benefit system</li> </ul>	<p><i>Result = Consolidated</i></p> <ul style="list-style-type: none"> <li>Ageing population – risk included in revised CRR (risk # 2)</li> <li>Complex family support – risk included in revised CRR (risk # 3 and 4)</li> <li>Increased demand – risk included in revised CRR (risk # 13)</li> <li>Commissioning - risk included in revised CRR (risk # 14)</li> <li>Benefit system - risk included in revised CRR (risk # 12)</li> </ul>

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## **Appendix 2**

### **Outcomes of Member Workshop**

<b><u>Risk Identified</u></b>	<b><u>Conclusion</u></b>
1. County Hall is flooded / catches fire / is victim to a terrorist attack?	Assessed as a 'Green' risk that will be reviewed annually
2. Threat to ICT systems from an external cyber attack	Assessed as an 'Amber' risk and included in Corporate Resources departmental risk register and will be reviewed through regular risk monitoring
3. Loss of key people and significant staff shortages in key areas, temporary or otherwise	Assessed as an 'Amber' risk and included in Corporate Resources departmental risk register and will be reviewed through regular risk monitoring
4. Third parties / voluntary sector cease to trade	Included in revised CRR (risk # 14)
5. Impact on services and demand if there is an influx of people into Leicestershire as a result of benefit changes	<ul style="list-style-type: none"> <li>• Included as a consequence of risk # 12</li> <li>• Forecasting for increased demand risk included in revised CRR (risk #13)</li> </ul>
6. Failure / Closure of Academies	Assessed as an 'Amber' risk being managed through relevant service area
7. Impact of Academy conversion on Home to School transport	Included in revised CRR (risk # 14)
8. Safeguarding - Children and Adults	Assessed as an 'Amber' risk being managed through relevant service area
9. Conspiracy to defraud LCC	Assessed as a 'green' risk based upon local and national experience. Also identified as an area of improvement within the 12/13 Annual Governance Statement
10. Epidemics - measles/bird flu etc	<ul style="list-style-type: none"> <li>• Primary responsibility lies with Public Health England although LCC has a responsibility for ensuring that plans are in place to deal with outbreaks</li> <li>• Business Continuity focus would be on how to cope with the loss of staff (short/long term) as a result of any outbreak and will be dependent on the characteristic of the disease</li> <li>• Assessed as a 'Green' risk that will be reviewed annually</li> </ul>
11. Deprivation of liberties and LCC duty to report	Assessed as an 'Amber' risk being managed through relevant service area

12. Flooding risk	Primary responsibility lies with the Environment Agency although LCC is a member of the Local Resilience Forum and the Environment & Transportation department has a variety of mitigating activity with regards to flooding.
13. Budget pressure with regards to aging population	Included in revised CRR (risk # 2)
14. Failure to realise sale proceeds for care homes	Assessed as an 'Amber' risk being managed through relevant service area
15. Failure to widen business of EMSS to recoup investment	Additional partners would create further opportunity for cost savings but are not required to recoup the initial investment

## Appendix 3

### Summary of Corporate Risk Register

<b>CRR Risk Number:</b>	<b>Originating Department</b>	<b>Brief risk description</b>
1	Adults & Communities	Resource Allocation System (RAS) does not ensure most effective care package for service users
2	Adults & Communities	Uncertainty surrounding the changes to how Social Care will be funded
3	Chief Executives	Partnership working not leading to best outcomes with reference to 'Whole Place' programmes
4	Chief Executives	Outcomes relating to Supporting Leicestershire Families (SLF) not being achieved
5	Corporate Resources	EMSS – implementation of shared systems could result in disruption to services
6	Corporate Resources	Maintaining ICT systems and having the ability to restore services quickly and effectively in the event of an outage
7	Corporate Resources	Continuing risk of failure of information security.
8	Environment & Transport	Impact of academy and secondary age conversion on home to school transport policy
9	Public Health	Risks around the provision and continuation of the Schools Nursing Service
10	Consolidated risk	Combined effect of multiple service areas failing to meet required funding reductions set out within current MTFS
11	Consolidated risk	Risk around our ability to deliver savings required to produce a 'balanced budget', in addition to those already allocated to departments
12	Consolidated risk	Challenges caused by the Welfare Reform Act
13	Consolidated risk	Failure to ascertain and manage increased demand for services
14	Consolidated risk	Ability to effectively contract manage devolved services through new service delivery models
15	Consolidated risk	Insufficient Information & Technology solutions

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### Risk Impact Measurement Criteria

Scale	Description	Departmental Service Plan	Internal Operations	People	Reputation	Financial per annum / per loss
1	Negligible	No impact to objectives in service plan	Limited disruption to operations and service quality satisfactory	N/A	Public concern restricted to local complaints	<£50k
2	Low	Minor impact to service as objectives in service plan are not met	Short term disruption to operations resulting in a minor adverse impact on partnerships and minimal reduction in service quality	Residents inconvenienced	Minor adverse local / public / media attention and complaints	£50k-£250k
3	Medium	Considerable fall in service as objectives in service plan are not met	Sustained low level disruption to operations / Relevant partnership relationships strained / Service quality not satisfactory	Potential for minor physical injuries / Stressful experience	Adverse local media public attention	£250k - £500k
4	High	Major impact to services as objectives in service plan are not met	Serious disruption to operations with relationships in major partnerships affected / Service quality not acceptable with adverse impact on front line services	Exposure to dangerous conditions creating potential for serious physical or mental harm	Serious negative regional criticism, with some national coverage	£500-£750k
5	Very High	Significant fall/failure in service as objectives in service plan are not met	Long term serious interruption to operations / Major partnerships under threat / Service quality not acceptable with impact on front line services	Exposure to dangerous conditions leading to potential loss of life or permanent physical/mental damage	Prolonged regional and national condemnation, with serious damage to the reputation of the organisation	>£750k

### Risk Likelihood Measurement Criteria

Scale	Likelihood of Occurrence	Projects	Probability %
1	Expected less than 1 time in next 10 years	1 in every 50 projects	0-5%
2	Expected 1 time in next 5 to 10 years	1 in every 25 projects	6-20%
3	Expected 1 time in 3 to 4 years	1 in every 12 projects	21-40%

4	Expected 1 time in 2 years	1 in every 6 projects	41-60%
5	Expected annually	1 in every 3 projects	66% +

### Risk Management Matrix

	<a href="#">Impact</a>				
5 Very High	5	10	15	20	25
4 High	4	8	12	16	20
3 Medium	3	6	9	12	15
2 Low	2	4	6	8	10
1 Negligible	1	2	3	4	5
	1 Rare	2 Unlikely	3 Possible	4 Probable	5 Almost certain
	<a href="#">Likelihood</a>				

[Tolerance Levels](#)      [Current Risk Score](#)      [Expected Actions by Risk Owners](#)

White	1 to 2	Contingency Plans = Monitoring = Escalation =	No action required No action required No action required
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Low	3 to 5	Contingency Plans = Monitoring = Escalation =	Not essential Review once a year / Reporting with service area Service area manager
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Medium	6 to 12	Contingency = Monitoring = Escalation =	Contingency plans considered Review at least twice a year / Reporting to DMT Business Partners / Relevant AD / DMT
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High	15 to 25	Contingency = Monitoring = Escalation =	Comprehensive contingency plans Quarterly Monitoring / Reporting to Corporate Governance Committee Chief Officer / CMT / Lead Member
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# Corporate Risk Register

## APPENDIX 4

Updated: May-13

				Current Risk Score				Controls		Residual Risk			
Departm ent	CRR Risk #	Risk	Causes (s)	Consequences (s)	Risk Owner	Impact	Likelihood	Risk Score	List of current controls	Further Actions / Additional Controls	Residual Impact	Residual Likelihood	Residual Risk Score
A&C	1	Utilisation of the Resource Allocation System (RAS) does not ensure the most cost effective package of care, leading to service users given too much OR not enough cash to commission their care	•Service users awarded budget based on questions, which may not reflect actual support needs	<u>People</u> •Harm to users as insufficient funding to regards level of care needed  <u>Financial</u> •Inaccurate allocation leading to increased costs	Mick Connell / Sandy McMillan / Tony Dailide	5	3	15	•Monitoring in place to review progress and report of indicative and actual budget results •Demontfort University research to ensure service user outcomes met	•Continue case by case review •Effective Support project feedback to inform improvements	5	2	10
A&C	2	Inability to establish long term delivery strategies as a result of the uncertainties surrounding the changes to how Adult Social Care will be funded	•The amount a service user is liable to fund their own care is currently subject to government review following Dilnot Commission •Unclear eligibility criteria	<u>Service Delivery</u> •Department unable to meet statutory responsibilities  <u>People</u> •Disruption to individual service users due to changes in approach  <u>Financial</u> •Loss of income could lead to reductions elsewhere in the Authority	Mick Connell / Sandy McMillan	5	5	25	•Risks based on Dilnot Commission have been quantified	•Review of risks as changes communicated	5	4	20
CE	3	Increased demand for LCC and partner services combined with reduced expenditure, leads to more vulnerable people at risk. Partners failing to agree a 'Whole Place' approach to service delivery and funding will lead to 'best services at lowest cost' not being achieved.	•Partners disagree on targets, improvements and outcomes •Service or agency interest is put ahead of the best service for Leicestershire people	<u>Service Delivery</u> •LCC cannot meet statutory responsibilities •Objectives of 'best possible outcomes' not achieved  <u>People</u> •Vulnerable people at risk because service provision is inadequate  <u>Reputation</u> •Affected by incidents involving vulnerable people  <u>Financial</u> •Budget reduction decision taken on an agency by agency/service by service basis with potential cost shunting	John Sinnott / Andy Robinson	5	4	20	•Leicestershire Together (LT) Executive support obtained •Approach explained to LCC senior managers •Commenced work with partners through LT agreeing a process to reduce expenditure by focusing on an agreed set of services	•Further testing of internal and external partner support through LT Board, Corporate Management Team, Transformation Board and specific meetings	5	3	15
CE	4	Improved outcomes and financial benefits of Supporting Leicestershire Families (SLF) are not achieved, leading to inability to financially sustain the SLF service beyond its 3 year funding	•Supporting families services not effective •Savings arising from SLF not agreed •Data unavailable/immeasurable on some outcomes	<u>Service Delivery</u> •Reduction in families supported •Increase in reactive service demand  <u>People</u> •Families and individuals do not achieve their potential  <u>Reputation</u> •Loss of confidence in place based solutions • <u>Financial</u> •Services unable to reduce budgets to make required reductions as a result of SLF	John Sinnott / Andy Robinson / Jane Moore	5	4	20	•Retention of community budget programmes •Data project underway to increase provision, quality and access •Training for workers to achieve optimum outcomes with families at earliest opportunity •Commenced discussions with services/partners to map benefits	•Opportunities to nationally ring fence budgets to be discussed with partners/services	5	3	15
CR	5	The East Midlands Shared Services Programme (EMSS) is phasing the implementation of shared systems, including Oracle and changing some business processes. Inadequate system controls and operational processes 'post go-live' could result in continued disruption to service delivery	•Complexity of project due to implementation of state of the art technology, combined with multi activity around adopting new ways of working •Conflicting priorities	<u>Service Delivery</u> •Delays to paying suppliers •Data quality compromised •Internal disruption  <u>Financial</u> •Additional costs related to increase in staff support	Brian Roberts / Liz Smith	5	3	15	•Risks managed by EMSS Programme Board •Regular briefings to DMT's and key business groups •Communication to inform employees and managers •Action Plan in place to resolve backlog of invoices •Action Plan in place to maintain business as usual for LCC	•Continued focus and work on Action Plans	5	3	15

						Current Risk Score			Controls		Residual Risk		
Department	CRR Risk #	Risk	Causes (s)	Consequences (s)	Risk Owner	Impact	Likelihood	Risk Score	List of current controls	Further Actions / Additional Controls	Residual Impact	Residual Likelihood	Residual Risk Score
CR	6	The County Council's services have a growing dependence on ICT systems and infrastructure. Hence maintaining ICT systems and having the ability to restore services quickly and effectively in the event of an outage is vital.	<ul style="list-style-type: none"> <li>•Business evolution and dependencies cause additional load on existing infrastructure, reducing resilience to failure</li> <li>•Recovery plans are currently fragmented</li> </ul>	<p><u>Service Delivery</u></p> <ul style="list-style-type: none"> <li>•Unable to deliver critical services</li> <li>•Disruption to day to day operations</li> <li>•Loss of key information</li> <li>•Loss of self service customer facing options / Public unable to use all access channels</li> </ul> <p><u>People</u></p> <ul style="list-style-type: none"> <li>•Alternate business continuity arrangements likely to result in backlogs of work</li> </ul> <p><u>Reputation</u></p> <ul style="list-style-type: none"> <li>•Negative stories in press</li> <li>•Key partners impacted may influence contract renewals</li> </ul> <p><u>Financial</u></p> <ul style="list-style-type: none"> <li>•Potential penalties</li> <li>•Additional costs related to internal and external recovery</li> </ul>	Brian Roberts / Roderick O'Connor	5	4	20	<ul style="list-style-type: none"> <li>•Comprehensive arrangements in place to avoid any controllable disaster</li> <li>•Provisions to ensure that ICT information is secure and recoverable</li> <li>•Business/manual operation plans are possible in some cases, but not all (i.e. where ICT based information is critical and manual workaround will not suffice).</li> <li>•Corporate Communications team and Business Partners engaged</li> <li>•Budget forecasts updated</li> <li>•Insurance covers certain losses</li> </ul>	<ul style="list-style-type: none"> <li>•Review of current plans to ascertain gaps, to put forward improvement proposal</li> <li>•Implement new Resilience Planning Group (RPG) Major Incident Plan and template</li> <li>•Consultant review of existing resiliency</li> <li>•Notification of all planned changes that may impact infrastructure</li> </ul>	4	3	12
CR	7	The responsibility to protect the confidentiality, integrity, availability and accountability of information means there is a continuing risk of failure of information security. An increase in information security incidents has resulted in the ICO requiring the Council to sign an Undertaking.	<ul style="list-style-type: none"> <li>•Increased information sharing</li> <li>•More hosted technology services</li> <li>•Greater emphasis on publication of data and transparency</li> <li>•Greater awareness of information rights by service users</li> </ul>	<p><u>Service Delivery</u></p> <ul style="list-style-type: none"> <li>•Loss of access to shared data</li> </ul> <p><u>People</u></p> <ul style="list-style-type: none"> <li>•Loss of confidential information compromising service user safety</li> </ul> <p><u>Reputation</u></p> <ul style="list-style-type: none"> <li>•Damage to LCC reputation</li> </ul> <p><u>Financial</u></p> <ul style="list-style-type: none"> <li>•Financial penalties</li> </ul>	Brian Roberts / Liz Clark	4	4	16	<ul style="list-style-type: none"> <li>•Action plan to address issues linked to ICO MoU</li> <li>•Info Security and related policy in place to ensure compliance</li> <li>•Training available for staff</li> </ul>	<ul style="list-style-type: none"> <li>•Continued delivery of the Information Security programme of work</li> </ul>	4	3	12
E&T	8	Impact of academy conversion and secondary age range conversion on home to school transport policy	<ul style="list-style-type: none"> <li>•Age range changes for compulsory secondary education</li> <li>•Changing academy admissions arrangements from previous LA determined catchments which conflict with long standing transport arrangements not reflected in the home to school transport policy</li> </ul>	<p><u>Reputation</u></p> <ul style="list-style-type: none"> <li>•Potential for conflict / legal challenge leading to negative media</li> </ul> <p><u>Financial</u></p> <ul style="list-style-type: none"> <li>•Continuing existing transport policy is cost neutral - any transport policy changes would need financial implications assessing</li> </ul>	Tony Kirk	4	4	16	<ul style="list-style-type: none"> <li>•Information about transport provision in 'Your Guide to Education'</li> <li>•Information sent to parents when they are advised of school placement</li> </ul>	<ul style="list-style-type: none"> <li>•Cabinet report 8th May 2012 will need to be re-visited</li> <li>•Web and telephone help/guidance would need updating to assist parental queries as admission and age range changes take effect in academies</li> </ul>	4	4	16
PH	9	Failure to effectively sustain, commission and manage the provision of Schools Nursing Service under transferred Public Health responsibilities	<ul style="list-style-type: none"> <li>•Cost of service significantly exceeds available financial resources</li> <li>•Previous contracting arrangements do not meet new service requirements</li> <li>•Non-recurrent funding</li> </ul>	<p><u>Service Delivery</u></p> <ul style="list-style-type: none"> <li>•Insufficient capacity for provider to provide the service (Non Statutory)</li> </ul> <p><u>Reputation</u></p> <ul style="list-style-type: none"> <li>•Negative media as a result of cutting popular and important service as the commissioning responsibility transfers into LCC</li> </ul> <p><u>Financial</u></p> <ul style="list-style-type: none"> <li>•Significant funding shortfall when transferred from PCT</li> </ul>	Rob Howard / Mike Sandys	4	4	16	<ul style="list-style-type: none"> <li>•Contract renegotiation based on reduced budget and possible inclusion of increased funding from Seasonal Flu vaccination programme</li> <li>•Ongoing negotiation with Department of Health and Public Health England for increased funding</li> <li>•Reallocation of LPT/Public Health budget</li> </ul>	<ul style="list-style-type: none"> <li>•Confirm further subsidy from PHE immunisation budget</li> </ul>	3	4	12

All	10	Combined effect of multiple service areas failing to meet required funding reductions set out within current MTFS	<ul style="list-style-type: none"><li>•Local Government Finance Settlement significantly reduced</li><li>•Specific grants reduced</li><li>•Detailed savings plans yet to be finalised</li><li>•Exceptional/Unforeseen increase in demand/costs</li><li>•Income reductions from external providers</li></ul>	<u>Service Delivery</u> <ul style="list-style-type: none"><li>•Negative impact on all services as further savings/service cuts will be required to reduce deficit</li></ul> <u>Reputation</u> <ul style="list-style-type: none"><li>•Significant impact on the reputation of the Council as crude cuts will be required to balance the budget and overall financial position</li></ul> <u>Financial</u> <ul style="list-style-type: none"><li>•Loss of income</li></ul>	Brian Roberts / Chris Tambini	5	4	20	<ul style="list-style-type: none"><li>•Approved MTFS in place which incorporates savings, contingencies and reserves</li><li>•Monitoring processes in place at both departmental and corporate level</li><li>•County Fund available for unforeseen risks</li><li>•PwC reviewed previous MTFS and confirmed it to be appropriate based on prudent assumptions, including level of proposed reserves and contingencies</li></ul>	<ul style="list-style-type: none"><li>•Risk assessment of existing savings</li><li>•PwC to conduct similar review of 2013-17 MTFS</li></ul>	4	3	12
								Current Risk Score		Controls		Residual Risk	
Department	CRR Risk #	Risk	Causes (s)	Consequences (s)	Risk Owner	Impact	Likelihood	Risk Score	List of current controls	Further Actions / Additional Controls	Residual Impact	Residual Likelihood	Residual Risk Score
All	11	The County Council is unable to deliver savings required to produce a 'balanced budget', in addition to those already allocated to departments within the MTFS	<ul style="list-style-type: none"><li>•Significant efficiencies/savings realised and implemented thereby making it increasingly difficult to deliver £30m of unidentified savings within the last two years of the current MTFS</li><li>•Whilst demand for the most vulnerable continues to increase: the prolonged economic downturn restricts increases from funding sources such as Council Tax and NNDR; Pension Fund is impacted by demographic and economic pressures; and anticipated decrease in overall funding after 2016/17</li></ul>	<u>Service Delivery</u> <ul style="list-style-type: none"><li>•Negative impact on all services as further service cuts will be required to reduce deficit</li></ul> <u>Reputation</u> <ul style="list-style-type: none"><li>•Significant impact on reputation exacerbated by the need for quick and potentially crude savings if a more considered approach not adopted</li></ul> <u>Financial</u> <ul style="list-style-type: none"><li>•Loss of income</li></ul>	Brian Roberts / Chris Tambini	5	4	20	<ul style="list-style-type: none"><li>•Transformation Board established</li><li>•Monitoring processes in place at both departmental and corporate level</li></ul>	<ul style="list-style-type: none"><li>•Detailed transformation programme to be introduced</li><li>•Stand to include public and stakeholder consultation for the identification of low priority services, commissioning, community budgets and forensic review of expenditure</li><li>•Revision of MTFS to take account of Transformation Programme and June Comprehensive Spending Review.</li></ul>	5	2	10
All	12	LCC and partners do not have the capacity to meet demand from vulnerable people caused by the Welfare Reform Act	<ul style="list-style-type: none"><li>•Continual economic climate/recession</li><li>•Changes in the benefit system</li><li>•Introduction of Universal Credit</li></ul>	<u>Service Delivery</u> <ul style="list-style-type: none"><li>•Service users losing support/income leading to a rise in number of people needing support from LCC and other local agencies</li><li>•</li></ul> <u>People</u> <ul style="list-style-type: none"><li>•More vulnerable people and families affected</li><li>•</li></ul> <u>Reputation</u> <ul style="list-style-type: none"><li>•Cases of hardship / lack of support in media</li><li>•</li></ul> <u>Financial</u> <ul style="list-style-type: none"><li>•Increased pressure on Council resources</li></ul>	Mick Connell / Andy Robinson	5	5	25	<ul style="list-style-type: none"><li>•Management of new social fund</li><li>•Monitoring impact of benefit changes</li></ul>	<ul style="list-style-type: none"><li>•Keep up with legislative changes</li><li>•Partnership working to facilitate response in Leicestershire</li><li>•Information booklet for all staff</li></ul>	5	3	15
All	13	Failure by LCC to ascertain and manage increased demand for services will restrict implementation of effective preventative strategies/actions, impacting council wide priorities	<ul style="list-style-type: none"><li>•Insufficient business intelligence on customers and cost of service as a result of reduced IM/IT investment</li><li>•Demand influenced by unmanageable external environment</li><li>•Reduced research, performance and finance support for projects</li><li>•Inadequate data quality and data sharing</li></ul>	<u>Service Delivery</u> <ul style="list-style-type: none"><li>•Inadequate information for business cases</li><li>•Jeopardise importance of robust and effective decision making</li><li>•Service priorities not being met</li></ul> <u>People</u> <ul style="list-style-type: none"><li>•Difficulty in identifying and implementing effective preventative measures</li><li>•</li></ul> <u>Reputation</u> <ul style="list-style-type: none"><li>•Potential inspection and reputation impact</li><li>•</li></ul> <u>Financial</u> <ul style="list-style-type: none"><li>•Risk of litigation/judicial review</li></ul>	Brian Roberts / Andy Robinson / Liz Clark / Chris Tambini	4	4	16	<ul style="list-style-type: none"><li>•Business Intelligence action plan, group and approach being developed</li><li>•Project controls in place for developing key systems</li><li>•Sharing of specialist knowledge</li></ul>	<ul style="list-style-type: none"><li>•Regular review meetings to assess progress</li><li>•IT capacity and competency building</li><li>•Governance structures to oversee delivery of priority intelligence improvements</li></ul>	4	3	12

All	14	The ability of LCC to effectively contract manage devolved services as a result of an increasing amount of expenditure through new service delivery models (E.g. outsourcing / externally commissioned)	•Loss of direct control •Robustness of supply chain - For e.g., Liquidation of insurer MMI •Reduced funding and resources •Staff turnover leading to lack of continuity •Insufficient investment in contract management skills and competencies	<u>Service Delivery</u> •Business disruption due to cost and time to re-tender the contract •Standards/quality not met •Relationships with providers/suppliers deteriorate	Brian Roberts / Chris Tambini	5	3	15	•Departmental and Corporate Commissioning & Contracts Board have responsibility for overseeing contract management activity •Contract management training provided to improve skills base	•Contract management performance for key suppliers to be reported to Corporate Commissioning and Contracts Board (following successful pilot) •Ensure that services transferred are well implemented and sufficient consideration given to contract and relationship management and managing liabilities	5	2	10
				<u>People</u> •Additional workload where disputes arise <u>Reputation</u> •Customer complaints <u>Financial</u> •VfM/Efficiencies not achieved •Increased costs as LCC has to pick up the service again •Unfunded financial exposure (MMI)									
All	15	Insufficient capacity to provide Information & Technology solutions to support major change projects	•Imbalance of IT resources versus IT requirements •Demand outweighs supply •Loss of knowledge and lack of continuity as a result of staff turnover and/or inadequate investment in skills and competencies	<u>Service Delivery</u> •Departmental and corporate objectives not met or delayed •Delays to project delivery <u>Financial</u> •Failure to support delivery of efficiency programme and ICT replacement projects (E.g. SSIS)	Brian Roberts / Liz Clark	4	4	16	•Forward planning for major projects •Demand management for lower priority projects •Workforce planning	•Regular review of capacity versus demand •Review of workforce plans	4	3	12

**Department**  
A&C = Adults & Communities  
CE = Chief Executives  
CR = Corporate Resources  
CYPS = Children and Young People's Service

E&T = Environment and Transport  
PH = Public Health  
All = Consolidated risk



## **CORPORATE GOVERNANCE COMMITTEE – 14 JUNE 2013**

### **JOINT REPORT OF THE DIRECTOR OF CORPORATE RESOURCES AND THE CHIEF EXECUTIVE**

### **ANNUAL GOVERNANCE STATEMENT 2012/13**

#### **Purpose of the Report**

1. The purpose of this report is to:
  - (a) Outline the background and approach taken to produce the County Council's 2012/13 Annual Governance Statement (AGS);
  - (b) Present the draft AGS for comment by the Committee prior to sign off by the Chief Executive and Leader of the Council.

#### **Background**

2. The Framework 'Delivering Good Governance in Local Government', published by CIPFA in association with SOLACE in 2007, sets the standard for local authority governance in the UK and the requirement to produce an Annual Governance Statement (AGS). CIPFA and SOLACE reviewed the Framework in 2012 to ensure that it remains 'fit for purpose' and issued revised guidance.
3. The Framework urges local authorities to review and report on the effectiveness of their governance arrangements, with an increased emphasis on a strategic approach focusing on outcomes and value for money, driven by the significant change being experienced in local government and the introduction of other key legislation. The AGS is an important statutory requirement which enhances public reporting of governance matters.
4. During 2012, a review of all authorities' AGS's was conducted by Grant Thornton. In summary, Leicestershire's AGS was among the best for concluding on the level of assurance achieved but trailed for achieving a balance between comprehensive content and a concise and clear message; and describing action plans to deal with governance issues. Using CIPFA revised guidance and taking into account the Grant Thornton review and its recommendations, the Authority has:
  - a. Changed the format of its AGS to mirror good practice from other authorities;
  - b. Expanded on the section 'review of effectiveness';
  - c. Included key areas for improvement as identified via the assurance gathering process;

- d. Included additional information on significant changes within local government.
- 5. The draft AGS is attached as Appendix 1 and is being presented to the Committee to comply with CIPFA guidance, which requires high level input in order to ensure that the AGS reasonably reflects their knowledge and experience of the Authority's governance and control framework and that suggested areas for improvement are appropriate. Any comments by the Committee will be duly considered and incorporated as appropriate.
- 6. The draft statement has already been considered by the Director of Corporate Resources, Monitoring Officer and Head of Internal Audit. The 'areas of improvement' element of the statement has also been circulated to owners of the relevant actions.

### **Approach**

- 7. There is a statutory requirement in England, for a local authority to conduct, at least once in each financial year, a review of the effectiveness of its system of internal control and overall corporate governance arrangements. This review requires the sources of assurance, which the County Council relies on, to be brought together and reviewed, from both a departmental and corporate view.
- 8. Based on the six principles of good governance described in the revised CIPFA / SOLACE framework, a 'Self Assessment Statement' designed to identify the systems, processes and documents that provide evidence of compliance with the Council's Code of Corporate Governance was circulated to all Directors, requesting an honest critique of the arrangements in place within their department during the financial year 2012-13. The assessment also allowed for the recognition and recording of areas where improvements or developments are required. These statements were signed by the individual Directors.
- 9. A Corporate Assurance Statement was also circulated and completed to capture evidence to gain an overall organisational perspective of processes in place as described by the six core principles. This statement also allowed for the recognition and recording of areas where improvements or developments are required and was signed by the Director of Corporate Resources and the Monitoring Officer.
- 10. The completed statements were analysed along with various other sources of evidence to determine whether there are any significant governance issues that should be reported in the AGS. Some of these sources include:
  - a. Reports provided by internal and external audit and other assurance sources and the implications of these reports for the overall governance of the Council;



- b. The Head of Internal Audit Service's annual opinion on the overall adequacy and effectiveness of the Authority's internal control environment;
  - c. Analysis of negative media articles.
11. In order to assist the Head of Internal Audit Service's annual opinion on the adequacy and effectiveness of the Authority's governance arrangements, sample checking of the returns and supporting evidence was undertaken by Internal Audit.

### **Outcome of the 2012/13 Review of the Governance Framework**

12. Guidance states that the 'Significant Governance Issues' are those that:
- a. Seriously prejudice or prevent achievement of a principal objective of the authority;
  - b. Have resulted in the need to seek additional funding to allow to be resolved, or has resulted in the significant diversion of resources from another aspect of the business;
  - c. Have led to a material impact on the accounts;
  - d. The Corporate Governance Committee advises should be considered significant for this purpose;
  - e. The Head of Internal Audit Service reports on as significant in the annual opinion on the internal control environment;
  - f. Have attracted significant public interest or have seriously damaged the reputation of the organisation;
  - g. Have resulted in formal action being undertaken by the Chief Financial Officer and/or the Monitoring Officer.
13. The 2012/13 review of the Governance Framework identified one significant governance issue that has been included within the Annual Governance Statement:
- I. Adverse publicity about the use of County Council resources by the former Leader of the Council
14. For the AGS to have its intended benefit it is important to be open and honest about the areas for improvement but also to give a balanced view of the organisation. The assurance gathering process identified key corporate areas of improvement and implementing actions to address these will ensure that identified gaps within the County Council's current control environment will be filled and will further enhance the Authority's overall governance arrangements. To this effect, the draft AGS describes identified areas for improvements during the review period 2012/13 to carry forward for monitoring within 2013/14.
15. The Code of Practice in Local Authority Accounting states that the AGS should relate to the governance system as it applied to the financial year for the accounts that it accompanies. However, significant events or developments relating to the governance system that occur between the Balance Sheet date and the date on which the Statement of Accounts is signed by the responsible financial officer should also be reported.

Therefore, in the event of the above occurring, the AGS presented as Appendix 1 would change. Details would, of course, be reported to members of the Committee for information.

16. Approval and ownership of the Governance Statement has been reflected at corporate level and the statement will be signed on behalf of the Authority by the Chief Executive and Leader of the Council and published on the County Council's website.

### **Recommendations**

17. The Committee is requested to:

- a. Review the draft AGS (Appendix 1);
- b. Consider whether it is consistent with the Committee's own perspective on internal control within the Authority;
- c. Consider the governance issues and confirm whether the proposed actions and improvement areas detailed in section 4 of the AGS are acceptable;
- d. Approve the County Council's 2012/13 Annual Governance Statement, [noting that this may be subject to such changes as are required by the Code of Practice in Local Authority Accounting and detailed in paragraph 15 of this Report].

### **Resource Implications**

18. None.

### **Equal Opportunities Implications**

19. None.

### **Background Papers**

Delivering Good Governance in Local Government: Framework – issued by CIPFA / SOLACE, 2007 and 2012;  
The 2012/13 Corporate and Departmental Assurance Statements;

### **Circulation Under the Local Issues Alert procedure**

None

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### **List of Appendices**

Appendix 1 – Draft Annual Governance Statement 2012/13

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## Appendix 1



### **DRAFT Annual Governance Statement (AGS) 2012/13**

#### **1. SCOPE OF RESPONSIBILITY**

Leicestershire County Council (LCC) is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. Leicestershire County Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, Leicestershire County Council is responsible for putting in place proper arrangements for the governance of its affairs and facilitating the effective exercise of its functions, which includes arrangements for the management of risk.

Leicestershire County Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*. A copy of the code is on our website [Code of Corporate Governance](#) and this statement explains how Leicestershire County Council has complied with the code and also meets the requirements of Accounts and Audit (England) Regulations 2011, regulation 4(3), which requires all relevant bodies to prepare an annual governance statement.

#### **2. THE PURPOSE OF THE GOVERNANCE FRAMEWORK**

The governance framework comprises the systems and processes, culture and values by which the Authority is directed and controlled and its activities through which it accounts to, engages with and leads its communities. It enables the Authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate services and value for money.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the County Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at Leicestershire County Council for the year ended 31 March 2013 and up to the date of approval of the annual report and statement of accounts. The County Council's governance environment is consistent with the six core principles of the CIPFA/SOLACE framework, within each principle we have identified the sources of assurance.

**PRINCIPLE A: Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area**

**Under this principle, there is a requirement of local authorities to:**

- Exercise strategic leadership by developing and clearly communicating the authority's purpose and vision and its intended outcome for citizens and service users.
- Ensure that users receive a high quality of service whether directly, or in partnership, or by commissioning.
- Ensure the authority makes best use of resources and that tax payers and service users receive excellent value for money.

Description of Governance Mechanisms:	Assurances received	Areas for improvement
<i>Evidence and documents that demonstrate compliance / good practice</i>		
<ul style="list-style-type: none"> <li>• Leicestershire Together – Strategic Partnership priorities</li> <li>• Service/Business Plans supported by relevant strategies</li> <li>• Community engagement and Communication Strategy</li> <li>• Partnership protocols and arrangements.</li> <li>• Performance trends and reports on the progress of service delivery</li> <li>• Formal complaints policy and procedures that inform positive service improvement</li> <li>• Comparison of information on LCC's economy, efficiency and effectiveness of services</li> <li>• Instruction on how to measure Value for Money</li> <li>• Environmental impact of policies, plans and decisions</li> </ul>	<ul style="list-style-type: none"> <li>• Leicestershire's strategic outcomes for 2012/13 were agreed by the Leicestershire Together Board. Leicestershire Together has developed the overall vision for the County and a supporting outcome framework to guide the work of the County Council and partner agencies;</li> <li>• Outcomes are delivered through supported commissioning, service plans and strategies which set out objectives and targets in relation to the Council's priority outcomes.</li> <li>• Communication strategy that is based on an audience-led approach, allowing the Authority to better target communications more cost effectively at the residents who use or need LCC services;</li> <li>• Variety of mechanisms for capturing and reporting service user views, including new customer service centre user feedback survey and enhanced adult social care surveys;</li> <li>• Performance trends reported through dashboards and used for partnership boards and departments; including targets agreed in Environment Strategy.</li> <li>• Annual Performance Report considered by Cabinet, Scrutiny and Council – supported by approved Medium Term Financial Strategy and Annual Statement of Accounts;</li> <li>• Formal, publicly accessible complaints policy which ensures complaints are tracked and monitored, including effective 'fast-tracking' and production of case reviews. Action plans are formulated showing 'lessons learned' which feed into wider departmental plans;</li> <li>• Value for Money (VfM) Strategy sets out the overall framework within which the efficiencies included within the Medium Term Financial Strategy (MTFS) will be achieved;</li> <li>• Variety of benchmarking arrangements in place across services to assess comparative effectiveness, including CIPFA Value for Money (VFM) benchmarking club. Data analysed and supplemented with internal information to understand local performance, with appropriate action taken to review and reduce spend. Analysis also used to inform service plan change projects to further improve value for money.</li> <li>• Reporting on the Environmental Management System includes review of compliance with environmental regulation and response to relevant complaints.</li> </ul>	<ul style="list-style-type: none"> <li>• Increase and enhance 'lessons learned' through the complaints process.</li> <li>• Improve VfM measures at departmental level</li> </ul>

## PRINCIPLE B: Members and officers working together to achieve a common purpose with clearly defined functions and roles

### Under this principle, there is a requirement of local authorities to:

- Ensure effective leadership throughout the authority and be clear about executive and non-executive functions and of the roles and responsibilities of the scrutiny function;
- Ensure a constructive working relationship exists between authority members and officers and that the responsibilities of members and officers are carried out to a high standard;
- Ensure relationships between the authority, its partners and the public are clear so that each knows what to expect of the other.

Description of Governance Mechanisms – <i>Evidence and documents that demonstrate compliance / good practice</i>	Assurances received	Areas for improvement
<ul style="list-style-type: none"> <li>• Job descriptions for: Chief Executive, Leader; S151 Officer; Monitoring Officer; Head of Internal Audit</li> <li>• Member/Officer Protocol</li> <li>• Constitution</li> <li>• Scheme of delegation, standing orders and financial regulations</li> <li>• Effective Chief Executive and Leader pairing</li> <li>• Compliance with Role of Chief Financial Officer (CFO) and Role of Head of Internal Audit</li> <li>• Monitoring officer provisions</li> <li>• Scheme for member remuneration and allowances</li> <li>• Conditions of employment including; appraisal arrangements; pay and conditions policies; structured pay scales</li> <li>• Effective performance management system including progress on Key Performance Indicators and identifying areas of improvement</li> <li>• Business and financial planning process</li> <li>• Protocols for consultation</li> <li>• Protocols for partnership working</li> </ul>	<ul style="list-style-type: none"> <li>• Constitution sets out Council's political structure and roles and responsibilities of the Executive, Committees, the full Council and Chief Officers and the rules under which they operate. There are specific job descriptions for Cabinet and Scrutiny Committee Members.</li> <li>• Constitution sets out 'Responsibility for Functions' including scheme of delegation to heads of departments and panels. Also includes financial procedure rules and fundamental principles on 'Member/Officer Relations'.</li> <li>• Regular meetings take place between the Leader and the Chief Executive and the Leader and the Deputy Leader.</li> <li>• Assessment of compliance with the Statement on the Role of the CFO and Role of the Head of Internal Audit.</li> <li>• Monitoring Officer and CFO are responsible for ensuring an appropriate framework exists to ensure procedures are followed.</li> <li>• Members Allowances Scheme is reviewed by an Independent Remuneration Panel with recommendations adopted. Allowances received by every member are also published.</li> <li>• Employment Committee manage and govern all pay matters and are responsible for terms and conditions of service, including remuneration. Pay Policy Statement ensures the Authority manages its policy on pay and benefits in a fair, non-discriminatory, consistent and transparent way.</li> <li>• Progress reporting to Lead Members and dedicated Scrutiny Panel on performance against key indicators. Dashboards published ensuring public and stakeholders are clear what the Council and partners are trying to achieve and of progress against the priorities.</li> <li>• Established Strategic Finance function maintains sound financial frameworks and supports delivery of MTFS.</li> <li>• Directed reviews' of formal partnership working arrangements.</li> <li>• Performance reports to partnership boards.</li> <li>• Various forums and frameworks for consultation ensuring clear channels of communication with all sections of the community and other stakeholders.</li> </ul>	<ul style="list-style-type: none"> <li>• Ensure changes to Scrutiny Function post election address the continued need for performance monitoring;</li> <li>• Review of partnership protocols and governance arrangements</li> </ul>

**PRINCIPLE C: Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour**

**Under this principle, there is a requirement of local authorities to:**

- Ensure authority members and officers exercise leadership by behaving in ways that exemplify high standards of conduct and effective governance;
- Ensure that organisational values are put into practice and are effective.

Description of Governance Mechanisms – <i>Evidence and documents that demonstrate compliance / good practice</i>	Assurances received	Areas for improvement
<ul style="list-style-type: none"> <li>• Annual Governance Statement</li> <li>• Member and Officers Codes of Conduct</li> <li>• Performance appraisal</li> <li>• Procedures for responding to behaviour complaints</li> <li>• Anti –fraud and anti-corruption policies</li> <li>• Standing orders and financial regulations</li> <li>• Register of Interests and Gifts and Hospitality – members and staff</li> <li>• Ethical awareness training and dealing with conflicts of interest</li> <li>• Communicating shared values with members, staff, the community and partners</li> <li>• Whistleblowing arrangements</li> <li>• Decision making practices/framework</li> <li>• Protocols for partnership working</li> </ul>	<ul style="list-style-type: none"> <li>• AGS produced by compiling and scrutinising information from Departmental Self Assessments, Corporate Assurance Statement and assurance from Internal Audit Service.</li> <li>• Adopted Code of Conduct for Members - ‘Standards of Conduct’ information provides guidance to help elected members exhibit high standards of personal conduct.</li> <li>• Corporate Governance Committee is primarily responsible for the promotion and maintenance of high standards of conduct by members and co-opted members, including agreeing criteria for assessing complaints against members.</li> <li>• Adopted Employee Code of Conduct which is supported by regular items on the Council’s intranet reminding staff of the Register of Interests, Register of Gifts and Hospitality and Whistleblowing procedures. Monitoring Officer reviews all registers annually.</li> <li>• ‘Dignity At Work’ Policy and Procedures provides employees with examples of unacceptable behaviour, and is complimented by other HR policies</li> <li>• Corporate Performance and Development Review (PDR) system in place to appraise the performance of all staff with completion rates monitored and reported. Managers align employees PDR priorities and objectives to the service, department and Council’s priorities.</li> <li>• ‘Leading for High Performance’ programme underpins the approach to performance management and covers importance of maintaining strong ethical governance.</li> <li>• Approved Anti Fraud &amp; Corruption (F&amp;C) Policy, Strategy and Procedures, complimented by mandatory Fraud Awareness E-Learning module. Annual assessment against reputable publications provides knowledge of fraud exposure and directs potential improvements.</li> <li>• Constitution sets out ‘Meeting Procedure Rules’ and Financial Rules and Regulations</li> <li>• Annual reminder to Members of the importance of keeping their register entries up to date - with Registers’ made available for public inspection.</li> <li>• Organisational Values considered during the PDR, complimented by departmental notices displaying visions and achievements. Chief Executive’s ‘News for All’ and Corporate Management Team Road shows contains information for all staff.</li> <li>• Embedded ‘Whistleblowing’ procedures and Supplier Whistleblowing Policy.</li> </ul>	<ul style="list-style-type: none"> <li>• Refresh Anti F&amp;C Policy, Strategy and Procedures.</li> <li>• Use Counter Fraud Checklist to target areas for potential improvement.</li> <li>• Review Officer Code of Conduct.</li> </ul>



**PRINCIPLE D: Taking informed and transparent decisions which are subject to effective scrutiny and managing risk**

**Under this principle, there is a requirement of local authorities to:**

- Be rigorous and transparent about how decisions are taken and listening and acting on the outcome of constructive scrutiny;
- Have good-quality information, advice and support to ensure that services are delivered effectively and are what the community wants / needs;
- Ensure that an effective risk management system is in place;
- Use their legal powers to the full benefit of the citizens and communities in their area.

Description of Governance Mechanisms –	Assurances received	Areas for improvement
<i>Evidence and documents that demonstrate compliance / good practice</i>		
<ul style="list-style-type: none"> <li>• Role and responsibility for scrutiny – including improvements to proposals as a result of scrutiny</li> <li>• Corporate Governance Committee</li> <li>• Internal Audit function</li> <li>• Decision making protocols / records of decisions and supporting materials</li> <li>• Members’ and officers’ code of conduct</li> <li>• Terms of reference and membership</li> <li>• Training for committee members including information needs to support decision making</li> <li>• Calendar of dates for submitting, publishing and distributing timely reports</li> <li>• Approved Risk Strategy/Policy</li> <li>• Effective counter fraud arrangements</li> <li>• Legal advice provided by officers</li> </ul>	<ul style="list-style-type: none"> <li>• Overview and Scrutiny committees are in place with Chairman’s annual report and regular position statements to Council. Cabinet consults with the Scrutiny Commission before taking decisions on major policy issues.</li> <li>• Budget &amp; Performance Monitoring Scrutiny Panel receive reports on the revenue budget and capital programme and performance reports in relation to targets and commitments and action plans arising from inspection and assessment reports.</li> <li>• Internal Audit Service annual plan of audits provide assurance that the internal control systems of the Authority are operating effectively.</li> <li>• Terms of References for Committees and decision making protocols are detailed in the Constitution - records of decisions, with supporting materials are available through the Decision Enquiry System.</li> <li>• Member Learning and Development Working Party oversee implementation of Learning &amp; Development Strategy which includes induction for members and identification of development needs.</li> <li>• Corporate research and information function co-located with performance and business intelligence function – enabling provision of good quality information drawing on census, research and variety of other sources and tools.</li> <li>• Information Governance Group is the steering committee that sets the strategic direction for information and data governance across the Council.</li> <li>• Council’s risk management framework recently aligned with local government best practice – providing assurance to senior management, Members and public that the Council is mitigating the risks of not achieving key priorities.</li> <li>• Members of the Corporate Governance Committee actively engage and take interest risk management, including detailed scrutiny of the Corporate Risk Register.</li> <li>• Counter fraud arrangements assessed against reputable publications to ascertain fraud exposure and direct potential improvements.</li> <li>• Monitoring of reports to ensure propriety of decision making and that legal advice is included where necessary and appropriate.</li> </ul>	<ul style="list-style-type: none"> <li>• Enhance organisational business intelligence particularly around delivery of outcomes.</li> </ul>

## PRINCIPLE E: Developing the capacity and capability of members and officers to be effective

### Under this principle, there is a requirement of local authorities to:

- Make sure that members and officers have the skills, knowledge, experience and resources they need to perform well in their roles;
- Develop the capability of people with governance responsibilities and evaluating their performance, as individuals and as a group.
- Encourage new talent for membership of the authority so that best use can be made of individuals' skills and resources in balancing continuity and renewal.

Description of Governance Mechanisms – <i>Evidence and documents that demonstrate compliance / good practice</i>	Assurances received	Areas for improvement
<ul style="list-style-type: none"> <li>• Induction programme</li> <li>• Officer training and development plans</li> <li>• Availability and communication of activities</li> <li>• Performance reviews of officers</li> <li>• Succession Planning</li> <li>• Member training and development</li> <li>• Community and Stakeholder forums</li> <li>• Residents' panel structure</li> </ul>	<ul style="list-style-type: none"> <li>• Learning and Development Plan's approved by DMT/ Departmental Workforce Groups and are reviewed and updated on a periodic basis enabling L&amp;D service to respond to need not anticipated or known at the beginning of the training plan process.</li> <li>• Induction available to all managers and staff with core training provided for specific roles.</li> <li>• Relevant L&amp;D activities communicated through intranet, email updates, newsletters, briefings and staff workers groups.</li> <li>• Corporate Performance and Development Review (PDR) system in place to appraise the performance of all staff with completion rates monitored and reported. Managers at all grades assessed against Leadership Behaviours which underpin the management competency framework</li> <li>• Performance management and reporting systems in place at various levels, allowing outcomes to be cascaded and linked to individual development plans.</li> <li>• People Strategy Board agreed pilot approach to Talent Management and Succession Planning which is due to commence during 2013.</li> <li>• Member development sessions cover both functional roles and responsibilities of the Council as well as those related to good governance.</li> <li>• Community Forums, covering the whole of Leicestershire aim to ensure that services provided in an area match the needs of the local community.</li> <li>• Community Forum Budgets empower communities to play a role in decision making by allowing them to put forward project ideas and have a key role in choosing which projects are supported.</li> <li>• Community Forums, Community Forum Budgets and Big Society work help to identify community members as a potential basis for future community talent and service.</li> </ul>	<ul style="list-style-type: none"> <li>• Enhance Succession Planning.</li> <li>• Review of Mandatory E-Learning programmes and training.</li> </ul>

## PRINCIPLE F: Engaging with local people and other stakeholders to ensure robust public accountability

### Under this principle, there is a requirement of local authorities to:

- Exercise leadership through a robust scrutiny function which effectively engages local people and all local institutional stakeholders, including partnerships, and develops constructive accountability relationships;
- Take an active and planned approach to dialogue with and accountability to the public to ensure effective and appropriate service;
- Make best use of human resources by taking an active and planned approach to meet responsibility to staff.

Description of Governance Mechanisms – <i>Evidence and documents that demonstrate compliance / good practice</i>	Assurances received	Areas for improvement
<ul style="list-style-type: none"> <li>• Database of stakeholders</li> <li>• Annual report</li> <li>• Citizen survey</li> <li>• Record of public consultations</li> <li>• Process for dealing with competing demands within the community</li> <li>• Communication Strategy</li> <li>• Annual financial statements</li> <li>• Freedom of Information Act publication scheme</li> <li>• Council tax leaflet</li> <li>• LCC Website</li> <li>• Best practice standards in recruitment and staff terms and conditions</li> </ul>	<ul style="list-style-type: none"> <li>• Full public annual report providing information on outcomes, achievements, satisfaction and progress against key priorities and plans.</li> <li>• LCC recognise the importance to consult, involve and listen to citizens so that services can be improved and future plans made – a wide range of techniques used for dialogue with the community including budget, priorities, community safety, customer service and individual service user groups.</li> <li>• Leicestershire ‘Place Survey’ – citizens giving their views on how to make the County a better place to live.</li> <li>• Web based consultation undertaken on the MTFs with results reported to full Council.</li> <li>• Communication strategy based on an audience-led approach allowing targeted communications at the residents who use or need LCC services, resulting in increase in satisfaction levels</li> <li>• The Account Statements set out the published statement of accounts of the Authority year on year. The accounts have been produced in line with the various regulations that govern local authority accounting. LCC also published its Council Tax Leaflet on the website</li> <li>• Freedom of Information (FOI) and Environmental Information Regulations Policy underpin the key principles of the Information Management Strategy in that the Council embraces a culture that is open, accessible and accountable, aiming to publish as much information as possible. Robust FOI practices enable the Council to meet obligations and aid understanding of public interests, helping to shape future service delivery.</li> <li>• LCC website is frequently used as a medium to inform and engage with the public and updates on the homepage direct residents to key information. Introduction of dialogue via other media such as Face book and Twitter.</li> <li>• The Information and Data Team keep an updated report on website usage.</li> <li>• Recruitment undertaken in accordance with policy and procedures.</li> </ul>	<ul style="list-style-type: none"> <li>• Enhance engagement with officers and public</li> </ul>

### 3. REVIEW OF EFFECTIVENESS

Leicestershire County Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the executive managers within the Council who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit Service's annual report, and also by comments made by the external auditors and other review agencies and inspectorates.

The CIPFA Governance Framework details the key sources of typical systems and processes that an authority can adopt to ensure it has an effective system of internal control. Using this guidance, the County Council can provide assurance that it has effective governance arrangements, which have been established through the following:

<b><u>Code of Corporate Governance</u></b>
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The Chief Executive has a duty to monitor and review the operation of the Constitution and the Monitoring Officer has a duty to report to Cabinet on matters which could be considered as unlawful or give rise to maladministration. As part of this process the Monitoring Officer ensures an annual assessment of the Authority's compliance with the Code of Corporate Governance is undertaken.

<b><u>Internal Audit Service</u></b>
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#### *Internal Controls of Leicestershire County Council*

The Council's Internal Audit Service Annual Plan coverage during 2012/13 was developed using a risk based approach, aligned to the Corporate Risk Register where possible to ensure current and emerging risks were adequately covered. Internal Audit Service reports provide an overall assurance assessment on the adequacy and effectiveness of the Council's internal control environment, with areas of weakness identified and recommendations for improvements made.

#### *Governance and Risk Management*

During the year, significant pieces of work included a corporate wide audit in respect of the Efficiency & Service Reduction Programme and examining the decision making process of Integrated Commissioning Board, both resulted in a substantial assurance rating. The Head of Internal Audit Service routinely attends relevant meetings to determine how governance issues are identified and managed and has concluded overall, based on the findings of work undertaken, that governance procedures at both strategic and operational level are robust.

Specific risk framework audits and other audits were conducted, ensuring that management has identified, evaluated and managed risks to reduce risk exposure and achieve objectives. LCC has an improved risk management framework and the Head of Internal Audit Service is of the opinion that presentations on specific risks to the Corporate Governance Committee are beneficial to Members understanding of their roles relating to risk management.

#### *Internal Financial Controls*

A number of financial systems were undertaken on the County Council's general ledger activities and other operating financial systems. The Head of Internal Audit Service has concluded overall, based on the findings of work undertaken, that general assurance can be given that the operation and management of the core financial systems of the County Council are of a sufficient standard to provide for the proper administration of its financial affairs.

### *Effectiveness of Internal Audit Service*

The County Council is required to conduct an annual review of the effectiveness of its internal audit function and for the Corporate Governance Committee to review its findings. This review is considered part of the system of internal control and informs this Annual Governance Statement. A self assessment of compliance against the 'Code of Practice for Internal Audit in Local Government in the UK' confirms that overall, the Council continues to undertake an effective internal audit function and internal audit continues to be an effective part of the internal control process. Any areas where there is 'partial' compliance will be improved, both through the implementation of process and structure changes, and the adoption of, and conformance to, the new mandatory 'Public Sector Internal Audit Standards (PSIAS)' being introduced from April 2013.

## **Risk Management**

### *Governance of Risk*

The County Council's Code of Corporate Governance sets out a requirement to ensure that an effective risk management system is in place. Following an independent review of the current risk management framework, several recommendations were made to bring the Council in line with local government best practice. To this effect, the Council has adopted guidance from the ALARM (Association of Local Authority Risk Managers) Risk Management Toolkit - An essential guide for managing risk in public service organisations.

In order for risk management to be most effective and become an enabling tool, the Authority must ensure a robust, consistent, communicated and formalised process is established across the County Council. Revision of the framework, included the implementation of new risk assessment criteria and corresponding risk matrix; and aims to ensure that links to Departmental Risk Registers are strengthened, thereby ultimately improving the flow of risk information throughout the Authority. This revision also included a refresh of the Corporate Risk Register and Risk Management Policy and Strategy – these along with supporting documentation, form an integrated framework that supports the County Council in the effective management of risk.

The new structure will enhance the effectiveness of the current approach to managing risks by developing and applying a more quantitative approach to decision making processes throughout the Council. In implementing a management of risk system, the Council seeks to provide assurance to all our stakeholders that the identification, evaluation and management of risk play a key role in the delivery of our strategy and related objectives.

## **Overview & Scrutiny Committees**

### *Role of Scrutiny*

The County Council operates a Cabinet governance structure and benefits from a culture of scrutiny. In Leicestershire, the role of Overview and Scrutiny includes holding the Executive to account and supporting the Council's work through review and scrutiny of Cabinet decisions and Council performance. It also assists in research, policy review and development.

The Overview and Scrutiny process focus on things that matter to local people and this will involve, amongst other things, an appropriate dialogue with the Executive to ensure that duplication is avoided and the Council's resources are put to effective use.

A standing panel on Budget and Performance Monitoring has been established, along with a number of small, time-limited scrutiny review panels which have considered and made recommendations to the Executive. Three examples relating to policy decisions made during 2012/13 were:

- A review of progress with the delivery of the Extra Care Strategy;
- Review of the Criteria for the Statutory Assessment of Special Education Needs;
- Scrutiny of the Youth Justice Strategic Plan

The Leadership Centre for Local Government has identified three themes for improved scrutiny and during the past year, these have been adopted through the following:

#### Leading beyond authority boundaries

- Inviting the Chairman of the Leicester and Leicestershire's Enterprise Partnership (LLEP) which covers the City and the County, to report on first year activity.
- Working jointly with the City Council to challenge the decision by NHS England to stop children's heart surgery at Glenfield Hospital.

#### Authority recognition of and support for scrutiny

- A policy officer that supports members in scrutinising health bodies.
- Identifying relevant development for Scrutiny Commissioners.

#### Members taking responsibility for their own effectiveness

- The Chairmen and Spokesmen of each scrutiny body meet regularly to plan the agendas for meetings and consider suggestions for Review Panels.
- An annual workshop to review past performance, plan for the coming year and review working practices.

The Children and Young People's Service Overview and Scrutiny Committee reviews and scrutinises the Council's functions in relation to the provision of services to children, young people and their families. This includes examining information from Ofsted inspection reports and scrutinising progress against areas for improvement. The Adults, Communities and Health Overview and Scrutiny Committee reviews and scrutinises the Council's functions in relation to social care provision for adults and provision for communities. It also scrutinises the activities of the Leicestershire County and Rutland Primary Care Trust which has responsibility for commissioning health care services.

The establishment of scrutiny contributes to good governance by being a key component of accountable decision making. Members of the public are welcome to attend meetings of Overview and Scrutiny Committees, ask questions and present petitions on council and other matters affecting the community.

<h3><b><u>Corporate Governance Committee</u></b></h3>
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The Corporate Governance Committee is responsible for both Corporate Governance and Standards of Conduct matters.

*Corporate Governance:*

Its role in relation to Corporate Governance matters is to promote and maintain high standards of corporate governance within the Authority, ensuring that there is an adequate risk management framework in place, the Council's performance is properly monitored and there is proper oversight of the financial reporting processes. The Committee agrees the annual audit plan and receives and considers reports on:

- Risk management and the Corporate Risk Register;
- Annual Governance Statement;
- External audit and inspection plans;
- Results of external audit work;
- The effectiveness of systems of internal audit;
- Progress reports on internal audit work;
- Anti fraud and corruption initiatives
- Treasury management

### Standards of Conduct

Its role in relation to Standards of Conduct matters is to promote and maintain high standards of conduct by elected members and co-opted members and deal with a variety of associated matters. It also:

- Advises on matters relating to the conduct of employees.
- Makes recommendations to the County Council on the adoption or revision of the Members' Code of Conduct,
- Monitors the operation of the code
- Provides advice and training to county councillors.

These arrangements have ensured the smooth handling of complaints, including assessing, reviewing and conducting hearings.

<b><u>External Audit</u></b>
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The County Council's external auditors PricewaterhouseCoopers detail findings from their planned audit work of the Council, to those charged with governance through:

### *Medium Term Financial Strategy Report*

The County Council has set a challenging and robust MTFS after going through a process of consultation. The PwC audit plan highlighted a specific audit risk in relation to savings requirements detailed within the MTFS. Key conclusions from work undertaken on the County Council's approved MTFS can provide the public with assurance that the Authority has:

- Robust programme management arrangements in place and has made significant strides over the past few years to identify savings and deliver more efficient services;
- Applied a number of prudent assumptions in setting its MTFS which will help managing financial risks which exist over the plan period;
- Demonstrated value for money on a number of key areas when compared with other County Councils, using the Audit Commission value for money profile;
- Set aside an appropriate level of earmarked reserves and a level of contingency to manage future cost pressures;
- Prioritised its services in the areas of greatest need.

Governance structures in each department have overseen the delivery of past plans through: strong leadership from Directors; agreed priorities which have influenced spending decisions; a well established reporting framework with clear accountability; and business partners who support the delivery of savings projects and improve information to support decision making. Members have a significant involvement in the development of the MTFS through meetings, briefings for individual political parties and detailed scrutiny.

Overall, the County Council's performance in the 'PwC Benchmarking Club' has historically been at or consistently near the top for a number of years in terms of value for money achieved when compared to other, similar authorities.

#### *Report to those charged with Governance*

Under International Auditing Standards, external auditors are required to report to those charged with governance (Corporate Governance Committee) on the significant findings from their audit before giving their audit opinion, the purpose of which is to highlight any significant matters. The report concluded that no significant audit and accounting issues were identified and that there were no material deficiencies in internal control, leading to an overall unqualified opinion.

#### *Audit opinion for the 2011/12 Statement of Accounts, incorporating value for money conclusion*

The audit involves obtaining evidence about the amounts and disclosures in the statement of accounts sufficient to give reasonable assurance that the statement of accounts is free from material misstatement, whether caused by fraud or error. For 2011/12, the County Council's statement of accounts presented a true and fair view, in accordance with the relevant codes and regulation.

The County Council's Constitution includes Standing Financial Instructions, Contract Procedure Rules and Schemes of Delegation to Chief Officers. These translate into key operational internal controls such as: control of access to systems, offices and assets; segregation of duties; reconciliation of records and accounts; decisions and transactions authorised by nominated officers; and production of suitable financial and operational management information. These controls demonstrate governance structures in place throughout the Authority which contribute to the production of the Annual Statement of Accounts and positive opinion presented by our external auditors.

The County Council is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to regularly review the adequacy and effectiveness of these arrangements. Having regard to the guidance on the specified criteria by the Audit Commission, external auditors are satisfied that, in all significant respects, Leicestershire County Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2012.

<b>Organisational Governance and Performance Framework</b>
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The Corporate Management Team received a quarterly report covering corporate County Council performance and an Organisational Governance Dashboard which includes information relating to audit and risk management, information issues, procurement, complaints, employees and safeguarding.



### **Annual Governance Assurance Statements**

The annual review of effectiveness requires the sources of assurance, which the County Council relies on, to be brought together and reviewed from both a department and corporate view.

To ensure this Annual Governance Statement presents an accurate picture of governance arrangements currently in place, each directorate was required to complete a 'Governance Self Assessment', which provided details of the measures in place within their department to ensure compliance (or otherwise) with the County Council's Code of Corporate Governance. Where department's have identified specific 'areas of improvement', these are incorporated into an action plan for DMT's to discuss and prioritise implementation during the course of the next financial year.

In order to assist the Head of Internal Audit Service's opinion on the adequacy and effectiveness of the Authority's governance arrangements, sample checking of the self-assessments and supporting evidence was conducted. This included:

- Confirmation of Directors' involvement;
- Selecting areas across the range of the six core principles to test the existence of sufficient evidence to support a department's response;
- Brief interviews with Lead Members' and 'stop and ask' surveys of staff to evaluate their knowledge of department and corporate principles, plans and policies.

Based on the samples of 'Key Areas of Internal Control' that were reviewed across the six core principles, evidence was provided to confirm adequate controls are in place. Lead Members confirmed that processes in place to inform and update them on the key risks and issues within their specific portfolio were satisfactory and staff surveys showed that the majority of employees have sound knowledge of the areas tested. Assurance can be provided that processes are in place to ensure any areas for improvement will be progressed into the future.

### **The Role of the Chief Financial Officer (CFO)**

CIPFA has issued the *CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010)*. The statement sets out five principles that define the core activities and behaviours that belong to the role of the CFO and the governance requirements needed to support them.

Leicestershire County Councils' financial arrangements fully conform to the governance requirements of the *CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010)*. As CFO, the Director of Corporate Resources is a key member of the Corporate Management Team and is responsible for the proper administration of the Council's financial arrangements and leads a fully resourced and suitably qualified Strategic Finance Function. The CFO is actively involved in and able to bring influence to bear on all material business decisions to ensure immediate and long term implications, opportunities and risks, are fully considered and in alignment with the MTFS and other corporate strategies. The CFO has completed an assurance statement, providing evidence against core activities and responsibilities which strengthen governance and financial management across the Authority.

### **The Role of the Head of Internal Audit**

CIPFA has issued the *CIPFA Statement on the Role of the Head of Internal Audit in Public Service Organisations (2010)*. The statement sets out five principles that define the core activities and behaviours that belong to the role of the head of internal audit and the organisational requirements needed to support them.

The Council's Internal Audit Service arrangements conform to the governance requirements of the *CIPFA Statement on the Role of the Head of Internal Audit in Public Service Organisations (2010)*. The Head of Internal Audit Service (HoIAS) works with key members of the Corporate Management Team to give advice and promote good governance throughout the organisation. The HoIAS leads and directs the Internal Audit Service so that it makes a full contribution to and meets the needs of the Authority and external stakeholders, escalating any concerns and giving assurance on the County Council's control environment. The HoIAS has completed an assurance statement, providing evidence against core activities and responsibilities which strengthen governance, risk management and internal audit across the Authority.

### **Transparency**

The County Council is committed to publishing as much information and data it can, free of charge. The 'Open Data' area on the LCC website has been created to help the Council to:

- Increase openness and transparency
- Make data held freely available online (subject to the Data Protection Act)
- Encourage the public to interact with and use the data that is available.
- Publish data in a machine readable format so that it can be re-used.

The County Council already makes available a large amount of information through several means:

- Leicestershire County Council Website - including website A to Z
- FOI Disclosure log (including responses) received since 2008
- Libraries and other publications including: Business Matters Newsletter; Events Guides; Education; Emergency Management; Leicestershire Matters and Press Releases

The County Council's communication strategy is based on an audience-led approach which has allowed the Authority to better target communications more cost effectively at the residents who use or need our services, resulting in the number of residents who feel informed by the council increasing from 52% to 79% and satisfaction levels rising from 39% to 51%.

### **Freedom of Information**

The main aim of the Freedom of Information (FOI) Act and the Environmental Information Regulations (EIR) legislation is to make public authorities more open and transparent and the Council has a Policy which sets out the approach to handling requests. This legislation helps the Council to create a climate of openness and dialogue with all its stakeholders, which in turn helps to increase public confidence in the way that the Council is operating. Robust FOI and EIR practices will not only enable the Council to meet its obligations, but will also aid the Council in understanding what the public is interested in, helping the Council to shape service delivery.

We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the above, and that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework. The areas already addressed and those to be specifically addressed with new actions planned are outlined below.

#### 4. GOVERNANCE ISSUES

This review of effectiveness has been informed by both Internal and External Audit and the conclusion of the review is that the Council's overall financial management and corporate governance arrangements during 2012/13 are sound. However, details of a governance issue that has been highlighted are set out below:

The County Council was subject to adverse publicity from January 2012 regarding the use of County Council resources by the former Leader. The County Council has responded positively in that:

- I. The Corporate Governance Committee has received regular and detailed reports allowing Members to ensure that issues have been properly addressed;
- II. Complaints have been addressed through Standards procedures;
- III. Action was taken to address the matter by the controlling Conservative Group;
- IV. The three Political Groups have all taken steps to strengthen their conduct and behaviour procedures

Progress on issues previously identified:

The table below describes the governance issue identified during 2011/12 and the progress made against addressing this during 2012/13:

Issue	Update on position	Carry forward for 2013/14	Lead Officer
<u>Information security breach:</u> <ul style="list-style-type: none"> <li>An incident reported to the Information Commissioner.</li> <li>Following the remedial action that has been taken by the County Council, no Enforcement Notice served.</li> <li>A Letter of Undertaking signed by the Chief Executive outlining actions to ensure that personal data are processed in accordance with the Seventh Data Protection Principle.</li> <li>Key issue was to raise awareness across the Authority on the importance of Information Security.</li> </ul>	Action Plan put in place resulted in following: <ul style="list-style-type: none"> <li>Increase in the number of incidents reported, which is considered positive as highlights greater emphasis and level of understanding;</li> <li>Corporate Information and Technology Steering Group established, with regular reports on information security incidents and issues;</li> <li>Policies and related guidance produced and training for staff provided, with particular focus given to those services areas where information security was of a high priority – including introduction of E-Learning module;</li> <li>Stringent requirements applied to Public Health in readiness for transition;</li> <li>Monitoring controls to ensure staff do not access personal data which they did not require in order to fulfill their duties.</li> </ul>	Complete	Strategy & Policy Manager

### Key Improvement Areas – 2013/14

Whilst the review of effectiveness concluded the Council's overall financial management and corporate governance arrangements are sound, the assurance gathering process identified key corporate areas of improvement. Implementing actions to address these will ensure that identified gaps within the County Council's current control environment will be filled strengthened, and further enhance our overall governance arrangements.

The table below describes identified areas for improvements during the review period 2012/13 to carry forward for monitoring within 2013/14:

Key Improvement Areas – Principle A	Lead Officer	Deadline
<u>Complaint Handling</u> The County Council has an effective complaints policy and procedures which inform positive service improvements. As part of this, a number of action plans are formulated showing how lessons learned feed into wider departmental plans. The 'lessons learned' process can be enhanced by translating more complaints into action plans.	Customer Relations Manager	March 2014
<u>Value for Money (VfM)</u> The Council's Value for Money Strategy is detailed within the MTFS. Delivery of this strategy can be enhanced by Departmental Management Teams' agreeing an approach on how to measure / benchmark VfM within their directorates and reflecting results in the department's performance plans.	Assistant Director: Strategic Finance	March 2014

Key Improvement Areas – Principle B	Lead Officer	Deadline
<u>Performance Monitoring</u> All DMT's receive regular reports on the status of key performance indicators and other relevant performance measures and have a process to address poor performance. Performance Monitoring can be improved by: Refining quarterly reporting; defining expectations and implementing KPI's; including wider client base; embedding performance management in revised Scrutiny function and; Communication of refreshed Council priorities after election.	Departmental Management Teams'	March 2014
<u>Partnership Working</u> The Council has monitoring processes in place to review and manage the performance of key partnerships / joint working arrangements. Given that Partnership working and the investment of County Council funding is becoming potentially more complex, partnership protocols and governance arrangements need to be reviewed.	Assistant Director: Strategic Finance	December 2013

Key Improvement Areas – Principle C	Lead Officer	Deadline
<u>Anti Fraud &amp; Corruption</u> The County Council assesses itself against the Audit Commission's 'Protecting the Public Purse' (PPP) and the National Fraud Authority's (NFA) Counter Fraud checklist to increase understanding of fraud exposure. Internal Audit has reviewed the Authority's response to this and a list of target areas for potential improvement has been identified. Refreshing and aligning the	Assistant Director: Strategic Finance	December 2013

Council's existing policy, strategy and procedures to guidance within the NFA Fighting Fraud Locally, Local Government Fraud Strategy, will enhance arrangements to create fraud awareness and further emphasise the Council's zero tolerance towards fraud.		
<u>Review of Officer Code of Conduct</u> The County Council has adopted an Employee Code of Conduct which is supported by regular items on the Council's intranet. A review of this Code will be undertaken.	County Solicitor	April 2014

Key Improvement Areas – Principle D	Lead Officer	Deadline
<u>Business Intelligence</u> The corporate Research and Information function is co-located with the Performance function enabling provision of quality information drawing on census, research and variety of other sources, including operational systems. Business Intelligence is one of the seven themes in the Information and Technology Strategy and actions to improve will enhance the effectiveness of decision making at both departmental and corporate level.	Performance and Business Intelligence Function	March 2014

Key Improvement Areas – Principle E	Lead Officer	Deadline
<u>Succession Planning</u> The County Council recognises that there is a need to focus on improving succession planning. To this the People Strategy Board has agreed a pilot approach to Talent Management and Succession Planning which is due to commence during 2013.	Learning & Development Manager	March 2014
<u>Review of Mandatory Training</u> Learning and Development (L&D) Plan's are approved by Departmental Management Teams / Workforce Groups and are reviewed and updated on a periodic basis. Relevant L&D activities are communicated through intranet, email updates, newsletters, briefings and staff workers groups. A review of Mandatory E-Learning programmes and training will be undertaken with departments to support staff in having the appropriate skills for their role.	Learning & Development Manager	March 2014

Key Improvement Areas – Principle F	Lead Officer	Deadline
<u>Engaging with Officers and Public</u> The County Council recognises that engagement with officers and the public is vital to achieving objectives. To this effect, the Council is committed to publishing as much information and data as it can both for internal and external customers. Provision of information via the Intranet and County Council Website can be improved by routine checks and updates at both departmental and corporate level.	Departmental Management Teams'	March 2014

### Future Challenges

Future challenges faced by the County Council are detailed within the revised Corporate Risk Register, which is presented to the Corporate Management Team and Corporate Governance Committee. Managing risks will be an integral part of both strategic and operational planning and the day to day running, monitoring and maintaining of Leicestershire County Council.

## 5. SIGNIFICANT CHANGE

Local government has been undergoing significant change, driven by the economic downturn and financial crisis as well as the introduction of new roles, opportunities and flexibility for authorities in the form of the Localism Act and other key legislation. CIPFA guidance details key developments since the launch of the Framework (2007) and the County Council can provide assurance of incorporating these new duties and requirements through the following:

### **Maintaining Standards**

The Localism Act 2011 places the Authority under a duty to promote and maintain high standards of conduct by members and co-opted members of the Authority. In discharging this duty, the Authority is required to adopt a Code dealing with the conduct that is expected of members and co-opted members, when acting in that capacity and which is consistent with the principles of selflessness, integrity, objectivity, accountability, openness, honesty and leadership.

To this effect, the County Council approved a revised Members' Code of Conduct in July 2012 and March 2013. Following local elections in May 2013, all re-elected and newly elected Members are expected to abide by this revised Code.

The Act abolishes the requirement to have a Standards Committee and the majority of the functions of this Committee have been transferred to the Corporate Governance Committee, which is now the body responsible for ensuring the Council fulfils its duty to promote high standards of conduct by its members and co-opted members and make recommendations to the County Council on the form of the Council's Code of Conduct.

### **Health & Social Care Act 2012**

Public Health services have been restructured nationally and locally. At a national level, a new body, Public Health England oversees the public health system and are accountable to the Secretary of State. At a local level, authorities now have the responsibilities for public health and whilst objectives will be set nationally for improving population health, local authorities have the freedom to determine the means by which they are achieved.

In preparation of this transition, the County Council has appointed a Director of Public Health (who is a member of the Corporate Management Team) and created a Shadow Health and Wellbeing Board, from 1<sup>st</sup> April 2013, The Health and Wellbeing Board. The Board is made up of councillors, GPs, health and social care officials and representatives of patients and the public. During the forthcoming year, the Board will lead and advise on work to improve the health and wellbeing of the population of Leicestershire through the development of improved and integrated health and social care services. A Clinical Governance Board has also been established to monitor patient experience, patient safety and effectiveness of care.

### **Police Reform and Social Responsibility Act 2011**

The Police Reform and Social Responsibility Act 2011 provides for directly elected police and crime commissioners to oversee local police forces, replacing police authorities. The Act gives the elected Commissioner responsibility for holding the Chief Constable to account, securing an efficient and effective local police force and carrying out functions in relation to community safety and crime prevention.

As the servicing authority, the County Council has ensured that Police and Crime Panels have been established to provide scrutiny of the police and crime commissioner's work for their force area. The Leicester City, Leicestershire and Rutland Police and Crime Panel are responsible

for publicly scrutinising the actions and decisions of the Police and Crime Commissioner and holding him to account. With two independent co-opted members, the Panel which will be reviewed annually is also made up of one representative from each of the local authorities in the Leicestershire Police Service area with three further members co-opted from Leicester City Council to ensure the Panel represents the geographical and political balance of the area. The Panel is responsible for setting its own work programme taking into account the priorities defined by the Police and Crime Commissioner as well as the wishes of its members. The County Council will receive copies of all reports and recommendations the Panel makes.

### **Changes to Local Authority Governance Structures**

The County Council is increasingly using commissioning and partnerships with other local authorities and sectors as a vehicle for delivering public services. Whilst the benefits of this are widely recognised, partnerships and the cross cutting issues with which they often deal, create some challenges for clear accountability and good governance. The County Council strives to ensure that working arrangements demonstrate clear lines of accountability for stakeholders and customers taking into consideration each partner organisations' own governance and structure. A detailed assessment of the County Council's position within such working arrangements will be undertaken.

### **Shared Services**

Shared services between organisations can bring substantial benefits, including cost savings for the parties involved. Through a major transformational programme during 2012/13, the County Council has continued work with Nottingham City Council (NCC) to create the East Midlands Shared Services (EMSS) partnership to deliver HR, payroll and finance transactional services.

The EMSS Partnership is governed through a Joint Committee with Member representation from both councils and an officer Operational Board which supports the Joint Committee. Other governance is delivered through arrangements at different levels of the three organisations.

## **6. CERTIFICATION**

To the best of our knowledge, the governance arrangements, as defined above have been effectively operating during the year with the exception of those areas identified in Section 4. We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

John Sinnott  
Chief Executive

Nicholas Rushton  
Leader of the Council

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**CORPORATE GOVERNANCE COMMITTEE – 14 JUNE 2013****REPORT OF THE DIRECTOR OF CORPORATE RESOURCES****QUARTERLY TREASURY MANAGEMENT REPORT****Purpose of the Report**

1. To update the Corporate Governance Committee about the actions taken in respect of treasury management in the quarter ended 31 March 2013.

**Background**

2. Treasury Management is defined as:-

“The management of the organisation’s investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks”.

3. A quarterly report is produced for the Corporate Governance Committee to provide an update on any significant events in the area of treasury management.

**Economic Background**

4. The UK economy avoided a triple-dip recession as preliminary figures showed growth for the March quarter of 0.3%. However, economic output remains 2.6% below its peak of Q1 2008. Service industries were relatively strong and production was flat despite reductions in North Sea Oil output, but construction contracted.
5. Inflation remained stubbornly high, despite the weak economic environment. Despite the well-documented squeeze on disposable income, retail sales and consumer expenditure rose and the sometimes severe weather conditions did not appear to have a meaningful impact on spending.
6. Unemployment levels remained broadly static, but there was a slowdown in new jobs being created. The housing market appears to be resilient and the fall in mortgage rates, assisted by the Government’s Funding for Lending Scheme (which provides cheap funding for financial institutions for on-lending), appears to be making the market more accessible for first-time buyers.
7. Three members of the Bank of England’s Monetary Policy Committee voted in favour of further Quantitative Easing, clearly believing that the economy was in need of further assistance. The possibility of any increase in the Bank of England’s base rate over the next 12 -18 months still appears to be remote.
8. The US economy continues to perform relatively well in an international context and the very clear intent of the new Japanese Government and the new Governor of the

Bank of Japan to stimulate demand and end the seemingly never-ending deflationary spiral there has been viewed universally as a positive move. Equity markets performed exceptionally well over the period, suggesting that investors were feeling more positive about the future, but history has shown that this sentiment can change very quickly and markets can erode months worth of gains within days if this happens.

### **Action Taken during March Quarter**

9. During the March quarter three loans to the Bank of Scotland (part of the Lloyds Banking Group), totalling £25m and at rates between 2.5% and 3.1%, matured. Although our limits to Lloyds would have allowed us to renew the whole £25m, Lloyds limit the amount that they will borrow from any counterparty to £5m within any 'tranche' that they launch. As a result it was only possible to lend £20m of the maturing amount to Bank of Scotland and this was done by way of four different loans of £5m, all for one year and all at a rate of 1.1%. The remaining £5m of our limit to this counterparty was lent on 2<sup>nd</sup> April.
10. During the quarter, and after extensive talks with them, it was possible to set up an investment account with HSBC and to deposit £25m (our limit with them) into it. HSBC have been an acceptable counterparty throughout the financial crisis, but the rates that they were willing to pay for deposits meant that there were better opportunities for the money to be invested elsewhere. The new account will pay LIBOR (London Inter Bank Offer Rate) and we retain the ability to invest for 1 month or 3 months at the relevant LIBOR rate. The first investment, and the first renewal of investment at the end of March, were both placed for one month as there was no financial advantage to a three month deposit. The rates achieved have been broadly base rate (0.5%), but this is better than would be achieved if the money was left in the next best available option – Money Market Funds at about 0.35%.
11. The balance of the investment portfolio increased from £126.8m at the end of December 2012 to £141.4m at the end of March 2013. This volatility of balances is normal as many of our major cash flows are sizeable and the timing of them can impact noticeably onto balances. The average rate earned on the investments decreased substantially over the quarter from 1.48% to 1.02%. This reduction is a function of loans at attractive rates maturing and being reinvested at much lower rates – the downward trend in money market rates in recent months has been very substantial – and also the increase in the size of the portfolio, with the extra cash filtering naturally into Money Market Funds (because there are no other available counterparties) at rates that are well below the average for the portfolio. The rate is likely to reduce further over the quarters ahead, as existing loans mature and are replaced at a lower rate of interest.

12. The loan portfolio at the end of March was invested with the counterparties shown in the list below.

	£m
Royal Bank of Scotland	20.0*
Barclays	5.0*
Lloyds Banking Group/Bank of Scotland	35.0
HSBC	25.0
Money Market Funds	<u>56.4</u>
	<u>141.4</u>

\* Barclays and Royal Bank of Scotland are no longer acceptable counterparties and no further loans will be made to them following maturity.

13. The current list of acceptable counterparties is very short and comprises:

Lloyds Banking Group (£40m, for up to 1 year)  
 HSBC (£25m, for up to 2 years)  
 Local Authorities (£10m per Authority, for up to 1 year)  
 Money Market Funds (£25m limit per fund, maximum £125m in total)  
 UK Debt Management Office (unlimited, for up to 1 year)  
 UK Government Treasury Bills (unlimited, for up to 1 year)

14. There are also three further loans with Lloyds Banking Group which are classified as 'service investments' for the Local Authority Mortgage Scheme (LAMS), and one of these was placed during the quarter. These do not form part of the treasury management portfolio, but are listed below for completeness:

5 year loan for £2m, commenced 5 September 2012 at 2.72%  
 5 year loan for £1.4m, commenced 27 November 2012 at 2.19%  
 5 year loan for £2m, commenced 12 February 2013 at 2.24%

15. There were no changes to the external debt portfolio over the quarter.

### **Resource Implications**

16. The interest earned on revenue balances and the interest paid on external debt will impact directly onto the resources available to the Council.

### **Equal Opportunities Implications**

17. There are no discernable equal opportunity implications.

### **Recommendation**

18. The Committee is asked to note this report.

### **Background Papers**

None

**Circulation under the Local Issues Alert Procedure**

None

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## **CORPORATE GOVERNANCE COMMITTEE – 14<sup>TH</sup> JUNE 2013**

### **ANNUAL TREASURY MANAGEMENT REPORT 2012/2013**

### **REPORT OF THE DIRECTOR OF CORPORATE RESOURCES**

#### **Purpose of Report**

1. To report on the action taken and the performance achieved in respect of the treasury management activities of the Council in 2012/13.

#### **Policy Framework and Previous Decisions**

2. Under the CIPFA Code of Practice it is necessary to report on treasury management activities undertaken in 2012/2013 by the end of September 2013. This report will be considered by Cabinet on 9<sup>th</sup> July 2013.

#### **Background**

3. The term treasury management is defined as:-

“The management of the organisation’s investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.”

4. The Director of Corporate Resources is responsible for carrying out treasury management on behalf of the County Council, under guidelines agreed annually by the County Council.

#### **Treasury Management 2012/2013**

5. There were no departures from the Treasury Management Policy Statement which was agreed by the full Council on 22<sup>nd</sup> February 2012 in relation to the sources and methods of borrowing and approved organisations for lending temporarily surplus funds.
6. The list of available counterparties to whom surplus funds can be lent is based on credit ratings assigned to each institution by independent agencies. The ratings required to become an acceptable counterparty for the Authority are very high, and as a result there are very few acceptable counterparties. During the year the only change that impacted onto the list was the downgrading of Royal Bank of Canada, which removed them from the list. As this counterparty was not active in the market at acceptable interest rates, the downgrade had no actual impact onto treasury management activities.
7. The action taken in respect of lending during 2012/13 was relatively subdued, mainly as a result of the low number of acceptable counterparties. Market rates

reduced quite substantially over the course of the year as a result of the extra cheap liquidity injected into the financial system by the Government's Funding for Lending Scheme, and also because continued sluggish economic activity made it apparent that base rate increases in the foreseeable future were unlikely.

8. On the debt portfolio, no new loans were taken and one loan of £12m matured in June 2012. It continues to be considerably more advantageous to finance some of the historic capital expenditure by using internal cash resources – at a cost of the loss of interest that would be earned (c. 0.4%) – than it is to 'externalise' this debt by taking further borrowing.

### **Position at 31<sup>st</sup> March 2013**

9. The Council's external debt position at the beginning and end of the year was as follows:-

	Principal	31 <sup>st</sup> March 2013 Average Rate	Average Life	Principal	31 <sup>st</sup> March 2012 Average Rate	Average Life
<b>Fixed Rate Funding</b>						
- PWLB	£191.8m	6.03%	31 yrs	£203.8m	5.81%	28 yrs
-Market	£ 2.0m	8.12%	4 yrs	£ 2.0m	8.12%	5 yrs
<b>Variable Rate Funding:</b>						
- Market (1)	£103.5 m	4.37%	1 yr	£103.5 m	4.37%	1 yr
<b>Total Debt</b>	<b>£297.3m</b>	<b>5.47%</b>	<b>20 yrs</b>	<b>£309.3m</b>	<b>5.35%</b>	<b>18 yrs</b>

- (1) The lenders all have an option to increase the rates payable on these loans on certain pre-set dates, and if they exercise this option we can either repay or accept the higher rate. The average life is based on the next option date.

10. The position in respect of investments varies throughout the year as it depends on large inflows and outflows of cash. Over the course of the year the loan portfolio (which includes cash managed on behalf of a large number of schools with devolved banking arrangements) varied between £127m and £205m and averaged £159m.

### **Debt transactions in 2012/2013**

11. The Council began the year with approximately £62m of internal debt – in other words, money that would otherwise have been available to lend on the money markets was being used to fund the historic capital programme. During the year a loan of £12m matured and was not replaced. Minimum Revenue Provision (MRP) - a charge that is intended to ensure that loans raised to finance capital expenditure are paid off over the longer term - of £41m was charged to the revenue account (£15m being the statutory charge and £26m being a voluntary payment from revenue account underspends). The net of these figures means that £29m of internal debt was 'repaid' during the year and that internal debt at the end of the year was approximately £33m.
12. Internal debt remained a very attractive option, as it is funded at the loss of interest that would otherwise be earned on lending the extra cash if it had been available – this 'cost' averaged around 0.40% in 2012/13. Most of the internal debt comes as a result of previous premature repayments of loans, where the average rate of debt being paid was 4.44%.
13. Holding internal debt will become less attractive as the interest rates available for lending cash in the money markets rise. The current medium-term outlook for the

bank base rates, in comparison to the interest rates payable on raising new loans, does not make external borrowing an attractive option at present, although a proactive stance in managing this position will continue. If it is considered attractive to borrow externally – either from a cost or a risk management perspective – then the internal debt position will be reduced.

14. The savings made by the proactive management of the debt portfolio in recent years have been substantial but will only be able to be fully quantified when the internal debt position has been fully closed out. It is entirely possible that this will not happen for a number of years, as opportunities will be taken to raise external debt only if it is felt to be appropriate. Bank base rates (and hence the interest lost by not having the cash available to lend) will not remain at ultra-low levels for ever, although it currently looks as if they will be low for a further extended period, and the debt portfolio will be managed on a medium/long term view and not with the aim of maximising short-term savings.

### **Investment Undertaken in 2012/13**

15. Bank base rates reached 0.50% in March 2009 and have stayed at this level since. The global economic outlook is such that it appears highly unlikely that there will be an increase in UK base rates for at least another 12 -18 months and possibly longer than this.
16. The future outlook for base rates, combined with the extra cash injected into the financial system by the Funding for Lending Scheme, has impacted negatively onto the rates available when lending. By the end of the financial year there was only one acceptable counterparty (Bank of Scotland – part of the Lloyds Banking Group) to whom it was possible to lend at rates that were higher than the historically low base rate.
17. The loan portfolio produced an average return of 1.36% in 2012/13, compared to an average base rate of 0.50% and the average local authority 7 day deposit index (representative of what could be achieved if only short-term loans within the money market were made) of 0.39%. This level of out performance is mainly the result of longer term loans that were placed at attractive interest rates in the previous financial year, and as these matured during the year the margin of out performance of the comparators reduced (and will reduce further in 2013/14).

### **Longer Term Performance of Portfolios**

18. The loan portfolio has achieved out performance of both the average base rate and the local authority 7 day deposit rate in every one of the last 18 years, which is when the figures started to be produced. The level of the out performance is flattered somewhat by the significant out performance achieved both during and in the immediate aftermath of the credit crunch but even without this, the record is impressive. The average rate of interest earned in the last 18 years is 4.91%, which compares to an average base rate of 4.15% and an average local authority 7 day deposit index return of 4.11%.
19. The last five financial years (2008/09 to 2012/13) has seen the performance of the loan portfolio generate an extra £13.7m in interest than would have been generated if the average local authority 7 day deposit rate had been achieved. The variability of balances makes it more difficult to calculate the excess interest that the out

performance has achieved over the whole 18 year period, but it is estimated to be at least £23.5m.

20. The action taken on the debt portfolio, or rather the lack of action, increased the average rate of external debt over the course of the year as the maturing loan was at a lower rate (2.36%) than the portfolio average. In reality, the maturity of this loan was actually positive to the Authority as, instead of paying 2.36% in external debt, it was effectively refinanced at 0.40% (the cost of not having the cash available for lending).

### **Summary**

21. Treasury Management is an integral part of the Council's overall finances and the performance of this area is very important. Whilst individual years obviously matter, performance is best viewed on a medium/long term basis. The action taken in respect of the debt portfolio in recent years has been extremely beneficial and has resulted in significant savings but there are risks associated with having internal debt and these need to be rigorously assessed and action taken if deemed appropriate. Short term gains might, on occasion, be sacrificed for longer term certainty and stability.
22. The loan portfolio has produced an exceptional level of out performance in the period since performance figures were calculated. At present it is difficult to 'add value' to any great extent as a result of the combination of the lack of acceptable counterparties, a financial system that has lots of cheap liquidity and the fact that there is a very broad consensus about what the immediate outlook for base rates is.

### **Recommendation**

23. The Committee is asked to note this report.

### **Resource Implications**

24. Treasury management is an integral part of the County Council's finances. Interest on revenue balances generated over £2.3m in 2012/13 and the interest paid on external debt was about £16.7m.

### **Equal Opportunities Implications**

25. None.

### **Background Papers**

Report to County Council on 22<sup>nd</sup> February 2012 – 'Medium Term Financial Plan': Appendix L 'Treasury Management Strategy Statement and Annual Investment Strategy 2012/13'.

### **Circulation under local issues alert procedure**

None.

### **Officers to Contact**

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**CORPORATE GOVERNANCE COMMITTEE – 14 JUNE 2013****REPORT OF THE DIRECTOR OF CORPORATE RESOURCES****INTERNAL AUDIT SERVICE - ANNUAL MEMBERS' REPORT -  
2012-13****Purpose**

1. To provide the Committee with an annual report on work conducted by Leicestershire County Council Internal Audit Service (LCCIAS). It is then intended to distribute the report to all members of the Council.

**Background**

2. The Director of Corporate Resources has delegated responsibility for arranging a continuous internal audit. Under the County Council's Constitution, this Committee is required to monitor the adequacy and effectiveness of the system of internal audit. One of its specific functions is to consider the Head of Internal Audit Service's (HoIAS) annual report and opinion on the "internal control environment" of the Authority. The Committee also receives reports on progress against the Internal Audit Service Annual Plan at each of its meetings. This, and reports on the planning process, allows it to review the effectiveness of the system of internal audit as required under the Accounts and Audit Regulations 2003 (amended 2011).

**Annual Internal Audit Service Report**

3. The report for 2012-13 is provided in Appendix 1 and a list of the assurance and consulting audits undertaken in 2012-13 is in Appendix 2. Although not a requirement, the annual report has traditionally been made available to all members of the County Council.
4. Within the annual report the HoIAS gives an opinion on the overall adequacy and effectiveness of the Authority's "internal control environment". This is required by CIPFA's Code of Practice for Internal Audit in Local Government in the United Kingdom (2006). Evidence from audits carried out during the year and the professional judgement of the HoIAS based on an evaluation of other related activities is used to reach this opinion. For 2012-13 an overall positive opinion on the 'internal control environment' has been given. An explanation of what the "internal control environment" covers is given in Appendix 3.

**Resource Implications**

5. The Section's expenditure is contained within the Corporate Resources Department's agreed budget.

**Equal Opportunities Implications**

6. There are **no specific** equal opportunities implications contained within the annual summary of work undertaken.

**Recommendation**

7. The Committee is asked to note the Internal Audit Service annual report for 2012-13 and to agree that it be circulated for information to all members.

**Background Papers**

The Constitution of Leicestershire County Council  
 Accounts and Audit Regulations (Amendment) 2011  
 The CIPFA Code of Practice for Internal Audit in Local Government in the  
 United Kingdom 2006  
 Briefing paper to the Corporate Governance Committee members  
 27<sup>th</sup> October 2005

**Circulation under Local Issues Alert Procedure**

None

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**List of Appendices**

Appendix 1	- Internal Audit Service work during 2012-13
Appendix 2	- Internal audits (assurance and consulting) conducted in 2012-13
Appendix 3	- The internal control environment

## **INTERNAL AUDIT SERVICE WORK DURING 2012-13**

### **PURPOSE**

**Members have delegated arrangements to the Director**

**Where to find more details on Internal Audit**

**Members' information needed for NFI 2012**

1. Under the County Council's Constitution, members' responsibility for arranging a continuous internal audit of its financial management arrangements has been delegated to the Director of Corporate Resources. This report gives members an outline of the work done by the Internal Audit Service on their behalf during the last financial year.
2. Further information about the Internal Audit Service can be found on the Corporate Information Service (CIS) under internal services; finance; useful links; audit. Annual Internal Audit Service Plans can be accessed on CIS by referring to the Corporate Governance Committee papers.
3. The report also gives members information about data required for National Fraud Initiative (NFI) 2012.

### **SUMMARY OF WORK**

**137 audits completed**

**Concentration on both direct and indirect financial risk**

**Level of assurance given and recommendations made**

**Governance arrangements audited**

**Effectiveness of the system of internal audit monitored by Corporate Governance Committee**

4. During the year, 137 County Council audits were undertaken, 30% of which were school audits. Although some audits react to events, most are part of the annual plan.
5. The selection of these audits is based on a process designed to assess key areas of direct and indirect financial risk.
6. The audits examine the internal controls in place and sample test compliance. Dependant on the results, a level of assurance is given and recommendations are made. Information on individual pieces of work undertaken by the Service is given below.
7. Governance audits included the preliminary work required for the Council's Annual Governance Statement and partnership risk management.
8. The work of the Service is carried out in accordance with a national code of practice. The Accounts and Audit Regulations 2003 (2011) require an annual review of the effectiveness of the system of internal audit. The Head of Internal Audit Service (HoIAS) undertook a self-assessment against the CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom, in November 2012. Minor areas of 'partial compliance' were reported, but the outcomes of a service review and adoption of the Public Sector Internal Audit Standards from April 2013 should ensure full compliance.

**OPINION**

**CIPFA Code requires opinion to be given by Head of Audit**

**Assurance given on the overall “internal control environment”**

**The HoIAS opinions for 2012-13**

9. The CIPFA Code of Practice for Internal Audit in Local Government in the UK (2006) requires the Head of Audit to provide an overall opinion on the adequacy and effectiveness of the Authority’s “internal control environment”.
10. The “environment” covers the framework of governance, risk management and control. The ‘opinion’ is given for a specific time interval i.e. 2012-13 and combines an objective assessment, based on the results of individual audits undertaken and actions taken by management thereafter and the professional judgement of the HoIAS based on his evaluation of other related activities.
11. The following conclusions have been drawn: -
  - a. **Governance:** Governance procedures at both strategic and operational level are robust
  - b. **Risk management:** LCC has an improved risk management framework. Whilst there has been evidence of the revised framework being consistently applied during the gathering of information for the Internal Audit Annual Plan, detailed testing of the embedding will be undertaken in 2013-14
  - c. **Internal financial control:** General assurance can be given that the operation and management of the core financial systems of LCC are of a sufficient standard to provide for the proper administration of its financial affairs.

**BACKGROUND**

**Size and primary objective of the Internal Audit Service**

12. During the year the HoIAS undertook a review of the service which reduced the establishment by just over 1. The Internal Audit Service now has just over 13 FTE staff. Its primary objective is to provide management, including members and in particular the Director of Corporate Resources as the ‘Section 151 officer’, with an independent, objective assurance and consulting activity designed to add value and improve the Authority’s operations. It helps the County Council to accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

**What effective controls should be doing**

**Responsibilities of management and auditors in respect of controls**

**Controls cannot eliminate all risks. It is up to management to decide what is an acceptable level of risk**

**Internal Audit works with External Audit (PwC)**

13. Internal audit seeks to ensure that effective controls are in place to ensure that:-
  - a. The assets of the Authority are safeguarded against loss, claim or fraud.
  - b. Decisions are recommended and authorised according to the requirements of the Council's Constitution and departmental procedures. Both accurate and relevant management and financial information is produced to assist in this.
  - c. Resources are used in furtherance of agreed plans in an effective manner which is also efficient and economical taking into account any community or environmental requirements of the County Council.
  - d. Agreed Council policies and legal requirements are being correctly observed.
14. Responsibility for the design, implementation and consistent operation of internal controls rests with departmental management. The Internal Audit Service's task is to carry out an independent 'assurance' type audit of the adequacy and effectiveness of these controls, highlight weaknesses and recommend improvements where appropriate. If high importance recommendations are made then follow up testing is undertaken to confirm action has been implemented. Audit work is often most effective if done during the development of a system which is classified as a 'consulting' type of audit adding value to the design.
15. In some operational systems, particularly in complex financial work and in ICT, specialised skills are required. In such cases, the integrity of individuals has to be relied upon, but risks with a very low likelihood but high impact may occur. Where such a situation is identified by audit, it is the responsibility of management to assess the risk and decide whether it can be reduced further by either additional controls or enhanced post event monitoring. A decision is then required as to whether the level of risk is acceptable or action should be taken to reduce it. If the latter is decided there could be a reduction in efficiency and/or effectiveness. If the former, consideration might be given to the cost of additional insurance arrangements to offset any loss.
16. LCCIAS liaises with the Council's External Auditor, PricewaterhouseCoopers (PwC). This avoids unnecessary duplication on areas where both parties consider coverage is essential. LCCIAS undertakes annual audits on the key financial and ICT systems which External Audit places reliance on when reaching its conclusions for the final accounts. A substantial amount of 'joint' audit work was undertaken in 2012-13.

**Quality assurance**

17. PwC reviews LCCIAS work on the key financial and ICT systems, This supplements the Service's internal quality control checks that take place on each audit. Audit client questionnaires are also used to obtain feedback.

**How Internal Audit Service plans its work**

18. Much audit work can be planned. To this end an annual plan is produced, detailing the main areas of proposed work. The plan for 2012-13 was produced from a risk assessment and a 4-year programme based on numerous potential areas of audit interest.

**Risk based methodology**

19. The risk assessment methodology was revised in 2006 to accommodate the wider potential coverage. The four year strategic plan is based around four factors:- materiality, impact, likelihood and exposure (MILE).

**Consultation including involvement of the Corporate Governance Committee**

20. A risk level 'map' provided the framework for allocating resources. The scores that made up the map were updated and reported to the Corporate Governance Committee meeting in May.

**Audit resource targeted towards prominent risks**

21. For 2012-13 prominent risks identified were achieving efficiency requirements; planning for and successfully implementing the Government's localism, health and education agendas and the County Council's transformational changes, service reviews and development projects; the loss of direct control as a result of increased partnership working and 'outsourcing'; the impact of funding cuts and service reductions on staffing structures and morale; whether there was capacity and knowledge to deliver technology infrastructure; failing to widen the personalisation agenda and failure to safeguard vulnerable children and adults.

**Converted into an annual plan and presented to Committee**

22. Each annual plan therefore takes account of changing circumstances and priorities and is discussed with departmental representatives. The annual plan is presented to the May Corporate Governance Committee for its support. The reports are available for inspection on CIS and the internet.

**Balancing planned work with unexpected issues arising**

23. Inevitably issues arise that require immediate attention. A balance has therefore to be struck using risk assessment between the planned audits and special investigations or other unplanned work in order to keep within the staff time available.

**Unusual impacts occurring**

24. For 2012-13, Committee was also informed about the impact of the HoIAS undertaking a review of the Internal Audit Service structure, processes and technology.

**Types of audits & opinions****Risk based audits looking at controls against major 'inherent' risks****Maintained schools' audit opinions**

**Only one school only just reached the minimum audit standard and no schools were below standard.**

**Overall average grading is well above the minimum standard**

25. Most planned audits undertaken are 'assurance' type, which requires an objective examination of evidence to form an independent opinion on whether risk is being mitigated. The 'opinion' is what level of assurance can be given that material risks are being managed. There are four classifications: full; substantial; partial; and little. A report that has a high importance (HI) recommendation would receive a partial assurance rating. Other planned audits are 'consulting' types i.e. primarily advisory and guidance to management, intended to add value e.g. commentary on the effectiveness of controls designed before a new system is implemented. Also, unplanned 'investigation type' audits may be undertaken.
26. Risk based assurance audits concentrate on identifying specific major 'inherent' risks and controls to reduce these. They are designed to test whether the controls in place protect against likely causes of potential loss are well designed and are consistently applied. Although the importance of auditing financial systems is fully recognised, the plans increasingly emphasise management controls to ensure performance monitoring is undertaken using good quality data. It also recognises the importance of controls to reduce liability and potential claims against the County Council.
27. Maintained schools receive an overall grading based on the Service's "MOT" assessment. Grades range from "far exceeds the standard expected" to "generally reaches the standard, however ...". In addition a school may be judged "below the standard we measure against". The grading system gives judgements on different aspects such as governance, financial management and some non-financial risks. A full listing of areas covered and the way in which a school's audit visit is carried out can be found on Audit Service's CIS pages and on the Education part of the Council's website. The grading of schools visited in the last quarter is also given on the site. A full listing for the year is put up at the end of the financial year
28. One school generally met the standard but with need for major improvements in some areas. No schools scored below the standard.
29. The average MOT score for the year was 89%, which translates into an average opinion of "well above the minimum standard measured against".

**The Service's role in relation to fraud investigations**

30. Although it is not solely responsible for detecting frauds, the Service has an important role in identifying and investigating suspected cases (often in liaison with the Police). The Service's role in anti-fraud and corruption work has been set out in a document outlining the County Council's strategy and procedures. This can be viewed by members on the CIS along with a County Council Statement on Fraud and Corruption. The HoIAS is one of the contact points for "whistleblowers".

### **INFORMATION ON INDIVIDUAL AUDITS**

**Regular progress reports given to Corporate Governance Committee**

31. A report on progress against the annual is provided to the Corporate Governance Committee at each of its regular quarterly meetings. These reports are available to view on CIS. The report includes details of completed work and more information about "high importance" recommendations made and departmental progress in implementing these.

**137 audits were undertaken in 2012-13**

32. 137 audits were carried out during the year. The split was: -
- a. 80 – planned assurance and consulting
  - b. 16 – unplanned (including investigations)
  - c. 41 – maintained schools

**List of the audits undertaken**

33. **Appendix 2** shows in department order a list of the 80 planned assurance and consulting audits undertaken.

**'High importance' recommendations**

34. The following High Importance (HI) recommendations were reported to Corporate Governance Committee. Progress against management's implementation of each HI recommendation is tracked and reported. The recommendation remains 'live' until Internal Audit Service has retested action has taken place.
- a. Registrars income collection – 2 HIs relating to compliance with the Payment Card Industry Standard and accounting for VAT
  - b. Coroners – information security of the Coroners ICT system
  - c. Corporate Governance – the identification and management of 'significant' partnership risk

**Unplanned work including investigations**

35. A wide variety of unplanned work including 'investigations' was undertaken but it is prudent to not disclose the details in this report. Corporate Governance Committee is kept apprised of any significant investigations.



**NATIONAL FRAUD INITIATIVE**

**Participation in National Fraud Initiative 2012. Members' information was included in the data submission**

36. The Internal Audit Service is the County Council's co-ordinator for the Audit Commission's National Fraud Initiative (NFI). This is an extensive biennial data matching exercise drawing information from local authorities; central government; the NHS; and some private sector pension funds. It should be stressed that no conclusions are drawn about the existence of a match until it has been thoroughly investigated. Reports were released at the end of January 2013 and by the end of May 2013, 63 requests for more information relating to NFI2012 had been received.

**Range of data required by the Audit Commission now extensive**

37. NFI 2012 uses September payments data, *including* payments to members. No changes in areas of coverage were suggested. Further information on NFI can be found on the Audit part of the website under the Fraud subheading which is at the very bottom of the page.

**OTHER CLIENTS**

**Provide service to a range of other clients**

38. As well as undertaking the County Council's internal audit, LCCIAS also provides internal audit (through service agreements) for a number of organisations which are 'connected' to the County Council through its responsibilities as 'servicing authority' or 'accountable body' i.e. the Pension Fund, ESPO, East Midlands Councils and Bradgate Park Trust. The Service also contracts commercially with the Fire Authority, academy schools and some Leicestershire district councils for ICT audit. Extending the external client base is part of the Service strategy.

**LINKS WITH OTHER INTERNAL AUDIT SERVICES**

**Midlands and National networks**

39. LCCIAS is an active member of both the Midlands and National Counties audit groups. Networking with peers allows information, ideas and issues to be shared and specific service sessions and training widens LCCIAS knowledge and resource base.

**CONCLUSION****Potential audit coverage  
now very wide**

40. The coverage provided by the Service is very wide, both in terms of department and corporate risk. This allows Directors, management and Members to receive a wide scope of assurance that key risk to achieving objectives is being mitigated.

**Overall summary of  
assurance levels given in  
2012-13**

41. As can be seen from Appendix 2, control gaps and potential risks have inevitably been identified. Overall though, for non-school assurance type audits in 2012-13, over 90% received 'full' or 'substantial' assurance in relation to the material risks identified. This assurance was based on the controls analysed and the tests carried out. The remainder had at least one recommendation with a high importance rating. Special attention is given to high importance recommendations to ensure either acceptance of the Internal Audit Service's recommendation or the proposal of an acceptable management alternative.

**Arbitration process if 'high  
importance'  
recommendation cannot be  
agreed**

42. Refusal of a high level recommendation would be referred to the Department's Director/Director of Corporate Resources for arbitration. There are no unresolved cases in this category

**OFFICER TO CONTACT**

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**Internal Audits (Assurance and Consulting) conducted in 2012-13**

**Appendix 2**

<b><u>Audit of...</u></b>	<b><u>Department</u></b>	<b><u>Sub-Function</u></b>	<b><u>Audit Opinion</u></b>	<b><u>High Importance</u></b>
Judicial Reviews & Fee Review Procedures	Adults & Communities	Financial Liabilities	Full	
Personalisation - Personal Budgets	Adults & Communities	Operational	Substantial	
Domiciliary Care Providers Payments System	Adults & Communities	Payables	Substantial	
Cash Funds	Adults & Communities	Financial Assets	Substantial	
Residents Money	Adults & Communities	Financial Liabilities	Substantial	
Deprivation of Liberty Safeguards	Adults & Communities	Financial Liabilities	Full	
Adult Learning Replacement System	Adults & Communities	Procurement	Ongoing system development advice	
SSIS Replacement - Gen Audit Controls	Adults & Communities	Developments	Ongoing system development advice	
SSIS Replacement - ICT Controls	Adults & Communities	Developments	Ongoing system development advice	
Payments to Providers	Adults & Communities	Amounts Due	Substantial	
Residential Care Debt	Adults & Communities	Amounts Due	Substantial	
Registrars	Chief Executives	Amounts Due	Partial	Yes
Purchase Cards	Chief Executive's	Payables	Substantial	
Coroners - Information Security	Chief Executive's	Information	Partial	Yes
Teachers Pension Scheme	Children & Young Peoples Service	Linked Org Accounts	Substantial	
Academies - Calculate recoupment of DSG	Children & Young Peoples Service	Operational	Full	
Traded Service Units - Income Generation	Children & Young Peoples Service	Information	Substantial	
Academy Conversions - LA Capacity	Children & Young Peoples Service	Operational	Substantial	
Children Missing from Education	Children & Young Peoples Service	Information	Substantial	
School Places	Children & Young Peoples Service	Financial Liabilities	Full	
Restruct & Ongoing LA resp post acad	Children & Young Peoples Service	Governance	Substantial	
Serious Case Reviews	Children & Young Peoples Service	Financial Liabilities	Substantial	
Redundancy in Schools	Children & Young Peoples Service	Operational	Substantial	
Quality of Music Tuition	Children & Young Peoples Service	Financial Liabilities	Substantial	
Children in Need Census / SSDA903	Children & Young Peoples Service	Information	Substantial	
Common Assessment Framework	Children & Young Peoples Service	Information	Substantial	
Framework-I	Children & Young Peoples Service	Developments	Substantial	
ICT Resilience Review BDR	Corporate Resources	Operational	Advice to s151 Officer	
emPSN Audit Panel	Corporate Resources	Information	Agree panel roles amongst auditors	
SIM Card School Meals Spec Inv	Corporate Resources	Advice	Ongoing system development advice	
Electronic Income Remittance Statements	Corporate Resources	Accounting/ General Ledger	Substantial	
6 C's Green Infrastructure Grant	Environment & Transport	Grants,Fund Form, Precepts	Substantial	
Capital Grant	Environment & Transport	Grants,Fund Form, Precepts	Substantial	
Bus Operators Grant (Oct 11 - Mar 12)	Environment & Transport	Grants,Fund Form, Precepts	Substantial	
Bus Operators Grant (Apr 12 - Sept 12)	Environment & Transport	Grants, Fund Form, Precepts	Substantial	

**Internal Audits (Assurance and Consulting) conducted in 2012-13**

**Appendix 2**

<b><u>Audit of...</u></b>	<b><u>Department</u></b>	<b><u>Sub-Function</u></b>	<b><u>Audit Opinion</u></b>	<b><u>High Importance</u></b>
Fleet Management Policy	Environment & Transport	Developments	Substantial	
Capital Programme	Environment & Transport	Governance	Substantial	
School Transport Contracts	Environment & Transport	Procurement	Full	
O Licences	Environment & Transport	Physical Assets	Investigation for s151 Officer	
Notice Processing Unit	Environment & Transport	Payables	Periodic advice on system development	
WasteTrac - New Waste Data System	Environment & Transport	Developments	Periodic advice on system development	
I-Proc Disposal & Recycling Credits	Environment & Transport	Developments	Periodic advice on system development	
Transformation of Highways Works	Environment & Transport	Developments	Substantial	
Midlands Highway Alliance	Environment & Transport	Procurement	Substantial	
Efficiency & Service Reduction Prog	Corporate - Effects	Governance	Full	
File Management - Including CSC, A&C	Corporate - Effects	Human Resources	Substantial	
EMSS - Electronic Payments	Corporate - Finance	Amounts Due	Substantial	
Joint Audit Final 11-12	Corporate - Finance	Accounting/General Ledger	Substantial	
Community Budgets	Corporate - Finance	Governance	Ongoing system development advice	
NFI Data Checking	Corporate - Finance	Potential Liabilities	Data download + ongoing queries	
EMSS - Key Processes Overview	Corporate - Finance	Developments	Substantial	
Insurance Claims Handling	Corporate - Finance	Developments	Ongoing system development advice	
EMSS - Strategic Audit Work	Corporate - Finance	Developments	Audit arrangements LCC & NCC	
Treasury Management	Corporate - Finance	Financial Assets	Substantial	
Counter Fraud	Corporate - Finance	Potential Liabilities	Substantial	
Partnership risks	Corporate - Governance	Governance	Partial	Yes
Big Society	Corporate - Governance	Payables	Substantial	
Community Forums	Corporate - Governance	Payables	Substantial	
Equality Impact Assessments	Corporate - HR	Financial Liabilities	Substantial	
Learning & Dev - Procure Ext Trainin	Corporate - HR	Procurement	Substantial	
Learning & Dev - Training / PDR Link	Corporate - HR	Human Resources	Substantial	
Academies - Legal Compliance	Corporate - HR	Financial Liabilities	Substantial	
Implementation of Terms & Conds Rev	Corporate - HR	Financial Liabilities	Full	
Mstar - Agency Workers	Corporate - HR	Developments	Advice to project team	
Rechecking of CRBs	Corporate - HR	Financial Liabilities	Substantial	
iExpenses - Management Information	Corporate - HR	Information	Substantial	
ISRA - Chairman's A/C Twitter	Corporate - ICT	Information	Substantial	
ISRA - Chairman's A/C Facebook	Corporate - ICT	Information	Substantial	
Risk Assessment Process	Corporate - ICT	Governance	Early advice on process change	
Multi Agency Sharing Hub	Corporate - ICT	Governance	Early advice on process change	

**Internal Audits (Assurance and Consulting) conducted in 2012-13****Appendix 2**

<b><u>Audit of...</u></b>	<b><u>Department</u></b>	<b><u>Sub-Function</u></b>	<b><u>Audit Opinion</u></b>	<b><u>High Importance</u></b>
Policies	Corporate - ICT	Information	Commentary on changes	
Telephony Project Board	Corporate - ICT	Information	Advice at project board	
Hardware Inventory	Corporate - ICT	Physical Assets	Substantial	
Licences	Corporate - ICT	Financial Liabilities	Substantial	
Catering Income	Corporate - Property	Amounts Due	Substantial	
Carbon Reduction Data Quality	Corporate - Property	Financial Liabilities	Substantial	
Property Asset Management	Corporate - Property	Information	Attend and advise project board	

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**Appendix 3****The internal control environment**

CIPFA's Code of Practice for Internal Audit in Local Government in the United Kingdom (2006) defines the internal control environment as: -

Comprising the systems of governance, risk management and internal control.

The key elements of the control environment include:

- establishing and monitoring the achievement of the organisation's objectives
- the facilitation of policy and decision-making ensuring compliance with established policies, procedures, laws and regulations – including how risk management is embedded in the activity of the organisation, how leadership is given to the risk management process, and how staff are trained or equipped to manage risk in a way appropriate to their authority and duties
- ensuring the economical, effective and efficient use of resources, and for securing continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness
- the financial management of the organisation and the reporting of financial management
- the performance management of the organisation and the reporting of performance management.

The International Auditing Standard (315) also states that it encompasses the following:-

- Communication and enforcement of integrity and ethical values
- Commitment to competence [including ensuring the required level of knowledge and skills]
- Participation by those charged with governance [this includes audit committee members or its equivalent]
- Management's philosophy and operating style [including monitoring business risk]
- Organisational structure [to achieve its objectives]
- Assignment of authority and responsibility
- Human resources policies and practices

K:/Audit/Audit Library/Codes of IA Practice

Last Revised 15/06/2012

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**CORPORATE GOVERNANCE COMMITTEE – 14 JUNE 2013**

**REPORT OF THE DIRECTOR OF CORPORATE RESOURCES**

**INTERNAL AUDIT SERVICE AUDIT PLAN 2013-14**

**Purpose of the Report**

1. To provide members with information about the contents of the Internal Audit Service Audit Plan 2013-14 for the County Council and audit resource allocated to other organisations.

**Background**

2. Under the County Council's Constitution, the Committee is required to monitor the adequacy and effectiveness of the system of internal audit. One of its specific functions is to consider the annual audit plan, which is the prime document for giving details of where Leicestershire County Council Internal Audit Service (LCCIAS) will concentrate its efforts in 2013-14.

**Construction of the 2013-14 Plan**

3. The plan was constructed in the usual manner i.e. by gathering indications of current and emerging risks (from internal and external sources), including the significant changes affecting Leicestershire County Council due to the transfer in of the Public Health service, 'go live' and roll out of the East Midlands Shared Service, a reduced Children and Young People's Service (CYPS) due to the impact of academy conversions, and the continuing transformation and austerity agendas.
4. Information gathering occurred during the development of the Authority's approaches to risk management. The good work that officers and management had already done was evaluated to determine to what extent service, department and corporate risk registers could form the Internal Audit Plan. Whilst there has been improvement in consistently scoring risks and escalating them where necessary, it is the opinion of the Head of Internal Audit Service (HoIAS) that the developments to the risk management framework need time to embed. As such, full reliance cannot yet be placed on the registers, they only form part of the plan with

the traditional Internal Audit Service risk scoring around materiality, impact, likelihood and exposure ratings (MILE) also used. Nevertheless, LCCIAS is 'dovetailing' its scoring and terminology to meet the Authority approach.

5. Other factors have to be planned for such as: -
  - a. the requirement to undertake audits each year on the key financial systems which PwC (the Council's external auditors) places reliance on to enable it to reach an opinion that there is not material misstatement in the financial accounts
  - b. co-ordinating requests for information to support the National Fraud Initiative (NFI) for the Audit Commission
  - c. a small amount of work undertaken in relation to the HoIAS certifications for government departments and funding bodies
  - d. general advice on risks and controls; researching County related emerging issues, and consulting with departments and reporting back to them, the Director of Corporate Resources and the Committee
  - e. a contingency remains which includes time for any unplanned special investigations, including suspected frauds, and other unknowns such as staff vacancies arising or job overruns because of unforeseen findings.
6. LCCIAS also provides internal audit (through service agreements) for a number of organisations which are 'connected' to the County Council through its responsibilities as 'servicing authority' or 'accountable body' i.e. the Pension Fund, ESPO, East Midlands Councils and Bradgate Park Trust. The Service also contracts commercially with the Fire Authority, academy schools and some Leicestershire district councils for ICT audit. Extending the external client base is part of the Service strategy.
7. Allocations of time in 2013-14 to the County Council, related organisations and external clients are shown in Appendix 1. The reduction in County Council days is largely within CYPS and reflects the 'shift' of schools from maintained to academies and also that specific audits conducted in 2012-13 to evaluate how CYPS dealt with the transition, are not required in so much depth this year.
8. Appendix 2 shows the detailed plan for the County Council for 2013-14 by the six departments and 'consolidated risk' i.e. a risk that affects the corporate body not just individual departments. In some audits, the corporate framework design and governance arrangements will be reviewed and then tests in departments will evaluate whether the corporate guidance is being operated consistently. The column headed 'CRR' indicates a match to the corporate risk register. Each audit will

have a 'terms of engagement' which allows the auditor and risk owner to discuss and agree the scope of the audit in more detail. The plan has been approved by the Director of Corporate Resources, carrying out the responsibility delegated to him to carry out a continuous internal audit (Constitution - Financial Procedure Rule 15a).

9. Appendix 3 shows the detailed sorted by the 15 risks that form the summarised corporate risk register and a further five risk areas that the HoIAS considers are important. Appendix 4 is a pictorial version.
10. These two related ways of showing the allocation of the same scarce resource (by department and by risk) should give the Director of Corporate Resources and the Committee assurance that current and emerging risks are being adequately covered.
11. In summary, internal audit resource will be targeted towards giving assurance that the following risks are being managed: -
  - a. The impacts of social care resourcing and service delivery changes
  - b. loss of direct control as a result of increased partnership working and devolving services into new delivery models e.g. commissioning
  - c. failure to successfully build on community budgets such as the Supporting Leicestershire Families programme
  - d. departments' relationship with EMSS
  - e. the need for resiliency in ICT systems
  - f. failure to share and retain information and personal data securely
  - g. the transition of Public Health into the County Council's framework of systems and controls
  - h. failure to plan for and successfully achieve efficiency requirements, new demands for services, transformational changes, service reviews and development projects
  - i. whether there is capacity and knowledge to deliver a technology infrastructure around a demanding client environment
  - j. guiding and managing employees during a continuing period of change to staffing structures and demands
  - k. failure to widen and manage the personalisation agenda
  - l. failure to procure effectively to the Authority's best advantage
  - m. the impact of new governance requirements
  - n. 'business as usual' especially that the key financial and ICT systems are robust.

### **Resource Implications**

12. The Service's expenditure is contained within the Corporate Resources Department's agreed budget.

**Equal Opportunities Implications**

13. There are no discernible equal opportunities implications resulting from the audits listed. However 'employee management' and 'safeguarding' audits are included in the plan.

**Recommendation**

14. That the Committee notes the Internal Audit plan for 2012-13.

**Background Papers**

The Constitution of Leicestershire County Council  
Internal Audit Planning Strategy 2006-2010 report to Corporate Governance  
Committee 6 February 2006

**Circulation under the Sensitive Issues Procedure**

None.

**Officers to Contact**

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**Appendices**

Appendix 1 – Allocation of Internal Audit Service Resource 2013-14  
Appendix 2 – Leicestershire County Council 2013-14 Audit Plan in department order  
Appendix 3 – Leicestershire County Council 2013-14 Audit Plan in corporate risk register category order  
Appendix 4 – 2013/14 Internal Audit Resource allocated against Corporate and Audit Risk

<b><u>Leicestershire County Council</u></b>	2012-13	<b>2013-14</b>	Change
<b>Departments</b>			
Adults & Communities	214	154	-60
Chief Executives	66	82	16
Children & Young Peoples	353	193	-160
Corporate Resources	45	142	97
Environment & Transport	117	128	11
Public Health	30	55	25
<b>Sub total Departments</b>	825	<b>754</b>	-71
Consolidated Risk	680	571	-109
<b>Sub total - Departments and Consolidated Risk</b>	1505	<b>1325</b>	-180
Corporate Client	138	162	24
Contingency	233	212	-21
<b><u>Total - Leicestershire County Council</u></b>	1876	<b>1699</b>	-177
 <b><u>Organisations where LCC is the accountable body</u></b>			
Leicestershire County Council Pension Fund (incl. NFI)	73	65	-8
ESPO	200	200	0
East Midlands Councils	20	20	0
EMIEP	0	5	5
Bradgate Park Trust	10	10	0
<b><u>Total - Organisations where LCC is the accountable body</u></b>	303	<b>300</b>	-3
 <b><u>External organisations</u></b>			
Combined Fire Authority & EMRMB	87	86	-1
Academies	80	200	120
District Councils - ICT audit	30	30	0
Connexions	26	0	-26
<b><u>Total - External organisations</u></b>	223	<b>316</b>	93
 <b><u>Total - All</u></b>	2402	<b>2315</b>	-87

		HOA	NJ		MD	SB	NP	AC	JM	HM	LW	JP	DH	AR	DK	CH	JD	DF	SUB	SC	TOT
<b>Basic</b>		<b>131</b>	<b>261</b>		<b>261</b>	<b>261</b>	<b>261</b>	<b>261</b>	<b>141</b>	<b>131</b>	<b>261</b>	<b>261</b>	<b>261</b>	<b>261</b>	<b>131</b>	<b>261</b>	<b>261</b>	<b>261</b>	<b>3665</b>	<b>176</b>	<b>3841</b>
<b>Additional</b>																					
<b>Total</b>		<b>131</b>	<b>261</b>	<b>0</b>	<b>261</b>	<b>261</b>	<b>261</b>	<b>261</b>	<b>141</b>	<b>131</b>	<b>261</b>	<b>261</b>	<b>261</b>	<b>261</b>	<b>131</b>	<b>261</b>	<b>261</b>	<b>261</b>	<b>3665</b>	<b>176</b>	<b>3841</b>
Annual Planning	4144		11		35	35	48	35	45	44	2	1	1						257		257
Blood donating	4145		1																1		1
Cabinet reports not specific to a depart	4147	3	3		5	2	2	6	1	2	2							1	26	0	26
Client PWC - General	4148	2	1	1	19		1	15	4	30		14		6					91		91
Client PWC - Pensions	4149							5											5		5
Corporate briefs - news, office, lecture	4151	2	40	1	19	14	27	23	15	19	13	15	15	10	5	21	10	34	283	31	313
Corporate Governance Committee	4152	27	104		2	2	3		1										140		140
Departmental / Election duty	4153	2			8										4		7		21	8	29
Director of CR managers meetings	4154		4	3															7		7
Generic Fraud Information	4155	7				0	2												9		9
Help/Advice Other Departments	4157		9			1	16	4	0		0		0	2			1		34	10	44
Internal Audit Networks	4158	6	91		58	13	2	4	2			8							182	4	186
Qtly Report (& progress) to Director of	4160	13	56	0	15	33	15	9	5	5	3	8	4			3		6	174		174
R&D Generic (Non dep't specific)	4162		49		2	1	22	1	4	4	2	1	1		1	1	5	4	95		95
Shared Services / Collaborative Work	4165		170	27	86	17	10	27	16	19	19	9	7	4	3	17	8	8	446	13	458
Strategic Planning including MILE	4166		26		2	5	2				3								37		37
LCC External Audit Relationship	4167		2		3												1		6		6
Work on specific audits by HOA	4207	42	39																81		81
		<b>104</b>	<b>606</b>	<b>32</b>	<b>252</b>	<b>123</b>	<b>149</b>	<b>128</b>	<b>91</b>	<b>122</b>	<b>43</b>	<b>55</b>	<b>29</b>	<b>21</b>	<b>13</b>	<b>41</b>	<b>32</b>	<b>52</b>	<b>1894</b>	<b>65</b>	<b>1959</b>
Adm - Complete Apace Time & Travel	562	7	45		19	61	21	24	21	23	20	21	23	24	23	65	75	62	532	35	567
Adm - ICT System Failures	564				12	5	6	3	5	3	2	4	3	3	5	14	3	2	70	3	73
Adm - Office Duties	566	9	1	0	27	12	57	26	33	29	6	77	2	34	27	3	28	53	423	48	471
Adm - Read Mails/General/Non Audit Info.	568		32	7	22	38	27	25	41	30	24	26	71	47	42	75	82	77	665	39	704
Adm - Review & Authorise Time & Travel	570		26		1	24	44	26	0							7	0	1	128		128
Adm - Social & Unavoidable D/Time	572		34	2	6	13	13	10	5	6	13	11	9	4	7	19	13	10	174	12	186
Adm-Admin & Clerical Review	634		12				20												32	8	40
Adm. - Office Move	636		38		3	5	10	39	1	3	3	12	5	4	5	12	23	7	170	50	220
Lea - Annual Leave	574	67	144	206	202	211	207	215	175	124	204	189	196	181	111	204	174	141	2949	87	3036
Lea - Public Holiday	578	30	67	66	76	67	67	67	45	40	67	67	67	67	26	67	67	67	1015	45	1060
Lea - Special Leave	582				84								30		7				121		121
Lea - Medical Appointments	576					1	1				1			5		0	2		10	2	12
Lea - Sickness Absence	580					22	22	15	6		15	15	37	7	68	15	44	22	289	13	302
Mgt - Apace System Management	584		18		21	4	3	28				2							76	15	91

Mgt - Availability / Allocations	586		8	1	17	26	28	20	66	36	12		1	0	2	1	1	1	219		219
Mgt - General Team Meetings	588		4			2		3	6	4	4	0	0	2	6	0	1	6	40	2	41
Mgt - Investor In People Requirements	590						2								1			4		4	
Mgt - Job Progress Meetings	592		9	10	71	20	42	10	20	13	3	13	3	4	1	7	10	5	239	11	250
Mgt - Management Meetings	594	26	64	4	28	10	10	18	16	12						1			189	2	191
Mgt - Other Management	596	36	95		12	4	88	5	9	18	1			0			0		268		268
Mgt - Pdr - Other Staff	598		3		3	14	22	1	3	8									54		54
Mgt - Pdr - Self	599			1					2	5	1		2	1	1	4	3	3	23		23
Mgt - Planning	602	1	29	0		3	16	6	10	1	1	2		1					68		68
Mgt - Report Performance	604	20	35	1	2	5	10	48	1	3						1	10	1	134		134
Mgt - Service Improvement	606		43		16	3	19	4	34	31									150	27	177
Mgt - Staff - Attendance Management	608		16		1	1	2										5		25	0	26
Mgt - Staff - One 2 One Discussions	610		40		4	5	5	1		1				2	1	0	1	2	61	1	62
Mgt - Staff - Other HR Reqts	612		37		4	24	27										1		93	10	103
Mgt - Staff - Recruitment & Induction	614																		0	2	2
Mgmt - ESPO Client Development	637		3						17					52					72		72
Trg - Provide - Audit Based	620		15		6	1	8		13	4					1				48		48
Trg - Provide - Job Skilled Based	622		0		1	2	25		2	1	3	4			1		2	3	44		44
Trg - Provide - Qualification Based	624				1				1						2				5		5
Trg - Receive - Job Skilled Based	626		5		4	7	10	12	7	8	24	15	47	19	10	10	20	23	223	13	235
Trg - Receive - Qualification Based	628														6			9	15	10	24
Trg - Recieve - Audit Based	630		8		4		1	8	3	7	2		8	4	9		1	8	63		63
		194	830	298	645	590	811	612	543	409	406	457	503	460	361	504	567	500	8689	433	9122

	HOIAS	AM	AM	SA	SA	SA	SA	SAICT	A	A	A	A	AA	AA	SUB	ADM	TOT
	37.0	37.0	37.0	37.0	29.6	24.0	20.4	37.0	37.0	18.5	37.0	37.0	37.0	37.0		25.0	13.18
	NJ	MD	NP	SB	AC	JM	HM	JR	DH	DK	AR	LW	DF	CH	SUB	SC	TOT
Basic	261.0	261.0	261.0	261.0	208.8	169.3	143.9	231.0	261.0	130.5	261.0	261.0	261.0	261.0	3232.5	176.4	3409
Addit'n/reduct'n to/from end of June				1					-39.2	39.2					0.7		1
Less TOIL b/f		-1.0	-1.0			-1.0	-0.5			-0.5			-0.5	-0.5			
Total	261.0	260.0	260.0	261.7	208.8	168.3	143.4	231.0	221.8	169.2	261.0	261.0	260.5	260.5	3228.2	176.4	3405
Less non chargeable - overheads	156.3	142.5	149.5	196.3	156.2	102.3	100.5	171.1	166.8	129.8	193.1	204.6	207.1	207.3	2283.4	66.6	2350
Less non chargeable - service development	153.3	137.5	149.5	191.3	156.2	102.3	100.5	171.1	166.8	129.8	193.1	202.6	207.1	207.3	2268.4	46.6	2315
Productive (%)	0.59	0.53	0.58	0.73	0.75	0.61	0.70	0.74	0.75	0.77	0.74	0.78	0.80	0.80	0.70	0.26	0.68
Less - chargeable corporate client	92.7	111.9	125.9	185.7	148.6	96.7	94.9	163.5	164.1	127.1	190.5	200.0	205.0	205.2	2111.7	41.0	2153
Adm - Complete MIS & Self Serve	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	56.0	4.0	60
Adm - Review/Authorise MIS & Self Se	2.0	4.0	4.0												10.0		10
Adm - Outlook management	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	28.0	2.0	30
Adm - ICT disruption	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	28.0	2.0	30
Adm - Office Duties															0.0	6.0	6
Adm - Social & Unavoidable Downtime	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	14.0	1.0	15
Lea - Annual Leave	41.5	34.0	32.0	32.0	25.6	20.8	17.6	26.7	24.6	15.9	31.0	31.0	29.0	29.0	390.8	19.59	410
Lea - Public Holiday	7.0	7.0	7.0	7.0	5.6	4.5	3.9	5.0	6.0	4.1	7.0	7.0	7.0	7.0	85.1	4.7	90
Lea - Special Leave				5.0					7.0		7.5	1.0			20.5		21
Lea - Medical Appointments						1.5					5.0				6.5		7
Lea - Sickness Absence	2.0	2.0	2.0	2.0	2.0	20.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	46.0	2.0	48
Mgt - Annual Plan Balancing/Production	3.0	1.0	1.0												5.0	5.0	10
Mgt - Qtrly Availability/Allocations		2.0	6.0												8.0		8
Mgt - Job Progress Meetings		4.0	4.0												8.0		8
Mgt - IAS Management Meetings	6.0	6.0	6.0												18.0		18
Mgt - Report Performance	6.0	2.0	2.0												10.0	6.0	16
Mgt - MIS Devp't & Mgt	5.0	7.0	3.0												15.0	40.0	55
Mgt - Staff - Attendance Management	1.0	4.0	2.0	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	12.5		13
Mgt - Staff - Counselling	1.0	2.0	2.0												5.0		5



	HOIAS	AM	AM	SA	SA	SA	SA	SAICT	A	A	A	A	AA	AA	SUB	ADM	TOT
	37.0	37.0	37.0	37.0	29.6	24.0	20.4	37.0	37.0	18.5	37.0	37.0	37.0	37.0		25.0	13.18
	NJ	MD	NP	SB	AC	JM	HM	JR	DH	DK	AR	LW	DF	CH	SUB	SC	TOT
Basic	261.0	261.0	261.0	261.0	208.8	169.3	143.9	231.0	261.0	130.5	261.0	261.0	261.0	261.0	3232.5	176.4	3409
Addit'n/reduct'n to/from end of June				1					-39.2	39.2					0.7		1
Less TOIL b/f		-1.0	-1.0			-1.0	-0.5			-0.5			-0.5	-0.5			
Total	261.0	260.0	260.0	261.7	208.8	168.3	143.4	231.0	221.8	169.2	261.0	261.0	260.5	260.5	3228.2	176.4	3405
Less non chargeable - overheads	156.3	142.5	149.5	196.3	156.2	102.3	100.5	171.1	166.8	129.8	193.1	204.6	207.1	207.3	2283.4	66.6	2350
Mgt - Staff - HR Requirements		2.0	1.0												3.0		3
Mgt - Staff - Recruitment & Induction		1.0						2.0							3.0		3
Mgt - Pdr - Other Staff	1.0	4.0	3.0												8.0		8
Mgt - Pdr - Self	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	7.0		7
Mgt - Service Improvement - incl MTC	3.0	5.0	5.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	24.0		24
Mgt - Financial - Bdgt; SLAs;	6.0	1.0	1.0												8.0	6.0	14
Mgt - Office briefings	2.7	4.0	4.0	2.4	2.4	2.2	2.4	2.2	2.4	2.4	2.4	2.4	2.4	2.2	36.5	2.4	39
Trg - Provide - Audit Knowledge	2.0	4.0	4.0	2.0	2.0	2.0	2.0	4.0							22.0		22
Trg - Provide - Non Audit Specific	2.0	2.0	2.0												6.0	4.0	10
Trg - Provide - Qualifications								1.0							1.0		1
Trg - Recieve - Audit Knowledge	2.0	4.0	4.0	2.0	2.0	2.0	2.0	4.0	1.0	1.0	1.0	1.0	1.0	1.0	28.0		28
Trg - Receive - Non Audit Specific	2.0	6.0	6.0	2.0	2.0	2.0	2.0	2.0	1.0	1.0	1.0	1.0	1.0	1.0	30.0	5.0	35
Trg - Receive - Qualifications										2.0					2.0		2
Total - Non chargeable - overheads	104.7	117.5	110.5	65.4	52.6	66.0	42.9	59.9	55.0	39.4	67.9	56.4	53.4	53.2	944.8	109.7	1055
External client development and mainte	3.0	5.0		5.0								2.0			15.0	20.0	35
Tot - Non chgable - service devlpmt	3.0	5.0	0.0	5.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	2.0	0.0	0.0	15.0	20.0	35

	HOIAS	AM	AM	SA	SA	SA	SA	SAICT	A	A	A	A	AA	AA	SUB	ADM	TOT
	37.0	37.0	37.0	37.0	29.6	24.0	20.4	37.0	37.0	18.5	37.0	37.0	37.0	37.0		25.0	13.18
	NJ	MD	NP	SB	AC	JM	HM	JR	DH	DK	AR	LW	DF	CH	SUB	SC	TOT
Basic	261.0	261.0	261.0	261.0	208.8	169.3	143.9	231.0	261.0	130.5	261.0	261.0	261.0	261.0	3232.5	176.4	3409
Addit'n/reduct'n to/from end of June				1					-39.2	39.2					0.7		1
Less TOIL b/f		-1.0	-1.0			-1.0	-0.5			-0.5			-0.5	-0.5			
Total	261.0	260.0	260.0	261.7	208.8	168.3	143.4	231.0	221.8	169.2	261.0	261.0	260.5	260.5	3228.2	176.4	3405
Less non chargeable - overheads	156.3	142.5	149.5	196.3	156.2	102.3	100.5	171.1	166.8	129.8	193.1	204.6	207.1	207.3	2283.4	66.6	2350
LCC - Research risk; maintain universe	6.0	6.0	6.0												18.0		18
LCC - Utilise IA networks; devise metho	7.0	4.0	3.0					2.0							16.0		16
LCC - Reporting (1/4ly; liaison; OGF; s	6.0	2.0	2.0												10.0		10
LCC - Corporate Governance Committe	16.0	2.0	2.0												20.0	2.0	22
LCC - Follow up HI recommendations	4.0	1.0	1.0	2.0	2.0	2.0	2.0	2.0	1.0	1.0	1.0	1.0	0.5	0.5	21.0		21
LCC - External Audit general liaison	1.0	3.0	0.0												4.0		4
LCC - Provide advice & information	2.0	4.0	6.0	2.0	2.0	2.0	2.0	2.0							22.0		22
LCC - Corporate mtgs (FMT;CoR Mgrs	7.0	2.0	2.0												11.0		11
LCC - Corporate info rec'd (N4All; tmbr	1.6	1.6	1.6	1.6	1.6	1.6	1.6	1.6	1.6	1.6	1.6	1.6	1.6	1.6	22.7	1.6	24
LCC - Corporate groups - attend															0.0	1.0	1
LCC - HoIAS professional requirement	10.0				2.0										12.0	1.0	13
Total - Chargeable corporate client	60.6	25.6	23.6	5.6	7.6	5.6	5.6	7.6	2.6	2.6	2.6	2.6	2.1	2.1	156.7	5.6	162
LCCPF - Planning - mtgs, MILE, update R&D															0.0		0
LCCPF - High Importance recommendations															0.0		0
LCCPF - External Audit liaison																	
LCCPF - Provide advice & information																	
Total - LCC Pension Fund	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0
EMSS - Planning - mtgs, MILE, update R&D															0.0		0
EMSS - Progress - report/liaison															0.0		0
EMSS - Management Board - servicing															0.0		0
EMSS - External Audit liaison															0.0		0
Total - EMSS	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0

	HOIAS	AM	AM	SA	SA	SA	SA	SAICT	A	A	A	A	AA	AA	SUB	ADM	TOT
	37.0	37.0	37.0	37.0	29.6	24.0	20.4	37.0	37.0	18.5	37.0	37.0	37.0	37.0		25.0	13.18
	NJ	MD	NP	SB	AC	JM	HM	JR	DH	DK	AR	LW	DF	CH	SUB	SC	TOT
Basic	261.0	261.0	261.0	261.0	208.8	169.3	143.9	231.0	261.0	130.5	261.0	261.0	261.0	261.0	3232.5	176.4	3409
Addit'n/reduct'n to/from end of June				1					-39.2	39.2					0.7		1
Less TOIL b/f		-1.0	-1.0			-1.0	-0.5			-0.5			-0.5	-0.5			
Total	261.0	260.0	260.0	261.7	208.8	168.3	143.4	231.0	221.8	169.2	261.0	261.0	260.5	260.5	3228.2	176.4	3405
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ESPO - Planning - mtgs, MILE, update R&D															0.0		0
ESPO - Progress - report/liaison/opinion															0.0		0
ESPO - Management Board - servicing															0.0		0
ESPO - External Audit liaison															0.0		0
ESPO - Provide advice & information															0.0		0
ESPO - High Importance recommendations															0.0		0
Total - ESPO	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0
CFA - Planning - mtgs, MILE, update R&D															0.0		0
CFA - Progress - report/liaison/opinion															0.0		0
CFA - Policy Committee - servicing															0.0		0
CFA - External Audit liaison															0.0		0
	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0
CNXS - Planning - mtgs, MILE, update R&D															0.0		0
CNXS - Annual report															0.0		0
	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0
OTHER - Planning - mtgs, MILE, update R&D															0.0		0
OTHER - Progress report/liaison															0.0		0
OTHER - Committee - servicing															0.0		0
OTHER - External Audit liaison															0.0		0
	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0

<b><u>Audit entity</u></b>	<b><u>From</u></b>	<b><u>To</u></b>	<b><u>Days</u></b>
31-May Employee policies - operational delivery - Equalities - Chief Execs	Public Health	Chief Execs	6
31-May Commisioning & Contracts Board	Contingency	Corp Effect	5
31-May Allocate small 'differnce' between resource and need	Unallocated	contingency	3
31-May Public Health - TBC (25 days)	TBC		
31-May Transition to County Council systems - health check		Public Health	5
31-May School Nursing Service		Public Health	10
31-May Clinical governance framework		Public Health	10

31-May **procure to pay work**

Department	Entity	Days	b/f	PWC	CRR	CRR Explanation
Adults & Communities	Effective Support Project - reviews, eligibility & cost effective support	12			1	1 - ineffective Resource Allocation System (RAS)
Adults & Communities	Residential Care Debt - processes and performance monitoring	10		y	2	2 - Uncertainty over Social Care funding
Adults & Communities	Payments to care providers	12	y		2	2 - Uncertainty over Social Care funding
Adults & Communities	Partnership working - operational delivery - Health & Wellbeing Board	10			3	3 - Partnership working doesn't return best outcomes
Adults & Communities	Business Continuity - operational delivery - A&C	6			6	6 - ICT systems maintenance and restoration
Adults & Communities	Disaster Recovery - operational delivery - A&C	6			6	6 - ICT systems maintenance and restoration
Adults & Communities	Sector Led Improvements	12			10	10 - Multiple service areas fail to meet current MTFS reductions
Adults & Communities	Partnership Arrangements and Statutory Reporting Requirements	12			12	12 - Challenges caused by the Welfare Reform Act
Adults & Communities	Personal Budgets - take up & arrangements	12			13	13 - Failure to ascertain and manage increased demand for services
Adults & Communities	Procurement rules - operational delivery - A&C	5			14	14 - Effective contract management of devolved services in new service delivery models
Adults & Communities	Direct Payments - variable payment methods	12	y		14	14 - Effective contract management of devolved services in new service delivery models
Adults & Communities	Social care information systems - implement new/decommission old	15			15	15 - Insufficient Information & Technology solutions
Adults & Communities	Assistive Technologies	12			15	15 - Insufficient Information & Technology solutions
Adults & Communities	Devolving Budgets to Localities	12			16	16 - New processes and developments
Adults & Communities	Employee policies - operational delivery - Disciplinary - A&C	6			17	17 - Employee management
<b>Adults &amp; Communities Total</b>		154				
Chief Executives	Broadband UK - Governance and financial structures	15			3	3 - Partnership working doesn't return best outcomes
Chief Executives	Partnership working - operational delivery - Sports Partnership	10			3	3 - Partnership working doesn't return best outcomes
Chief Executives	Supporting Leicestershire Families – Grant claims	10			4	4 - Supporting Leicestershire Families (SLF) outcomes not achieved
Chief Executives	Supporting Leicestershire Families - Framework & governance	10			4	4 - Supporting Leicestershire Families (SLF) outcomes not achieved
Chief Executives	Information sharing - operational delivery - Multi Agency Information Sharing Hub	6			7	7 - Failure of information security
Chief Executives	Coroners Service – Memorandum of Understanding	3			14	14 - Effective contract management of devolved services in new service delivery models
Chief Executives	Project Management - operational delivery - Atrium Developer's Cont'ns	10			15	15 - Insufficient Information & Technology solutions
Chief Executives	New Remuneration Arrangements	12			17	17 - Employee management
Chief Executives	Employee policies - operational delivery - Equalities - Chief Execs	6			17	17 - Employee management
<b>Chief Executives Total</b>		82				
Children & Young People's Service	Supporting Leicestershire Families – Initiatives & projects	10			4	4 - Supporting Leicestershire Families (SLF) outcomes not achieved
Children & Young People's Service	Preparedness for External Inspections	10			5	5 - EMSS – systems implementation results in disruption
Children & Young People's Service	Common Assessment Framework - capacity and data quality aspects	8	y		6	6 - ICT systems maintenance and restoration
Children & Young People's Service	Safeguarding	12			12	12 - Challenges caused by the Welfare Reform Act
Children & Young People's Service	Risk Management - operational delivery - CYPs	5			13	13 - Failure to ascertain and manage increased demand for services
Children & Young People's Service	Performance Management - operational delivery - CYPs	5			13	13 - Failure to ascertain and manage increased demand for services
Children & Young People's Service	Commissioning - operational delivery - CYPs	12			14	14 - Effective contract management of devolved services in new service delivery models
Children & Young People's Service	Funding of High Cost Pupils	7			14	14 - Effective contract management of devolved services in new service delivery models
Children & Young People's Service	Maintained Schools - assurance on financial compliance	100			18	18 - Providing assurance - External Auditor, s151 & other organisations
Children & Young People's Service	Excellent education in Leicestershire	12	y		20	20 - Governance
Children & Young People's Service	Transition to a new CYPs	12	y		16	16 - New processes and developments
<b>Children &amp; Young People's Service Total</b>		193				
Consolidated Risk	Partnership working - framework design & governance	15			3	3 - Partnership working doesn't return best outcomes
Consolidated Risk	Procure to pay process	10			5	5 - EMSS – systems implementation results in disruption
Consolidated Risk	Service management - People - Oracle self serve routines	10			5	5 - EMSS – systems implementation results in disruption
Consolidated Risk	Service management - Financials - Oracle OBIEE reporting tools	12			5	5 - EMSS – systems implementation results in disruption
Consolidated Risk	LCC design & control input to EMSS (Phase 2) developments	6			5	5 - EMSS – systems implementation results in disruption
Consolidated Risk	I-Expenses Scanning	6			5	5 - EMSS – systems implementation results in disruption
Consolidated Risk	Imprest Accounts - locality administration incl retention of vouchers	8			5	5 - EMSS – systems implementation results in disruption
Consolidated Risk	Business Continuity - framework design & governance	8			6	6 - ICT systems maintenance and restoration
Consolidated Risk	Disaster Recovery - framework design & governance	12			6	6 - ICT systems maintenance and restoration
Consolidated Risk	Key ICT Controls - assurance on ICT functions	12			6	6 - ICT systems maintenance and restoration
Consolidated Risk	ICT Resiliency - National Computing Centre Project	6			6	6 - ICT systems maintenance and restoration
Consolidated Risk	ICT Resiliency (Maintenance & Restoration)	6			6	6 - ICT systems maintenance and restoration
Consolidated Risk	ICT Policies & associated deployment methodology	6			6	6 - ICT systems maintenance and restoration
Consolidated Risk	E-Communications – Acceptable use policies & monitoring	8			7	7 - Failure of information security
Consolidated Risk	Information Security Risk Assessment (ISRA) Process	6			7	7 - Failure of information security
Consolidated Risk	Key ISRA's - critical friend commentary	6			7	7 - Failure of information security
Consolidated Risk	Information Security Breaches - Lessons learned & Remedial Action	6			7	7 - Failure of information security
Consolidated Risk	Information Sharing - framework design & governance	10			7	7 - Failure of information security
Consolidated Risk	External Hosting & Associated Contractual Obligations	12			7	7 - Failure of information security
Consolidated Risk	Freedom of Information Requests - framework design & governance	10			7	7 - Failure of information security
Consolidated Risk	MTFS - Meeting current and identifying future requirements	20			11	11 - Delivery of additional savings over those already allocated to departments
Consolidated Risk	Risk Management - framework design & governance	10			13	13 - Failure to ascertain and manage increased demand for services
Consolidated Risk	Insurance Cover - planning (Horizon gathering) & operational	10			13	13 - Failure to ascertain and manage increased demand for services
Consolidated Risk	Performance Management - framework design & governance	10			13	13 - Failure to ascertain and manage increased demand for services
Consolidated Risk	Commissioning - framework design & governance	12			14	14 - Effective contract management of devolved services in new service delivery models
Consolidated Risk	Commissioning & Contracts Board	5	y		14	14 - Effective contract management of devolved services in new service delivery models
Consolidated Risk	Outsourced processing - LCC financials inputs to/outputs from EMSS	6			14	14 - Effective contract management of devolved services in new service delivery models
Consolidated Risk	Outsourced processing - LCC HR inputs to/outputs from EMSS	6			14	14 - Effective contract management of devolved services in new service delivery models
Consolidated Risk	LCC financials workaround solutions during transition to EMSS	12			14	14 - Effective contract management of devolved services in new service delivery models
Consolidated Risk	Procurement rules - framework design & governance	10			14	14 - Effective contract management of devolved services in new service delivery models
Consolidated Risk	Project Management - framework design & governance	10			15	15 - Insufficient Information & Technology solutions
Consolidated Risk	Project Management - operational delivery - TBC	10			15	15 - Insufficient Information & Technology solutions
Consolidated Risk	Code of Connection	6			15	15 - Insufficient Information & Technology solutions
Consolidated Risk	empSN	6			15	15 - Insufficient Information & Technology solutions
Consolidated Risk	Delivery of I&T Work Programme, esp. Dept. Efficiencies related	12			15	15 - Insufficient Information & Technology solutions
Consolidated Risk	ICT Infrastructure Planning	6			15	15 - Insufficient Information & Technology solutions
Consolidated Risk	SAN Replacement Project	12			15	15 - Insufficient Information & Technology solutions
Consolidated Risk	Major ICT Contract Renewals	12			15	15 - Insufficient Information & Technology solutions
Consolidated Risk	ICT Procurement	12			15	15 - Insufficient Information & Technology solutions
Consolidated Risk	Innovative ICT solutions - Emerging Technologies	6			15	15 - Insufficient Information & Technology solutions
Consolidated Risk	Major ICT Infrastructure &/or Application Developments Virtualisation	12			15	15 - Insufficient Information & Technology solutions
Consolidated Risk	Major ICT Upgrades	6			15	15 - Insufficient Information & Technology solutions
Consolidated Risk	My Desktop' - update all PCs & laptops to modern Microsoft tools	6			15	15 - Insufficient Information & Technology solutions
Consolidated Risk	Traded Services - framework design & governance	10			16	16 - New processes and developments
Consolidated Risk	Carbon Reduction initiatives and responsibilities	12			16	16 - New processes and developments
Consolidated Risk	M Star	6			16	16 - New processes and developments
Consolidated Risk	Employee Policies - framework design & governance	12			17	17 - Employee management
Consolidated Risk	Key financial systems - assurance on control functions (12/13 final)	20		y	18	18 - Providing assurance - External Auditor, s151 & other organisations
Consolidated Risk	Key financial systems - assurance on control functions (13/14 interim)	30		y	18	18 - Providing assurance - External Auditor, s151 & other organisations
Consolidated Risk	Carbon Reduction Targets	12			18	18 - Providing assurance - External Auditor, s151 & other organisations
Consolidated Risk	Corporate Property Management & Investment	12			18	18 - Providing assurance - External Auditor, s151 & other organisations
Consolidated Risk	National Fraud Initiative	20			19	19 - Counter fraud and corruption
Consolidated Risk	Counter fraud & conduct - framework design & governance	10			19	19 - Counter fraud and corruption
Consolidated Risk	Counter fraud & conduct - operational delivery - compliance with BSI	5			19	19 - Counter fraud and corruption
Consolidated Risk	Governance arrangements - TBC	10			20	20 - Governance
Consolidated Risk	Advice	20			21	21 - Unallocated including advice
<b>Consolidated Risk Total</b>		571				
Corporate Resources	Supporting Leicestershire Families – Accounting arrangements	10			4	4 - Supporting Leicestershire Families (SLF) outcomes not achieved
Corporate Resources	Work transferred back into Corporate Finance from EMSS	6			5	5 - EMSS – systems implementation results in disruption
Corporate Resources	Business Continuity - operational delivery - Customer Services & Ops	6			6	6 - ICT systems maintenance and restoration
Corporate Resources	Disaster Recovery - operational delivery - Customer Services & Ops	6			6	6 - ICT systems maintenance and restoration
Corporate Resources	Freedom of Information Requests - operational delivery - Insurance	5			7	7 - Failure of information security
Corporate Resources	Performance Management - operational delivery - Corporate Resources	5			13	13 - Failure to ascertain and manage increased demand for services
Corporate Resources	ICT Operating Model	12			15	15 - Insufficient Information & Technology solutions
Corporate Resources	Asset Management System	12			15	15 - Insufficient Information & Technology solutions
Corporate Resources	Traded Services - operational delivery - School food support	6			16	16 - New processes and developments
Corporate Resources	Traded Services - operational delivery - central print	4			16	16 - New processes and developments
Corporate Resources	Traded Services - operational delivery - education services to schools	5			16	16 - New processes and developments
Corporate Resources	Service Review Property Services - Delivery of Target Operating Model	12			16	16 - New processes and developments
Corporate Resources	Scheme of Delegation - Property Services	0			16	16 - New processes and developments
Corporate Resources	Doing the Basics Well	20			16	16 - New processes and developments
Corporate Resources	Employee policies - operational delivery - Induction - Corporate Resces	6			17	17 - Employee management
Corporate Resources	Young People's Learning Agency - assurance on schools' use of funding	4			18	18 - Providing assurance - External Auditor, s151 & other organisations
Corporate Resources	Teachers Pensions Service - assurance on accounting for contributions	10		y	18	18 - Providing assurance - External Auditor, s151 & other organisations
Corporate Resources	Treasury Management	8		y	18	18 - Providing assurance - External Auditor, s151 & other organisations
Corporate Resources	Counter fraud & conduct - operational delivery - Customer Service Centre	5			19	19 - Counter fraud and corruption
<b>Corporate Resources Total</b>		142				
Environment & Transport	Notice Processing Unit	12			3	3 - Partnership working doesn't return best outcomes
Environment & Transport	Concessionary Travel-smart cards	12			3	3 - Partnership working doesn't return best outcomes
Environment & Transport	Waste Trac System	4			3	3 - Partnership working doesn't return best outcomes
Environment & Transport	Midlands Highways Alliance	12			3	3 - Partnership working doesn't return best outcomes
Environment & Transport	SEN Travel and A&C	12			8	8 - Academy and secondary age conversions impact home to school transport policy
Environment & Transport	Transformation Agenda	6			13	13 - Failure to ascertain and manage increased demand for services
Environment & Transport	Procurement rules - operational delivery - E&T	5			14	14 - Effective contract management of devolved services in new service delivery models

Department	Entity	Days	b/f	PWC	CRR	CRR Explanation
Environment & Transport	Replacement of LHMIS - Design and Configuration	6			15	15 - Insufficient Information & Technology solutions
Environment & Transport	Plant Hire (RAS, ie. Plant, Vehicles, Labour)	12			15	15 - Insufficient Information & Technology solutions
Environment & Transport	LHMIS Business Processes	6			16	16 - New processes and developments
Environment & Transport	Future Highways Provision	12			16	16 - New processes and developments
Environment & Transport	Employee policies - operational delivery - Workforce planning - E&T	6			17	17 - Employee management
Environment & Transport	BSOG	6			18	18 - Providing assurance - External Auditor, s151 & other organisations
Environment & Transport	Certification of local transport grant schemes	2			18	18 - Providing assurance - External Auditor, s151 & other organisations
Environment & Transport	E&T Capital Programme	12			18	18 - Providing assurance - External Auditor, s151 & other organisations
Environment & Transport	Whetstone Civic Amenity Site	3			21	21 - Unallocated including advice
Environment & Transport Total		128				
Public Health	Information sharing - operational delivery - Public Health	8			7	7 - Failure of information security
Public Health	Freedom of Information Requests - operational delivery - Public Health	5			7	7 - Failure of information security
Public Health	School Nursing Service	10			9	9 - Provision and continuation of the Schools Nursing Service
Public Health	Risk Management - operational delivery	5			13	13 - Failure to ascertain and manage increased demand for services
Public Health	Commissioning - operational delivery - Public Health	12			14	14 - Effective contract management of devolved services in new service delivery models
Public Health	Transition to County Council systems - health check	5			16	16 - New processes and developments
Public Health	Clinical governance framework	10			20	20 - Governance
Public Health Total		55				
Grand Total		1325				

Adults & Communities
Children & Young People's Service
Corporate Resources
Chief Executives
Environment & Transport
Public Health
Corporate Effect

A&C - Communities & Wellbeing
A&C - Personal Care & Support
A&C - Promoting Independence
A&C - Strategy & Commissioning
CYPS - Children's Social Care
CYPS - Commissioning & Development
CYPS - Education & Learning
CYPS - Schools
CYPS - Strategic Initiatives
CR - Customer Services & Operations
CR - East Midlands Shared Services
CR - People & Transformation
CR - Strategic Finance
CR - Strategic Information Technology & Communications
CE - Democratic Services
CE - Legal Services
CE - Leicester-Shire Rutland Sport Partnership
CE - Planning and Historic and Natural Environment
CE - Public Health Team
CE - Regulatory Services
CE - Strategy, Partnerships & Communities
CE - Supporting Leicestershire Families
CE - Youth Justice & Safer Communities
E&T - Environment
E&T - Highways
E&T - Transportation



Department	Entity	Days	b/f	PWC	CRR	CRR Explanation
Adults & Communities	Effective Support Project - reviews, eligibility & cost effective support	12			1	1 - ineffective Resource Allocation System (RAS)
		12			1	1 Total
Adults & Communities	Residential Care Debt - processes and performance monitoring	10		y	2	2 - Uncertainty over Social Care funding
Adults & Communities	Payments to care providers	12	y		2	2 - Uncertainty over Social Care funding
		22			2	2 Total
Adults & Communities	Partnership working - operational delivery - Health & Wellbeing Board	10			3	3 - Partnership working doesn't return best outcomes
Chief Executives	Broadband UK - Governance and financial structures	15			3	3 - Partnership working doesn't return best outcomes
Chief Executives	Partnership working - operational delivery - Sports Partnership	10			3	3 - Partnership working doesn't return best outcomes
Consolidated Risk	Partnership working - framework design & governance	15			3	3 - Partnership working doesn't return best outcomes
Environment & Transport	Notice Processing Unit	12			3	3 - Partnership working doesn't return best outcomes
Environment & Transport	Concessionary Travel-smart cards	12			3	3 - Partnership working doesn't return best outcomes
Environment & Transport	Waste Trac System	4			3	3 - Partnership working doesn't return best outcomes
Environment & Transport	Midlands Highways Alliance	12			3	3 - Partnership working doesn't return best outcomes
		90			3	3 Total
Chief Executives	Supporting Leicestershire Families – Grant claims	10			4	4 - Supporting Leicestershire Families (SLF) outcomes not achieved
Chief Executives	Supporting Leicestershire Families - Framework & governance	10			4	4 - Supporting Leicestershire Families (SLF) outcomes not achieved
Children & Young People's Service	Supporting Leicestershire Families – Initiatives & projects	10			4	4 - Supporting Leicestershire Families (SLF) outcomes not achieved
Corporate Resources	Supporting Leicestershire Families – Accounting arrangements	10			4	4 - Supporting Leicestershire Families (SLF) outcomes not achieved
		40			4	4 Total
Children & Young People's Service	Preparedness for External Inspections	10			5	5 - EMSS – systems implementation results in disruption
Consolidated Risk	Procure to pay process	10			5	5 - EMSS – systems implementation results in disruption
Consolidated Risk	Service management - People - Oracle self serve routines	10			5	5 - EMSS – systems implementation results in disruption
Consolidated Risk	Service management - Financials - Oracle OBIEE reporting tools	12			5	5 - EMSS – systems implementation results in disruption
Consolidated Risk	LCC design & control input to EMSS (Phase 2) developments	6			5	5 - EMSS – systems implementation results in disruption
Consolidated Risk	I-Expenses Scanning	6			5	5 - EMSS – systems implementation results in disruption
Consolidated Risk	Imprest Accounts - locality administration incl retention of vouchers	8			5	5 - EMSS – systems implementation results in disruption
Corporate Resources	Work transferred back into Corporate Finance from EMSS	6			5	5 - EMSS – systems implementation results in disruption
		68			5	5 Total
Adults & Communities	Business Continuity - operational delivery - A&C	6			6	6 - ICT systems maintenance and restoration
Adults & Communities	Disaster Recovery - operational delivery - A&C	6			6	6 - ICT systems maintenance and restoration
Children & Young People's Service	Common Assessment Framework - capacity and data quality aspects	8	y		6	6 - ICT systems maintenance and restoration
Consolidated Risk	Business Continuity - framework design & governance	8			6	6 - ICT systems maintenance and restoration
Consolidated Risk	Disaster Recovery - framework design & governance	12			6	6 - ICT systems maintenance and restoration
Consolidated Risk	Key ICT Controls - assurance on ICT functions	12			6	6 - ICT systems maintenance and restoration
Consolidated Risk	ICT Resiliency - National Computing Centre Project	6			6	6 - ICT systems maintenance and restoration
Consolidated Risk	ICT Resiliency (Maintenance & Restoration)	6			6	6 - ICT systems maintenance and restoration
Consolidated Risk	ICT Policies & associated deployment methodology	6			6	6 - ICT systems maintenance and restoration
Corporate Resources	Business Continuity - operational delivery - Customer Services & Ops	6			6	6 - ICT systems maintenance and restoration
Corporate Resources	Disaster Recovery - operational delivery - Customer Services & Ops	6			6	6 - ICT systems maintenance and restoration
		82			6	6 Total
Chief Executives	Information sharing - operational delivery - Multi Agency Information Sharing Hub	6			7	7 - Failure of information security
Consolidated Risk	E-Communications – Acceptable use policies & monitoring	8			7	7 - Failure of information security
Consolidated Risk	Information Security Risk Assessment (ISRA) Process	6			7	7 - Failure of information security
Consolidated Risk	Key ISRA's - critical friend commentary	6			7	7 - Failure of information security
Consolidated Risk	Information Security Breaches - Lessons learned & Remedial Action	6			7	7 - Failure of information security
Consolidated Risk	Information Sharing - framework design & governance	10			7	7 - Failure of information security
Consolidated Risk	External Hosting & Associated Contractual Obligations	12			7	7 - Failure of information security
Consolidated Risk	Freedom of Information Requests - framework design & governance	10			7	7 - Failure of information security
Corporate Resources	Freedom of Information Requests - operational delivery - Insurance	5			7	7 - Failure of information security
Public Health	Information sharing - operational delivery - Public Health	8			7	7 - Failure of information security
Public Health	Freedom of Information Requests - operational delivery - Public Health	5			7	7 - Failure of information security
		82			7	7 Total
Environment & Transport	SEN Travel and A&C	12			8	8 - Academy and secondary age conversions impact home to school transport policy
		12			8	8 Total
Public Health	School Nursing Service	10			9	9 - Provision and continuation of the Schools Nursing Service
		10			9	9 Total
Adults & Communities	Sector Led Improvements	12			10	10 - Multiple service areas fail to meet current MTFS reductions
		12			10	10 Total
Consolidated Risk	MTFS - Meeting current and identifying future requirements	20			11	11 - Delivery of additional savings over those already allocated to departments
		20			11	11 Total
Adults & Communities	Partnership Arrangements and Statutory Reporting Requirements	12			12	12 - Challenges caused by the Welfare Reform Act
Children & Young People's Service	Safeguarding	12			12	12 - Challenges caused by the Welfare Reform Act
		24			12	12 Total
Adults & Communities	Personal Budgets - take up & arrangements	12			13	13 - Failure to ascertain and manage increased demand for services
Children & Young People's Service	Risk Management - operational delivery - CYPs	5			13	13 - Failure to ascertain and manage increased demand for services
Children & Young People's Service	Performance Management - operational delivery - CYPs	5			13	13 - Failure to ascertain and manage increased demand for services
Consolidated Risk	Risk Management - framework design & governance	10			13	13 - Failure to ascertain and manage increased demand for services
Consolidated Risk	Insurance Cover - planning (Horizon gathering) & operational	10			13	13 - Failure to ascertain and manage increased demand for services
Consolidated Risk	Performance Management - framework design & governance	10			13	13 - Failure to ascertain and manage increased demand for services
Corporate Resources	Performance Management - operational delivery - Corporate Resources	5			13	13 - Failure to ascertain and manage increased demand for services
Environment & Transport	Transformation Agenda	6			13	13 - Failure to ascertain and manage increased demand for services
Public Health	Risk Management - operational delivery	5			13	13 - Failure to ascertain and manage increased demand for services
		68			13	13 Total
Adults & Communities	Procurement rules - operational delivery - A&C	5			14	14 - Effective contract management of devolved services in new service delivery models
Adults & Communities	Direct Payments - variable payment methods	12	y		14	14 - Effective contract management of devolved services in new service delivery models
Chief Executives	Coroners Service – Memorandum of Understanding	3			14	14 - Effective contract management of devolved services in new service delivery models
Children & Young People's Service	Commissioning - operational delivery - CYPs	12			14	14 - Effective contract management of devolved services in new service delivery models
Children & Young People's Service	Funding of High Cost Pupils	7			14	14 - Effective contract management of devolved services in new service delivery models
Consolidated Risk	Commissioning - framework design & governance	12			14	14 - Effective contract management of devolved services in new service delivery models
Consolidated Risk	Commissioning & Contracts Board	5	y		14	14 - Effective contract management of devolved services in new service delivery models
Consolidated Risk	Outsourced processing - LCC financials inputs to/outputs from EMSS	6			14	14 - Effective contract management of devolved services in new service delivery models
Consolidated Risk	Outsourced processing - LCC HR inputs to/outputs from EMSS	6			14	14 - Effective contract management of devolved services in new service delivery models
Consolidated Risk	LCC financials workaround solutions during transition to EMSS	12			14	14 - Effective contract management of devolved services in new service delivery models
Consolidated Risk	Procurement rules - framework design & governance	10			14	14 - Effective contract management of devolved services in new service delivery models
Environment & Transport	Procurement rules - operational delivery - E&T	5			14	14 - Effective contract management of devolved services in new service delivery models
Public Health	Commissioning - operational delivery - Public Health	12			14	14 - Effective contract management of devolved services in new service delivery models
		107			14	14 Total
Adults & Communities	Social care information systems - implement new/decommission old	15			15	15 - Insufficient Information & Technology solutions
Adults & Communities	Assistive Technologies	12			15	15 - Insufficient Information & Technology solutions
Chief Executives	Project Management - operational delivery - Atrium Developer's Cont'ns	10			15	15 - Insufficient Information & Technology solutions
Consolidated Risk	Project Management - framework design & governance	10			15	15 - Insufficient Information & Technology solutions
Consolidated Risk	Project Management - operational delivery - TBC	10			15	15 - Insufficient Information & Technology solutions
Consolidated Risk	Code of Connection	6			15	15 - Insufficient Information & Technology solutions
Consolidated Risk	emPSN	6			15	15 - Insufficient Information & Technology solutions
Consolidated Risk	Delivery of I&T Work Programme, esp. Dept. Efficiencies related	12			15	15 - Insufficient Information & Technology solutions
Consolidated Risk	ICT Infrastructure Planning	6			15	15 - Insufficient Information & Technology solutions
Consolidated Risk	SAN Replacement Project	12			15	15 - Insufficient Information & Technology solutions
Consolidated Risk	Major ICT Contract Renewals	12			15	15 - Insufficient Information & Technology solutions
Consolidated Risk	ICT Procurement	12			15	15 - Insufficient Information & Technology solutions
Consolidated Risk	Innovative ICT solutions - Emerging Technologies	6			15	15 - Insufficient Information & Technology solutions
Consolidated Risk	Major ICT Infrastructure &/or Application Developments Virtualisation	12			15	15 - Insufficient Information & Technology solutions
Consolidated Risk	Major ICT Upgrades	6			15	15 - Insufficient Information & Technology solutions
Consolidated Risk	My Desktop' - update all PCs & laptops to modern Microsoft tools	6			15	15 - Insufficient Information & Technology solutions
Corporate Resources	ICT Operating Model	12			15	15 - Insufficient Information & Technology solutions
Corporate Resources	Asset Management System	12			15	15 - Insufficient Information & Technology solutions
Environment & Transport	Replacement of LHMIS - Design and Configuration	6			15	15 - Insufficient Information & Technology solutions
Environment & Transport	Plant Hire (RAS, ie. Plant, Vehicles, Labour)	12			15	15 - Insufficient Information & Technology solutions
		195			15	15 Total
Consolidated Risk	Traded Services - framework design & governance	10			16	16 - New processes and developments
Corporate Resources	Traded Services - operational delivery - School food support	6			16	16 - New processes and developments
Corporate Resources	Traded Services - operational delivery - central print	4			16	16 - New processes and developments
Corporate Resources	Traded Services - operational delivery - education services to schools	5			16	16 - New processes and developments
Adults & Communities	Devolving Budgets to Localities	12			16	16 - New processes and developments
Consolidated Risk	Carbon Reduction initiatives and responsibilities	12			16	16 - New processes and developments
Consolidated Risk	M Star	6			16	16 - New processes and developments
Corporate Resources	Service Review Property Services - Delivery of Target Operating Model	12			16	16 - New processes and developments
Corporate Resources	Scheme of Delegation - Property Services	0			16	16 - New processes and developments
Corporate Resources	Doing the Basics Well	20			16	16 - New processes and developments
Environment & Transport	LHMIS Business Processes	6			16	16 - New processes and developments
Environment & Transport	Future Highways Provision	12			16	16 - New processes and developments
Public Health	Transition to County Council systems - health check	5			16	16 - New processes and developments
Children & Young People's Service	Transition to a new CYPs	12	y		16	16 - New processes and developments

Department	Entity	Days	b/f	PWC	CRR	CRR Explanation
		122			16	Total
Adults & Communities	Employee policies - operational delivery - Disciplinary - A&C	6			17	17 - Employee management
Chief Executives	New Remuneration Arrangements	12			17	17 - Employee management
Chief Executives	Employee policies - operational delivery - Equalities - Chief Execs	6			17	17 - Employee management
Consolidated Risk	Employee Policies - framework design & governance	12			17	17 - Employee management
Corporate Resources	Employee policies - operational delivery - Induction - Corporate Resces	6			17	17 - Employee management
Environment & Transport	Employee policies - operational delivery - Workforce planning - E&T	6			17	17 - Employee management
		48			17	Total
Children & Young People's Service	Maintained Schools - assurance on financial compliance	100			18	18 - Providing assurance - External Auditor, s151 & other organisations
Consolidated Risk	Key financial systems - assurance on control functions (12/13 final)	20	y		18	18 - Providing assurance - External Auditor, s151 & other organisations
Consolidated Risk	Key financial systems - assurance on control functions (13/14 interim)	30	y		18	18 - Providing assurance - External Auditor, s151 & other organisations
Consolidated Risk	Carbon Reduction Targets	12			18	18 - Providing assurance - External Auditor, s151 & other organisations
Consolidated Risk	Corporate Property Management & Investment	12			18	18 - Providing assurance - External Auditor, s151 & other organisations
Corporate Resources	Young People's Learning Agency - assurance on schools' use of funding	4			18	18 - Providing assurance - External Auditor, s151 & other organisations
Corporate Resources	Teachers Pensions Service - assurance on accounting for contributions	10	y		18	18 - Providing assurance - External Auditor, s151 & other organisations
Corporate Resources	Treasury Management	8	y		18	18 - Providing assurance - External Auditor, s151 & other organisations
Environment & Transport	BSOG	6			18	18 - Providing assurance - External Auditor, s151 & other organisations
Environment & Transport	Certification of local transport grant schemes	2			18	18 - Providing assurance - External Auditor, s151 & other organisations
Environment & Transport	E&T Capital Programme	12			18	18 - Providing assurance - External Auditor, s151 & other organisations
		216			18	Total
Consolidated Risk	National Fraud Initiative	20			19	19 - Counter fraud and corruption
Consolidated Risk	Counter fraud & conduct - framework design & governance	10			19	19 - Counter fraud and corruption
Consolidated Risk	Counter fraud & conduct - operational delivery - compliance with BSI	5			19	19 - Counter fraud and corruption
Corporate Resources	Counter fraud & conduct - operational delivery - Customer Service Centre	5			19	19 - Counter fraud and corruption
		40			19	Total
Consolidated Risk	Governance arrangements - TBC	10			20	20 - Governance
Public Health	Clinical governance framework	10			20	20 - Governance
Children & Young People's Service	Excellent education in Leicestershire	12	y		20	20 - Governance
		32			20	Total
Consolidated Risk	Advice	20			21	21 - Unallocated including advice
Environment & Transport	Whetstone Civic Amenity Site	3			21	21 - Unallocated including advice
		23			21	Total
		1325				Grand Total

Adults & Communities  
Children & Young People's Service  
Corporate Resources  
Chief Executives  
Environment & Transport  
Public Health  
Corporate Effect

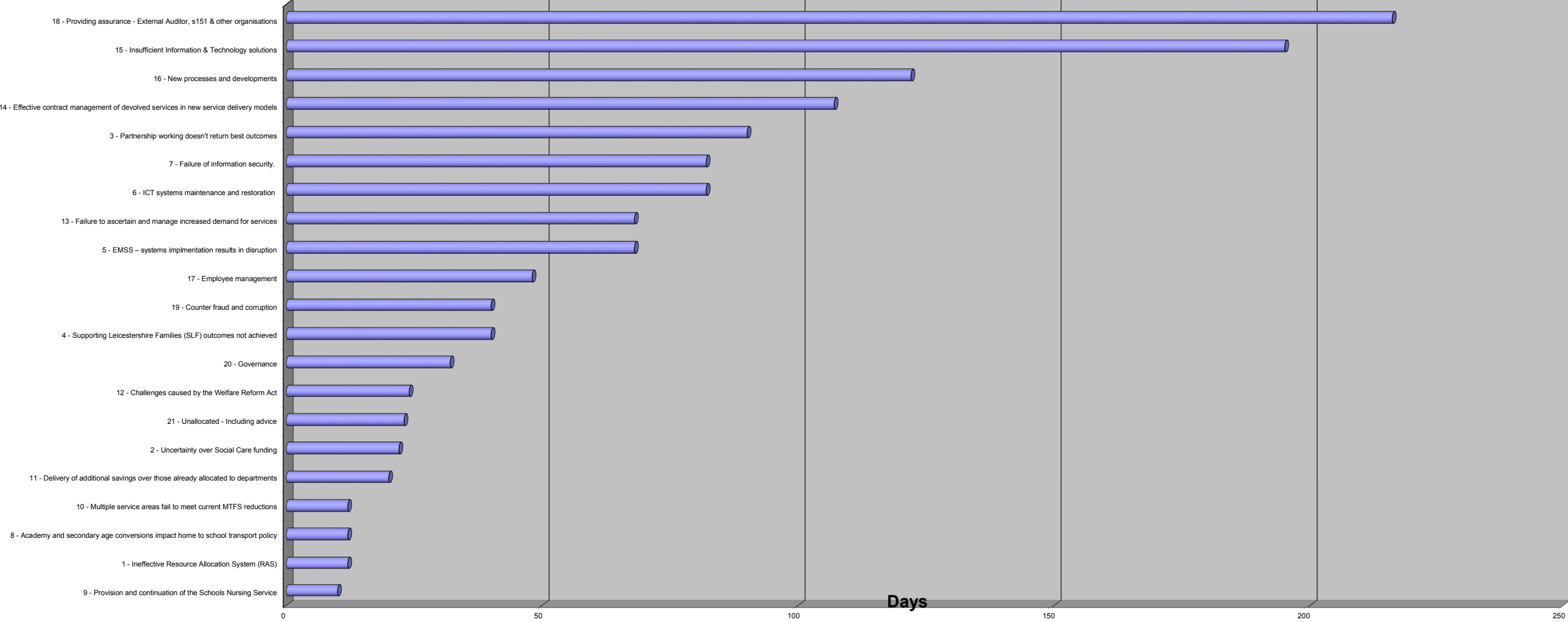
A&C - Communities & Wellbeing  
A&C - Personal Care & Support  
A&C - Promoting Independence  
A&C - Strategy & Commissioning  
CYPS - Children's Social Care  
CYPS - Commissioning & Development  
CYPS - Education & Learning  
CYPS - Schools  
CYPS - Strategic Initiatives  
CR - Customer Services & Operations  
CR - East Midlands Shared Services  
CR - People & Transformation  
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CE - Regulatory Services  
CE - Strategy, Partnerships & Communities  
CE - Supporting Leicestershire Families  
CE - Youth Justice & Safer Communities  
E&T - Environment  
E&T - Highways  
E&T - Transportation

No	Originating Department	Risk Description	Days	% of total
1	Audit risk	9 - Provision and continuation of the Schools Nursing Service	10	1
2	Consolidated risk	1 - Ineffective Resource Allocation System (RAS)	12	1
3	Audit risk	8 - Academy and secondary age conversions impact home to school transport policy	12	1
4	Consolidated risk	10 - Multiple service areas fail to meet current MTFS reductions	12	1
5	Chief Executives	11 - Delivery of additional savings over those already allocated to departments	20	2
6	Corporate Resources	2 - Uncertainty over Social Care funding	22	2
7	Corporate Resources	21 - Unallocated - Including advice	23	2
8	Corporate Resources	12 - Challenges caused by the Welfare Reform Act	24	2
9	Consolidated risk	20 - Governance	32	2
10	Audit risk	4 - Supporting Leicestershire Families (SLF) outcomes not achieved	40	3
11	Chief Executives	19 - Counter fraud and corruption	40	3
12	Audit risk	17 - Employee management	48	4
13	Audit risk	5 - EMSS – systems implmentation results in disruption	68	5
14	Consolidated risk	13 - Failure to ascertain and manage increased demand for services	68	5
15	Unallocated	6 - ICT systems maintenance and restoration	82	6
16	Adults & Communities	7 - Failure of information security.	82	6
17	Consolidated risk	3 - Partnership working doesn't return best outcomes	90	7
18	Adults & Communities	14 - Effective contract management of devolved services in new service delivery models	107	8
19	Environment & Transport	16 - New processes and developments	122	9
20	Consolidated risk	15 - Insufficient Information & Technology solutions	195	15
21	Public Health	18 - Providing assurance - External Auditor, s151 & other organisations	216	16
			1325	100

2013/14 Internal Audit Resource allocated against Corporate and Audit Risk

Appendix 4

Risk Description



Days

**CORPORATE GOVERNANCE COMMITTEE – 14 JUNE 2013****REPORT OF THE DIRECTOR OF CORPORATE RESOURCES****INTERNAL AUDIT SERVICE PROGRESS REPORT****Purpose of the Report**

1. The purpose of this report is to:
  - (a) Give a summary of Leicestershire County Council's Internal Audit Service (LCCIAS) work finalised since the last report to the Committee and highlight audits where high importance recommendations have been made to managers;
  - (b) Provide an update on progress against the Head of Internal Audit Service report on Members' allowances and expenses whistleblowing complaints (East Midlands Councils);
  - (c) Provide a brief update on the implementation of the Public Sector Internal Audit Standards;
  - (d) Provide a brief summary of LCCIAS performance during 2012-13

**Background**

2. Under the County Council's Constitution, the Committee is required to monitor the adequacy and effectiveness of the system of internal audit, which is provided by Leicestershire County Council Internal Audit Service (LCCIAS). To do this, the Committee receives periodic reports on progress against the annual Internal Audit Plan. The Committee is also tasked with monitoring the implementation of internal audit high importance recommendations by managers.
3. Most planned audits undertaken (including those at maintained schools and locality sites) are 'assurance' type, which requires an objective examination of evidence to form an independent opinion on whether risk is being mitigated. Other planned audits are 'consulting' types i.e. primarily advisory and guidance to management, intended to add value e.g. commentary on the effectiveness of controls designed before a new system is implemented. Also, unplanned 'investigation type' audits may be undertaken.

### **Summary of Progress**

4. The report covers audits finalised between 1 January and 31 March 2013
5. The overall opinions reached on schools' financial management arrangements are summarised in the table below. The individual opinions are found on the LCCIAS web page. The web link is:-  
[http://www.leics.gov.uk/audit\\_schools\\_colleges.htm](http://www.leics.gov.uk/audit_schools_colleges.htm)

Opinions are given in relation to attaining a pre-set standard based on the Service's 'MOT' system (explained in detail on the web page).

<b>Opinion given</b>	<b>Number</b>
Far exceeds	0
Well above	2
Above	1
Reaches	0
Generally reaches, however....	0
Below	0
<b>Total</b>	<b>3</b>

6. The outcome of all other audits completed since the last progress report to the Committee is shown in **Appendix 1**. For assurance audits, the 'opinion' is what level of assurance can be given that material risks are being managed. There are four classifications of assurance: full; substantial; partial; and little. A report that has a high importance recommendation would not normally get a classification above partial.
7. **Appendix 2** details high importance (HI) recommendations and provides a short summary of the issues surrounding these. The relevant manager's agreement (or otherwise) to implementing the recommendation and implementation timescales is shown. Recommendations that have not been reported to the Committee before or where LCCIAS has identified that some movement has occurred in a previously reported recommendation are shown in **bold font**. Entries remain on the list until the auditor has confirmed (by specific re-testing) that action has been implemented.
8. No new HI recommendations were added, two have been closed and two others 'extended' to allow further development and testing. Three HI recommendations relating to the administration of Developer's Contributions (s106) remain outstanding. However, a Project Team has been reformed to oversee implementing a replacement ICT system that should make the processes more robust and co-ordinated. Rather than continue to use audit resource chasing closure of the original recommendations, it is prudent to allocate resource in the new Plan whilst not losing sight of the original issues. These will be recorded in Appendix 2 as 'on hold'.



**Progress against the Internal Audit Service report on Members' allowances and expenses whistleblowing complaints (East Midlands Councils)**

9. Members were informed at the meeting on 26 November 2012 that an exercise had been undertaken to calculate the total chauffeur and vehicle costs incurred by the County Council when Mr Parsons was transported in the official vehicle to and from UK departure points (airports and rail stations) when he attended Committee of the Regions meetings. The total value had been calculated as £4089.84 and Mr Parsons had been invoiced for that amount on 4 October 2012. In accordance with the County Council's normal debt recovery policy, three reminder letters had been sent and the final letter informed him that the County Council would look to commence legal proceedings if payment was not forthcoming by 29 November 2012, or Mr Parsons had not contacted the Director to discuss arrangements for payment.
10. On 13 February 2013, the Committee was informed that Mr Parsons had instructed Solicitors who sought to resist the claim on various grounds. Nevertheless, the County Council responded that it had a valid claim against Mr Parsons. Detailed correspondence had passed between the parties since October 2012 which had helped to narrow the matters in issue. The County Solicitor was of the view that the claim against Mr Parsons would succeed for the majority of the invoiced amount but negotiations were continuing and it was reasonable to expect that an agreed outcome might be reached. The Committee was concerned to see this matter resolved and brought to an end as soon as possible and asked to be kept informed of progress being made on the matter.
11. Agreement was reached by the County Solicitor, following consultation with the Chairman and Spokesmen of the Corporate Governance Committee, with the solicitors representing Mr Parsons for payment of a sum of £3,100 to be made in instalments over a six month period. To date, three instalments totalling £1,600 have been received.
12. In accordance with the Committee's resolution further reports will be submitted as necessary until all matters referred to have been concluded to the satisfaction of the HoIAS and the Director of Corporate Resources.

**LCCIAS progress in implementing the Public Sector Internal Audit Standards (PSIAS)**

13. At the 18 February 2013 meeting, in his report on the 'Annual Review of the Effectiveness of the System of Internal Audit', the HoIAS gave further brief details on the development of Public Sector Internal Audit Standards (PSIAS) which were brought into force on 1 April 2013. However, because of the PSIAS complexity and scope he was awaiting specific guidance on adoption and implementation by LCCIAS in a 'Local Government Application Note'.

14. The guidance was delayed until mid-April and so it has not been possible to fully identify, evaluate and plan for the adoption and implementation of the PSIAS. Once the evaluation is complete and implementation planned, a further report will be brought to the Committee.

### **2012-13 Performance**

15. The Service's key performance measure is based on the amount of the Internal Audit Plan not achieved during the year. The target is for the figure to be less than 10% of the total original planned jobs time. For the County Council and Pension Fund internal audit work, the figure for 2012-13 was not achieved and was almost 19%. This unusual 'deficit' was due to a combination of auditor days 'lost' because of a reduction in one full time member of staff following the service review, one long term vacancy, one long term absence and the unforeseen total impact of the service review on all staff. The days lost have not severely impacted the HoIAS capacity to provide an opinion on the overall adequacy and effectiveness of the Authority's internal control environment.
16. Another important measure is that the number of audits completed is at least 90% of those planned. Once again this was not achieved at 85% for the reasons specified in 15 above.
17. The timeliness of reporting issues is measured by calculating the time between concluding an audit to the issue of a draft report. The targets are that 95% of school audit reports are issued within three weeks of the conclusion of the visit and that for other audits 90% have a draft report issued within three months of the agreed field work start date for the audit. Both of these targets were achieved.
18. One method used to assess the quality of audits is through questionnaires issued to clients with their final report. The return rate this year was only 48% less than 2011-12 and just below the target of 50%, perhaps indicating other priorities for respondents. However, only one client returned an 'unsatisfactory' rating and 45% of those returned rated the service with a maximum score.
19. Due to the vacancies and additional external income received, the Service under spent by almost 12% on its net budget. Further efficiencies and increasing income levels remain within the strategy for the Service's budget requirements and important experience continues to be gained by taking on new external clients.
20. The Service's primary role is to provide assurance and make recommendations for control improvements. However, it has been able to contribute to income maximisation and also the wider savings agenda of the County Council. In addition there have been reduced costs to the County Council through joint work with PwC.

### **Resource Implications**

21. Work on the service review project, a small reduction in establishment, a long term vacancy and long period of sickness absence and the impact of several unplanned high level and sensitive audits affected overall resources available. Nevertheless, there was sufficient resource committed across all organisations to allow the HoIAS to form rounded opinions on the internal control environments.

### **Equal Opportunities Implications**

22. There are no discernible equal opportunities implications resulting from the audits listed.
23. The service review Human Resources Action Plan incorporated an equality impact assessment. There were no discernible issues.

### **Recommendation**

24. That the contents of the report be noted.

### **Background Papers**

The Constitution of Leicestershire County Council

Report to the Corporate Governance Committee on 15 May 2012 and 29 June 2012 - Internal Audit Plan for 2012-13

Report to the Corporate Governance Committee on 9 February 2011 – ‘Risk Management Update’

Report to the Corporate Governance Committee on 6 February 2012 – Internal Audit Service Progress Report

Report to the Corporate Governance Committee on 15 May and 29 June 2012 - ‘Members’ allowances and expenses whistle blowing complaints (East Midlands Councils)

Report to the Corporate Governance Committee on 26 November 2012 – Annual Review of the Effectiveness of the System of Internal Audit

### **Circulation under the Local Issues Alert Procedure**

None.

**Officer to Contact**

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**Appendices**

- Appendix 1 - Summary of Final Internal Audit Reports issued during the period 1 November to 31 December 2012
- Appendix 2 - High Importance Recommendations

<u>Company</u>	<u>Sub-Function</u>	<u>Name</u>	<u>Final Issue Act</u>	<u>Assurance Opinion/Consulting intention</u>	<u>High Importance</u>
Adults & Communities	Procurement	Adult Learning Replacement System	27-Feb-13	Ongoing system development advice	No
Adults & Communities	Developments	SSIS Replacement - Gen Audit Controls	01-Mar-13	Ongoing system development advice	No
Adults & Communities	Developments	SSIS Replacement - ICT Controls	29-Mar-13	Ongoing system development advice	No
Adults & Communities	Amounts Due	Payments to Providers	25-Apr-13	Substantial	No
Adults & Communities	Amounts Due	Residential Care Debt	11-Jan-13	Substantial	No
Chief Executives	Financial Liabilities	YOS - Ext Inspection & Safeguarding	22-Feb-13	Full	No
Children & Young Peoples Service	Governance	Restruct & Ongoing LA resp post acad	27-Mar-13	Substantial	No
Children & Young Peoples Service	Financial Liabilities	Serious Case Reviews	18-Mar-13	Substantial	No
Children & Young Peoples Service	Operational	Redundancy in Schools	29-Mar-13	Substantial	No
Children & Young Peoples Service	Financial Liabilities	Quality of Music Tuition	11-Jan-13	Substantial	No
Children & Young Peoples Service	Information	Children in Need Census / SSDA903	04-Mar-13	Substantial	No
Children & Young Peoples Service	Information	Common Assessment Framework	26-Mar-13	Substantial	No
Children & Young Peoples Service	Developments	Framework-I	25-Mar-13	Substantial	No
Corporate - Finance	Governance	Community Budgets	15-Mar-13	Ongoing system development advice	No
Corporate - Finance	Potential Liabilities	NFI Data Checking	31-Mar-13	Data download + ongoing queries	No
Corporate - Finance	Developments	EMSS - Key Processes Overview	28-Feb-13	Substantial	No
Corporate - Finance	Developments	Insurance Claims Handling	29-Mar-13	Ongoing system development advice	No
Corporate - Finance	Developments	EMSS - Strategic Audit Work	29-Mar-13	Audit arrangements LCC & NCC	No
Corporate - Finance	Financial Assets	Treasury Management	28-Feb-13	Substantial	No
Corporate - Finance	Potential Liabilities	Counter Fraud	25-Mar-13	Substantial	No
Corporate - HR	Financial Liabilities	Implementation of Terms & Conds Rev	27-Mar-13	Full	No
Corporate - HR	Developments	Mstar - Agency Workers	25-Mar-13	Advice to project team	No
Corporate - HR	Financial Liabilities	Rechecking of CRBs	25-Mar-13	Substantial	No
Corporate - HR	Information	iExpenses - Management Information	27-Mar-13	Substantial	No
Corporate - ICT	Governance	Risk Assessment Process	29-Mar-13	Early advice on process change	No
Corporate - ICT	Governance	Multi Agency Sharing Hub	29-Mar-13	Early advice on process change	No
Corporate - ICT	Information	Policies	29-Mar-13	Commentary on changes	No
Corporate - ICT	Information	Telephony Project Board	29-Mar-13	Advice at project board	No
Corporate - ICT	Physical Assets	Hardware Inventory	06-Mar-13	Substantial	No
Corporate - ICT	Financial Liabilities	Licences	06-Mar-13	Substantial	No
Corporate - Property	Information	Property Asset Management	29-Mar-13	Attend and advise project board	No
Corporate - Resources	Operational	ICT Resilience Review BDR	29-Mar-13	Advice to s151 Officer	No
Corporate - Resources	Information	emPSN Audit Panel	29-Mar-13	Agree panel roles amongst auditors	No
Corporate - Resources	Advice	SIM Card School Meals Spec Inv	29-Mar-13	Ongoing system development advice	No
Corporate Effects	Governance	Efficiency & Service Reduction Prog	11-Mar-13	Full	No
Corporate Effects	Human Resources	File Management - Including CSC, A&C	26-Mar-13	Substantial	No
Corporate Governance	Payables	Big Society	08-Jan-13	Substantial	No
Environment & Transport	Governance	Capital Programme	25-Apr-13	Substantial	No
Environment & Transport	Procurement	School Transport Contracts	08-Jan-13	Full	No
Environment & Transport	Physical Assets	O Licences	28-Feb-13	Investigation for s151 Officer	No
Environment & Transport	Payables	Notice Processing Unit	18-Mar-13	Periodic advice on system development	No
Environment & Transport	Developments	WasteTrac - New Waste Data System	01-Mar-13	Periodic advice on system development	No
Environment & Transport	Developments	I-Proc Disposal & Recycling Credits	01-Mar-13	Periodic advice on system development	No
Environment & Transport	Developments	Transformation of Highways Works	04-Mar-13	Substantial	No
Environment & Transport	Procurement	Midlands Highway Alliance	26-Mar-13	Substantial	No

<u>Department</u>	<u>Sub-Function</u>	<u>Name</u>	<u>Final Issue Act</u>	<u>Audit Opinion</u>	<u>High Importance</u>
Pension Fund	Governance	Investments Funding	20-Feb-13	Full	No
Pension Fund	Payroll	Pensions & Lump Sums	22-Feb-13	Full	No
Pension Fund	Payroll	Pensions Joint Audit	22-Mar-13	Full	No
Academies	Primary School	South Wigston Parkland Prim HlthChk	31-Jan-13	Visit	No
Academies	Primary School	Broomfields Primary School	31-Mar-13	Other - Complete	No
Academies	Primary School	Mkt Harb Ridgeway Primary - HlthChk	31-Jan-13	Visit	No
Academies	Primary School	Kibworth Primary School - HlthChk	04-Feb-13	Visit	No
Academies	Primary School	Glen Hills Primary - Full	04-Feb-13	Visit	No
Academies	Primary School	Mkt Harb Farndon Fields HthChk	01-Mar-13	Visit	No
Academies	Primary School	LFE StaffordLeys Primary Full	26-Mar-13	Visit	No
Academies	High School	Groby Brookvale High - HlthChk	29-Jan-13	Visit	No
Academies	High School	Leysland High School Hthck	15-Feb-13	Visit	No
Academies	High School	Brockington College Full	09-Mar-13	Visit	No
Academies	High School	Hinckley Mount Grace FULL	18-Mar-13	Visit	No
Academies	Secondary/ Upper School	Countesthorpe College HlthChk	20-Mar-13	Visit	No
Academies	Secondary/ Upper School	Wreake Valley HlthChk	27-Mar-13	Visit	No
Academies	Special School	Hinckley Dorothy Goodman - Full	25-Jan-13	Visit	No
Leicestershire Fire & Rescue	Financial Assets	Treasury Management	14-Jan-13	Substantial	No
Leicestershire Fire & Rescue	Payroll	Payroll 12-13 Interim Audit	05-Mar-13	Full	No
Leicestershire Fire & Rescue	Potential Liabilities	NFI Data Checking	31-Mar-13	Other - Complete	No
Leicestershire Fire & Rescue	Payroll	Employee Claims Investigation	31-Mar-13	Other - Complete	No
Leicestershire Fire & Rescue	Accounting/ General Ledger	BACS	14-Jan-13	Substantial	No
Districts	Developments	Charnwood Client Management	29-Mar-13	Other - Complete	No
Districts	Developments	Blaby Key ICT Control	31-Mar-13	Incomplete @ 31.3.13	No
East Midlands Councils	Financial Assets	EMC 12/13 Audit	20-Feb-13	Substantial	No
Connexions	Payroll	Payroll	11-Mar-13	Substantial	No

## Appendix 2

### High Importance Recommendations

	<u>Job Title (Director)</u>	<u>Summary of Finding and Recommendation</u>	<u>Management Response</u>	<u>Action Date:</u>	<u>Confirmed Implemented</u>
	Originally reported Feb 2013				
	Registration Services – Amounts Due (CEX)	<p>Where registration fees had been paid by credit and debit card, the payee's card details were being retained for longer than would be expected in order to comply with the Payment Card Industry (PCI) Data Security Standard. There are potential risks of fines levied by PCI, damaged reputation and fraud.</p> <p>Recommended to keep payment details secure but only for absolute minimum requirement.</p>	A	Dec 2012 & April 2013	Y – f/u testing proved procedures implemented to retain card receipts for minimum period. Historic receipts had been destroyed.
	Registration Services – Amounts Due (CEX)	<p>There was concern that VAT was not being accounted for in some fees thereby incurring a risk of penalty and more rigorous inspection from HMRC.</p> <p>Recommended notifying the Council's Vat Liaison Officer (VATLO) in order to determine whether VAT was applicable and whether a disclosure to HMRC was required.</p>	A	Dec 2012 & April 2013	Y – VAT LO confirmed that VAT is now applied where necessary and would be disclosing around £15k

Employee annual leave recording (CHR)	<p>Oracle Self-Service was not being used by all eligible staff to request and record annual leave, instead they were relying on traditional and familiar methods. This was partly due to operational management not enforcing usage based on uncertainty that the module was “fit for purpose”. A range of potential risks were identified including inefficiency and inconsistency created by continuing use of traditional methods, inability to calculate total unused leave for financial reporting requirements and a risk to reputation should EMSS seek to roll out its Oracle functions and add new partners.</p> <p>Recommended a strategic decision was taken whether to instruct that the use is mandatory or defer, awaiting full confidence in the application and its accuracy.</p>	<p>Agreed in principle subject to: -</p> <p>certain staff groups needing to be excluded;</p> <p>development of recording leave by hours rather than days</p>	<p>Mar 2013</p> <p>Agreed to extend to September 2013 pending detailed consideration of proposal for system development.</p>	
Originally reported Sep 2012				
Partnerships Risks (CG)	<p>Considerable time &amp; effort had been invested to identify all types of partnerships (including those falling under Leicestershire Together) and associated governance arrangements, with a view to identifying risks associated with any key arms length organisations/partnerships. Nevertheless, the audit concluded that existing guidance for evaluating and managing partnership risks could be strengthened.</p> <p>Recommended: -</p> <p>An effective framework to define and identify significant partnerships and ensure the risks from those partnerships have been identified, prioritised and monitored should be devised and implemented. Example content was supplied.</p>	A	<p>February 2013</p> <p>Draft framework shared with IAS but need acceptance from risk groups</p> <p>Agreed to extend to July 2013</p>	



	Originally reported Nov 2011				
	BACS separation of duties (CR)	<p>There is potential for some staff in the Financial Systems Team to override segregation of duties within the BACS payment process. Staff could potentially amend their own access rights to override the end to end process. The Assistant Director Customer Services and Operations is planning for the East Midlands Shared Service project to revise processes to address this issue.</p> <p>Of the two interim recommendations made, only one remains outstanding - Ascertain from Oracle if any additional safeguards could be put in place.</p>	A	<p>September 2011</p> <p><b>A technological control has been instigated but IAS needs to further test the consistent application. Agreed to extend to July 2013</b></p>	

**‘On hold’ pending new internal audit work**

	Originally reported Feb 2012				
	Developers Contributions (Section 106) (CEX) in conjunction with all departments	<p>Departmental records have not been consistent in providing a clear trail of income and expenditure.</p> <p>Recommended: -</p> <ol style="list-style-type: none"> <li>1. Monitoring income and expenditure to project time-spans and purpose intended</li> <li>2. validating the accuracy of individual record content as it was migrated onto the new database</li> <li>3. department 'links officers' reporting to a central coordinator</li> </ol>	A	<p>March 2012</p> <p>Agreed to extend to April 2013</p> <p><b>Suspended June 2013</b></p>	<ol style="list-style-type: none"> <li>1. Met</li> <li>2. Data migration errors have now been addressed. Work underway on validation checks and introducing systems to capture spending data.</li> <li>3. Not met</li> </ol>

Developers Contributions (Section 106) (CEx) in conjunction with all departments	Once the S106 has been agreed the responsibilities for co-ordinating and monitoring income and expenditure relating to the administration of developers' contributions against the Section 106 are fragmented. Recommended establishing a time limited working group to produce agreed procedures.	A	February 2012  Agreed to extend to April 2013 <b>Suspended June 2013</b>	Partly met  A group is established but await the data migration cleansing to finalise methodology.
Developers Contributions (Section 106) (CEx)	The Statement of Requirements for Developer Contributions clearly states how the County Council aims to ensure efficiency and transparency in the handling of developer contributions, but formal monitoring reports had not been produced to aid those aims. Recommended a review and decide on which (and to who) reports should be produced.	A	March 2012 Agreed to extend to April 2013 <b>Suspended June 2013</b>	Not yet in place

Key to management response

A=Recommendation agreed; M=modified recommendation agreed; D=Assumed agreed; X=Not agreed

Audit/CGC/13-14/Jun 13/Appendix 2 HI Progress Report

Last Revised 31/5//2013

**CORPORATE GOVERNANCE COMMITTEE – 14 JUNE 2013****REPORT OF THE COUNTY SOLICITOR****INVESTIGATION INTO ALLEGATIONS CONCERNING MEMBER  
CONDUCT****Purpose of Report**

1. The purpose of this report is to seek the agreement of the Committee on the next steps in relation to the investigation into allegations concerning the conduct of the former Leader of the County Council, Mr David Parsons, regarding his use of County Council resources, the review of the current arrangements for authorising the payment of travel and subsistence to elected members and action to be taken to recover costs which have been incurred, otherwise than in relation to County Council business.

**Background**

2. In March 2012, the County Council received a Freedom of Information request from the local media asking for details of a variety of costs which the County Council had incurred in relation to Mr Parsons' allowances, offices and travel arrangements.
3. On 20 March 2012, Councillor Bill Boulter, CC, asked for an Internal Audit Investigation to be undertaken into the costs which had been disclosed. Corporate Governance Committee received a report at its meeting on 15 May 2012 on the work which had been undertaken in response to that request. The Committee noted the conclusion of the report and supported further investigation by Internal Audit Service, which was reported to the Committee on 29 June 2012.
4. At the meeting on 15 May 2012, the Committee resolved that it:-  
  
“... “requests the Standards Committee to consider what issues arise for that Committee from this report in regard to the use of a County Council car for non-Council business;  
  
notes that the Director of Corporate Resources will take steps in due course to recover costs which have been incurred, including journeys undertaken by the member, otherwise than in relation to County Council business and asks the Director to report further to this Committee;

asks the Chief Executive to:-

- (1) request the Independent Remuneration Panel on Members' Allowances to re-examine the Members' Allowances Scheme with a view to recommending any changes to the County Council via the Constitution Committee;
  - (2) review the current arrangements for authorising the payment of travel and subsistence to elected members;
  - (3) report to future meetings of the Corporate Governance Committee as appropriate on the action taken."
5. Complaints were made under the Standards regime then in operation in relation to Mr Parsons' conduct by a member of the public on 30 April 2012 and by Mr Bill Boulter, CC on 15 May 2012. On 7 June 2012, the Standards (Assessment) Subcommittee decided to refer the allegations for investigation and on 27 June 2012, the matter was referred by the Monitoring Officer to Weightmans Solicitors to conduct the investigation.
  6. The Director of Corporate Resources has undertaken work to assess the costs incurred; however, as a consequence of the decision to refer the matter for investigation, that work has not yet been finalised and action to recover those costs was deferred pending the outcome of the investigation.

### **The Member Conduct Investigation**

7. The investigation proved time consuming in light of the number of journeys undertaken by Mr Parsons, including those by public transport. The journeys were analysed by reference to the source of information (for example a diary entry, or a transport request), the origin and destination of the journey, its purpose and the persons (if any) accompanying Mr Parsons. Support was provided to the Investigator through analysis undertaken by Internal Audit Services, the Monitoring Officer and Head of Democratic Services.
8. The original "list" of journeys contain thousands of entries and of these a total of 94 were selected for further investigation. Witnesses were interviewed and Mr Parsons' views obtained.
9. The report of the Investigator, running to 50 pages, was received on 2 May 2013 and the full supporting documentation accompanying the report running to several hundred pages was received on the following day.
10. In analysing the 94 journeys, the Investigator discounted 20 which related to business for the Local Government Association as to have pursued enquiries relating to these journeys would, in his opinion, have been too onerous and disproportionate given the need to involve the Local Government Association. The conclusion reached was that Mr Parsons used the car and chauffeur inappropriately on 29 of the remaining occasions; in 27 of these, the journeys were not sufficiently connected with his role as a County Councillor or as

Leader of the Council and in the other two, the purpose of the journey was acceptable but the use of the car and the waiting time for the driver was not appropriate given the short distance involved. Mr Parsons was invited to comment on the journeys concerned and did so. It is clear that he did not agree with that analysis but that the Investigating Officer took his comments fully into account in reaching conclusions.

11. The conclusions of the Investigator are that Mr Parsons breached the Council's Code of Conduct by:-
  - (a) bringing his office or authority into disrepute
  - (b) using his position improperly to secure for himself an advantage
  - (c) when using the authority's resources :
    - (i) failing to act in accordance with the authority's reasonable requirements; and
    - (ii) failing to ensure that such resources were not used improperly for political purposes (including party political purposes).
12. In accordance with the County Council's procedures relating to the investigation into allegations of breach of the Member Code of Conduct, the report of the Investigator has not been made publicly available. A copy of the report has been provided to Mr Parsons.

### **Next Steps concerning the Investigation**

13. The purpose of the Standards regime as introduced by the Local Government Act 2000, was to enable Councils to investigate and assess the conduct of their members by reference to a national Code of Conduct. A person who ceased to be an elected member, whether through resignation or through failure to be re-elected, would no longer be the subject to procedures under the Act and the case would come to an end, whatever stage had been reached. The Localism Act 2011 retained the requirement upon local authorities to maintain standards of behaviour and to operate Codes of Conduct whilst removing many aspects of the previous regime, including the Standards Board for England, the national Code and the range of sanctions available for breach of the Code. No provisions were made in the Localism Act for extending the operation of the Code of Conduct regime to the situation where a person ceases to be a member of a local authority prior to the completion of the procedures and such an extension of the powers of the authority would seem to fly contrary to much of the spirit of the Act.
14. The current procedures do not allow for action to be taken against former members and the advice of the County Solicitor is that the Corporate Governance Committee should not consider extending the procedures further on the grounds that:-

- (a) There is no clear statutory authority to do so and such an approach could be ultra vires.
  - (b) To do so may be contrary to the Human Rights Act as this would be unlikely to be a proportionate response to a legitimate aim on the part of the County Council.
  - (c) In these circumstances, there is a risk of successful challenge to the Local Government Ombudsman.
  - (d) To do so would consume the resources of the Local Authority both in terms of time and cost without there being any significant benefit to the authority.
15. In these circumstances, the Committee is asked to agree that no further action be taken under the procedures governing Members' Conduct in relation to this investigation.

### **Recovery of Costs**

16. In light of the Standards investigation, the process of assessing the costs was put on hold pending the outcome of that process. If the Committee is in agreement with the proposal in relation to the investigation, the Director of Corporate Resources will now take further steps to finalise the calculation of those costs and seek recovery. The Committee is asked to agree to this course of action and to receive a further report on this issue. Action taken by the Director to recover costs incurred in relation to journeys to the Committee of the Regions is covered in a report elsewhere on the agenda of the Committee.

### **Changes to the Members' Allowances Scheme**

17. The resolution of the Corporate Governance committee at its meeting on 15 May has been set out at paragraph 4 above. The Independent Remuneration Panel has met recently to consider both this matter and to make recommendations on changes to the Members' Allowances Scheme in response to the proposed changes in the structure of overview and scrutiny bodies. The Panel's report will be considered by the Constitution Committee at its meeting on 12 June and any recommended changes to the Scheme will be put to the County Council's meeting on 26 June. With regard to travel and subsistence, the Panel is recommending two particular additions to Schedule 2 of the Scheme in response to this matter, one relating to the reimbursement of costs of travel and one relating to use of the official car.
18. The Corporate Governance Committee resolved at its meeting on 15 May that the Chief Executive should review current arrangements for authorising payment of travel and subsistence to elected members. This has been done; processes have been improved and are managed by the Civic Affairs Team in the Chief Executive's Department.

### **Recommendations**

19. The Committee is asked to:-

- (a) agree that no further action be taken under the procedures for dealing with allegations of a breach of the Members' Code of Conduct in respect of the complaints against Mr David Parsons;
- (b) agree that further steps be taken by the Director of Corporate Resources to finalise the assessment of the costs incurred for the journeys identified as inappropriate by the investigation into those allegations and to seek recovery of those costs and that the Director of Corporate Resources report further to the Committee on the action taken;
- (c) note the steps taken through the Independent Remuneration Panel to address concerns previously raised and the report to Constitution Committee and agrees that the Chief Executive establishes procedures for authorising payment of travel and subsistence to elected members in accordance with the arrangements established in the Constitution.

### **Resource Implications**

20. These are set out in paragraphs 16 and 17.

### **Equal Opportunities Implications**

None.

### **Background Papers**

Report to the Corporate Governance Committee, 15 May 2012, Progress against the Internal Audit Service Report on members' Allowances and Expenses  
Whistleblowing Complaint (East Midlands Councils)  
Report to the Corporate Governance Committee, 29 June 2012, Progress against the Internal Audit Service Report on members' Allowances and Expenses  
Whistleblowing Complaint (East Midlands Councils)  
Report to the Constitution Committee, 12 June 2013, Special Report of the Independent Remuneration Panel on Members' Allowances.

### **Circulation under the Local Issues Alert Procedure**

None.

### **Officer to Contact**

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**CORPORATE GOVERNANCE COMMITTEE – 14 JUNE 2013****REPORT OF THE CHIEF EXECUTIVE AND  
DIRECTOR OF CORPORATE RESOURCES****EAST MIDLANDS COUNCILS: GOVERNANCE  
AND FINANCE ISSUES****Purpose of the Report**

1. The purpose of this report is to update the Committee on issues relating to governance and financial arrangements for East Midlands Council (EMC). These are of particular concern to the County Council and, as a consequence, of interest to the Committee in light of the position of the County Council as the servicing or host authority to the consortium of Councils comprising EMC.

**Background**

2. Following receipt of whistleblowing allegations concerning the former Leader of Leicestershire County Council, the Corporate Governance Committee was advised at its meeting on 6<sup>th</sup> February 2012 that EMC Management Group had decided to recommend a review of EMC's governance and accountability arrangements. Revised governance arrangements for EMC were agreed at the EMC Annual General Meeting in July 2012 and at its meeting on 21<sup>st</sup> September 2012, the EMC Executive Board agreed that Leicestershire County Council should remain as the accountable body.
3. At its meeting on 13<sup>th</sup> February 2013 the Corporate Governance Committee was advised that whilst the County Solicitor had contributed to the review and proposed improvements to the constitutional arrangements which were adopted, he considered that useful lessons could be learnt from the recent review of the constitution of Eastern Shires Purchasing Organisation (ESPO) with a view to ensuring that arrangements at EMC were appropriately robust. At that meeting of the Committee the Director of Corporate Resources reported that he had concerns about the financial viability of EMC going forward. This report provides an update on those issues.

**Governance Arrangements**

4. Local authority partnership arrangements should be underpinned by appropriate agreements between the partner authorities setting out the respective roles and responsibilities of the member authorities and the servicing authority, arrangements for the provision of infrastructure support,

provision for liabilities and indemnities, and arrangements for termination and dissolution of the partnership. The precise nature and form of the documentation and the degree to which these issues are covered in detail will depend upon the nature and purpose of the consortium. In the case of EMC, as almost all authorities in the East Midlands are currently in membership of the organisation, it would in practical terms be impossible to achieve detailed contractual documentation of the nature referred to above which could be agreed by all the authorities concerned. However, constitutional arrangements can be put in place which address many of these concerns, which are of particular relevance to the authority acting as 'servicing' or 'host' authority. That authority is likely to carry a responsibility for the provision of infrastructure support to the organisation, including audit services, finance and legal functions and to be the accountable body for the purposes of receipt of public funding and for contractual arrangements. As a consequence it is likely to be the body which would be sued in any civil action for breach of those agreements or in judicial review.

5. Following the meeting of the Corporate Governance Committee, a meeting took place on 3<sup>rd</sup> April 2013 involving officers of the County Council and officers of EMC, including the Director of Corporate Resources and County Solicitor from the County Council and the Chief Executive of EMC. The importance of the role adopted by the servicing authority and the need for the authority to have a process of assurance about the operation of EMC were discussed and documentation drawn from the ESPO constitution circulated as a starting point for discussion.
6. In light of further developments outlined below it is not proposed to undertake further work at this stage in relation to the governance arrangements, particularly as experience shows that this can prove time consuming.

### **Financial Position**

7. The financial challenge for EMC is to maintain income levels as it heavily relies on one-off income and grants e.g.
  - In 2013/14 one-off contributions from EM IEP (East Midlands Improvement and Efficiency Partnership) and 9Cs Partnership (of the East Midlands Principal Authorities) of approximately £330k;
  - a number of time limited grants;
  - annual members' subscriptions of £353k in 2013/14.
8. As part of the draft final accounts for 2012/13 the current level of reserves, as the 31<sup>st</sup> March 2013, is £1,450,500 of which £60,000 is held as earmarked for specific projects and £844,000 is earmarked against EM IEP for use to support the operations of EMC during 2013/14 and 2014/15.
9. A review of EMC is required to ensure it breaks even in 2014/15 and is on a more stable financial footing for subsequent years.

10. In the event of EMC being wound up the un-earmarked reserves are adequate to meet redundancy costs. However, the pension liabilities, estimated to be £3.5M, would have to be met by the nine upper-tier authorities.

### **County Council Membership of East Midlands Councils**

11. A meeting of the EMC Executive Board took place on 22<sup>nd</sup> March 2013, attended by the Leader of the County Council, at which the request for the doubling of the contributions made by upper tier Councils was discussed. At that meeting the Leader expressed his support, but for one year, 2013/14, only and on the basis that a robust review would be undertaken of the organisation to establish the justification for it continuing in its current role.
12. Following that meeting and in order to reflect the concerns of the Leader and the outcome of the meeting, notice was given by letter dated 27<sup>th</sup> March of the County Council's intention to terminate its membership of EMC with effect from 31<sup>st</sup> March 2014 and, as a consequence to no longer act as the servicing authority for EMC from that. That notice was subject to the qualification that:

“The County Council may wish to reconsider its position in light of any review which may be undertaken by East Midlands Councils of its purpose, structures and financial arrangements ...”

13. The Opposition Group Leaders were informed that notice had been sent and the Leader wrote to each of the other county and city leaders in the region to inform them.
14. It is known that Leicester City and Derby City Councils have also given notice in similar terms.

### **Review of East Midlands Councils**

15. It is understood that recommendations from the Management Group to the Executive Board of EMC at its meeting on 14<sup>th</sup> June will be made to commence a review of the role and purpose of EMC. The intention would be to conclude the review by the time of the Executive Board in September.

### **Recommendations**

16. The Committee is asked to:
  - (a) note the developments set out in the report;
  - (b) agree that, in the circumstances, further work should not be undertaken on the constitutional governance arrangements for EMC unless, as a consequence of the review undertaken by that organisation, the County Council decides to remain in membership of it;
  - (c) agree that it would be appropriate for the Chief Executive to contact other authorities in the East Midlands area to ascertain their intentions with regard to membership of EMC;

- (d) receive a further report on any governance issues arising from that review and from decisions about the County Council's membership of EMC.

### **Equal Opportunities Implications**

17. There are no specific implications arising from issues discussed in this report.

### **Background Papers**

Corporate Governance Committee, 6 February 2013, Internal Audit Progress Report  
 East Midlands Councils Executive Board, 21 September 2012, Report of East  
 Midlands Councils Management Group  
 Corporate Governance Committee, 13 February 2013, Internal Audit Service  
 Progress Report  
 East Midlands Executive Board, 22 March 2013, Proposed Budget 2013-14 and  
 2014-15

### **Circulation under Local Issues Alert Procedure**

None.

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**CORPORATE GOVERNANCE COMMITTEE – 14 JUNE 2013****REPORT OF THE COUNTY SOLICITOR****REGULATION OF INVESTIGATORY POWERS ACT 2000****Purpose of the Report**

1. The purpose of this report is to provide the Committee with a quarterly report on the use of powers under the Regulation of Investigatory Powers Act 2000 (RIPA).

**Background**

2. At its meeting on 26 November 2012, the Committee agreed to receive quarterly reports on the use of RIPA powers. The relevant RIPA Code of Practice suggests that quarterly reports should be made to members as a means of ensuring that RIPA has been used consistently and the policy remains fit for purpose. The Code specifically states that elected members should not be involved in making decisions on specific authorisations.
3. With effect from 1 November 2012 changes were implemented governing how local authorities use RIPA. The amendments are contained within the Protection of Freedoms Act 2012. Essentially, the changes mean that local authority authorisations under RIPA for the use of particular covert techniques can only be given effect once an order approving the authorisation or notice has been granted by a Justice of the Peace (JP).
4. The Regulation of Investigatory Powers (Directed Surveillance and Covert Human Intelligence Sources) Amendment Order 2012 adds further restrictions on the use of RIPA. A local authority can now only grant an authorisation under RIPA for the use of directed surveillance where the local authority is investigating particular types of criminal offences. These are criminal offences and only those offences which attract a maximum custodial sentence of six months or more, or criminal offences relating to the underage sale of alcohol or tobacco.
5. At its meeting on 26 November 2012, the Committee noted that the new process had not yet been used by the County Council and it was therefore difficult at this early stage to assess the additional costs in both time and money of having to make an application to the Magistrates Court. The County Solicitor undertook to include in his next report to the Committee further information on this issue as officers began operating under the new system.

**Use of RIPA**

6. For the period from 1 January 2013 to the end of March 2013, authorising officers in the Chief Executive's Department received two applications for directed surveillance. The authorisations were required to conduct age restricted 'test purchases' of alcohol and tobacco products from retailers within the County. On both occasions Magistrates approved the application and were satisfied that the County Council's submissions met all the necessity and proportionately requirements.
7. Compared to previous reporting periods there is a reduction in the number of requests received to undertake surveillance. This is solely related to operational matters. For the avoidance of doubt, the judicial approval has had no impact on the decision to support applications when it is shown by the applicant that the surveillance is considered necessary and proportionate to further an investigation.
8. Authorising officers continue to ensure that all applicants receive the appropriate training sufficient for them to deal with the judicial process.
9. There are some additional resources required to prepare applications and attend hearings at the Magistrates' Court. It is estimated that each application is likely to add around three hours additional time in preparing for the judicial process and attending at court. At present this can be contained within the additional resources. Modifications to the Oracle based County Council RIPA application software now reflect the judicial approval changes and the system is fit for purpose.

**Recommendation**

10. The Committee is recommended to note the contents of this report and the use of RIPA powers for the period from January to December 2012.

**Equal Opportunities Implications**

None.

**Background papers**

Report to the Corporate Governance Committee on 26 November 2012

Report to the Cabinet on 18th December 2012– Regulation of Investigatory Powers Act 2000 (RIPA).

**Circulation under the local issues alert procedure**

None.

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