

Meeting: Corporate Governance Committee

Date/Time: Monday, 23 September 2013 at 10.00 am

Location: Framland Committee Room, County Hall, Glenfield

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

Email: joanne.twomey@leics.gov.uk

Membership

Mr. E. D. Snartt CC (Chairman)

Mr. G. A. Boulter CC Mrs. J. Richards CC
Mr. G. A. Hart CC Mr. S. D. Sheahan CC
Mr. K. W. P. Lynch CC Mr. R. J. Shepherd CC

AGENDA

<u>Item</u>	<u>Report by</u>	
1. Minutes of the meeting held on 2 September 2013.		(Pages 3 - 8)
2. Question Time.		
3. Questions asked by members under Standing Order 7(3) and 7(5).		
4. To advise of any other items which the Chairman has decided to take as urgent elsewhere on the agenda.		
5. Declarations of interest in respect of items on the agenda.		
6. External Audit of the 2012/13 Statement of Accounts and Annual Governance Statement.	Director of Corporate Resources	(Pages 9 - 44)



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|----|---|--|-----------------|
| 7. | Proposed changes to the Contract Procedure Rules. | Director of Corporate Resources and County Solicitor | (Pages 45 - 58) |
| 8. | Internal Audit Service Progress Report. | Director of Corporate Resources | (Pages 59 - 70) |

9. Date of next meeting.

The next meeting of the Committee will take place on Monday, 25 November 2013 at 10.00am.

10. 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 Monday, 2 September 2013.

PRESENT

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

Mr. G. A. Boulter CC
Mr. S. J. Hampson CC
Mr. G. A. Hart CC

Mr. K. W. P. Lynch CC
Mr. R. J. Shepherd CC
Mr. L. Spence CC

20. Minutes.

The minutes of the meeting held on 14 June 2013 were taken as read, confirmed and signed.

21. Question Time.

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

22. Questions asked by members.

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

23. Urgent Items.

There were no urgent items for consideration.

24. 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.

25. Local Government Governance Review.

The Committee considered a report of the Director of Corporate Resources, the purpose of which was to introduce a presentation by Grant Thornton LLP, one of the leading organisations providing independent assurance, tax and advisory services, which highlighted key areas for discussion arising from their 2013 national Local Government Corporate Governance Review, as well as drawing attention to how this had been used to implement improvements for the County Council's Annual Governance Statement for 2012/13. A copy of the report and the presentation slides are filed with these minutes.

The Chairman welcomed Mr Phil Jones of Grant Thornton LLP to the meeting.

Arising from the discussion, the following points were made:

- The assessment of the County Council's Annual Governance Statement benchmarking position in 2011/12 and 2012/13 had been a useful exercise and resulted in significant improvements being made. The exercise would be carried out again for 2013/14 to monitor progress and ensure further developments were made where possible;
- The County Council's Statement was longer than in previous years as it was now more comprehensive, but it had also been set out in a structured and more useable format. It was also supported by systems and processes which ensured that, in practice, governance issues identified were actioned effectively and monitored by the Committee throughout the year;
- An emerging issue identified nationally related to the need to control the growing number of joint working arrangements and arm's length agreements being put in place, as local authorities increasingly worked in partnership with other key stakeholders and procured more services from external providers. It would be important to ensure that transparency was maintained across those arrangements;
- Data sharing was a significant issue. Increased joint working needed to be supported by the sharing of information necessary to allow those involved to work effectively. However, balancing this against the need to ensure information security and ensuring staff were not able to access personal data they did not require to fulfil their duties was challenging. This was an issue identified in the County Council's Annual Governance Statement and an Action Plan had been put in place to ensure this was managed correctly; controls implemented would be monitored to ensure these remained effective.

RESOLVED:

That the contents of the report and presentation be noted.

26. Code of Conduct for Co-opted Members of the Health and Wellbeing Board.

The Committee considered a report from the County Solicitor, the purpose of which was to present for approval the proposed Code of Conduct for co-opted members of the Health and Wellbeing Board which was to be introduced to ensure the effective governance of the Board. A copy of the report is filed with these minutes.

Arising from discussion, the following points were noted:

- The Health and Wellbeing Board was a unique body in terms of its membership, as the law required several officers to be co-opted members on the Board. It was necessary for such officers to follow a Code which was, in principle, the same as that which applied to Members. However, it was also important to acknowledge the role such officers had on the Board (i.e. they were appointed to the Board to represent their organisation) and ensure that the Code did not work to prevent this;
- In the section of the Code that related to Disclosable Pecuniary Interests, a clear distinction had been drawn between those matters which might be the subject of debate and affected the organisation the officer represented, from those which affected the officer personally. The Committee agreed that to apply the Code more strictly would result in the Board being unable to function.

RESOLVED:

That the County Council be recommended to approve the proposed Code of Conduct for co-opted members of the Health and Wellbeing Board.

27. Annual Report on the Operation of the Members' Code of Conduct 2012/13.

The Committee considered a report of the County Solicitor, the purpose of which was to fulfil the requirement for the Monitoring Officer to report to the Committee on an annual basis on the operation of the Members' Code of Conduct, in accordance with the decision of the Committee on 24 September 2012. The report also set out the actions taken to implement the adoption of a new Code of Conduct from 4 July 2012, to move towards a Code which might be adopted by District Councils across Leicestershire and the arrangements for training of members. A copy of the report is filed with these minutes.

It was noted that a significant amount of work had been undertaken to develop a new standards regime for members of the County Council and to introduce a common Code with District Council's across Leicestershire.

In response to questions regarding the payment of outstanding invoices by Mr Parsons, the former Leader of the County Council, the following information was reported:

- i. Invoice relating to travel expenses for Committee of the Region business (£4,089.84) – Following negotiations with Mr Parsons' solicitors agreement had been reached for the payment of a reduced sum by instalments. Payment was due on 1st September and confirmation of whether funds had been received would be obtained shortly;
- ii. Invoices for the early termination of Mr Parsons' lease car (£752) – £252 had been paid on 1st August. The remainder was to be paid by two instalments of £250 and the first such payment was due on 1st September. Confirmation of whether such funds had been received would be obtained shortly;
- iii. An invoice for the additional 29 journeys had been raised. At the last meeting it had been reported that such costs were estimated to be in the region of £3,500. However, these had now been calculated to total £3,670.66. Two reminders had been sent requesting payment of this sum but no response had been received to date. A third and final reminder would be sent shortly. If still no agreement was reached, or payment made, the matter would be passed to the County Council's legal section for further action;
- iv. A further invoice in the sum of £157 had been raised on 30 August 2013 regarding the lease car. Payment was awaited.

It was suggested that further updates should be provided to the Committee in respect of the above outstanding invoices, as appropriate, until the matter had been resolved.

RESOLVED:

- (a) That the contents of the report be noted;
- (b) That further updates on the progress being made to recover the payment of all outstanding invoices from Mr Parson, the former Leader of the County Council, be provided to the Committee as appropriate.

28. Ombudsman Annual Review and Corporate Complaint Handling.

The Committee considered a report of the County Solicitor, the purpose of which was to inform Member of the Ombudsman Annual Review letter for the Authority for 2012/13 and to provide Members with an update on improvements to the Corporate Complaints Procedures and effective complaints handling. A copy of the report is filed with these minutes.

Arising from discussion, the following points were noted:

- Benchmarking information had not been supplied by the Ombudsman this year, but more detailed information would be included within next year's letter. It was suggested that without such information a true assessment of the County Council's complaint handling procedures could not be made and such information, particularly around any maladministration cases which involved the County Council, was necessary to ensure that improvements could be made for the future;
- Changes had been made to the processes and framework adopted with contractors who provided services on the Council's behalf in light of the compensation payment of £6,000 made by the County Council as the responsible body for Adult Social Care services. The Ombudsman accepted that the County Council had no direct fault in the matter concerned as the service had been provided by a third party;
- The number of commendations had increased, but this was largely due to changes having been made to ensure these were captured and recorded more effectively. It was important to learn which areas were working well, as well as to learn from those areas giving rise to complaints;
- Commendations related to unsolicited feedback from external people and organisations. A simple thank you or a compliment from someone else from within the organisation would not be recorded as a commendation.

RESOLVED:

- (a) That the contents of the report be noted;
- (b) That feedback be provided to the Ombudsman regarding the need for more detailed information in future Annual Report's.

29. Risk Management update.

The Committee considered a report of the Director of Corporate Resources on progress with current risk management initiatives, covering the Corporate Risk Register, an update on Departmental Risk Registers and details of further risk management work and anti-fraud initiatives being undertaken. A copy of the report is filed with these minutes.

The Committee also received a presentation on the risks associated with the Welfare Reform Act. A copy of the presentation slides is filed with these minutes.

Arising from the presentation, the Committee noted the significant implications the reforms could have on the County Council and the need to ensure additional resources were raised to meet the expected costs.

It was noted that there was a single scheme in Leicestershire to deliver the replacement to the Social Fund and work continued to be undertaken with the Districts to co-ordinate these arrangements.

A brochure would be produced and circulated to officers within the Adults and Communities and Children and Young People's Service Departments in October. This would include details of the reforms being made and identify useful points of contact to enable officers to more easily help and support residents through the changes.

RESOLVED:

- (a) That the updated Corporate Risk Register be approved;
- (b) That the contents of the presentation on the risks associated with the Welfare Reform Act be noted and the Director of Corporate Resources be requested to provide a further update on this risk area within the overall financial context of the Medium Term Financial Strategy once this has been agreed next year;
- (c) That the current status of the strategic risks facing the Council be noted;
- (d) That the initiatives to improve the Councils acknowledgement, prevention and pursuit of fraud be supported.

30. Quarterly Treasury Management Report.

The Committee considered a report of the Director of Corporate Resources, which provided an update on the actions taken in respect of treasury management in the quarter ended 30 June 2013. A copy of the report is filed with these minutes.

RESOLVED:

That the contents of the report be noted.

31. Date of next meeting.

It was noted that the next meeting of the Committee would be held on Monday, 23 September 2013 at 10.00am.

10.00 - 11.40 am
02 September 2013

CHAIRMAN

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CORPORATE GOVERNANCE COMMITTEE – 23 SEPTEMBER 2013

REPORT OF THE DIRECTOR OF CORPORATE RESOURCES

**EXTERNAL AUDIT OF THE 2012/13 STATEMENT OF ACCOUNTS &
ANNUAL GOVERNANCE STATEMENT**

Purpose of Report

1. To report the key findings from the external audit of the 2012/13 financial statements.

Background

2. PricewaterhouseCoopers (PwC), the County Council's external auditor, are required to communicate the results of the 2012/13 audit of the Council's financial statements to those charged with governance prior to certifying the statement of accounts. The draft 2012/13 Statement of Accounts and Annual Governance Statement (AGS) can be viewed on the Council's website via the following link:-

http://www.leics.gov.uk/index/your_council/budget/statement_of_accounts.htm

3. A copy of the auditor's report and the draft letter of representation are attached as an Appendix to this report. The auditor anticipates issuing an unqualified audit opinion.
4. Richard Bacon, the PwC audit partner, responsible for the County Council audit will attend the Committee meeting on 23 September to communicate any significant findings and answer any questions.

Recommendation

5. The Committee is asked to consider the issues raised in the auditor's report.

Equal Opportunities Implications

6. None.

Circulation Under the Local Issues Alert Procedure

7. None.

Background Papers

None.

Officers to Contact

Brian Roberts, Director of Corporate Resources

Tel: 0116 305 7830 E-mail: Brian.Roberts@leics.gov.uk

Chris Tambini, Head of Strategic Finance

Tel: 0116 305 7642 E-mail: Chris.Tambini@leics.gov.uk

Judith Spence, Head of Corporate Finance

Tel: 0116 305 5998 E-mail: Judith.Spence@leics.gov.uk

Appendices

Appendix - External Auditors report and draft letter of representation.

Leicestershire County Council

Report to those charged with governance

Report to the Corporate Governance Committee of the authority on the audit for the year ended 31 March 2013 *(ISA (UK&I)) 260*

Government and
Public Sector

August 2013

Contents

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

In April 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 management letters are prepared in the context of this Statement. Reports and letters prepared by appointed auditors and addressed to members or officers are prepared for the sole use of the audited body and no responsibility is taken by auditors to any Member or officer in their individual capacity or to any third party.

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An audit of the Statement of Accounts is not designed to identify all matters that may be relevant to those charged with governance. Accordingly, the audit does not ordinarily identify all such matters.

We have issued a number of reports during the audit year, detailing the findings from our work and making recommendations for improvement, where appropriate.

This report contains a summary of the results of our audit and matters which we ask the Corporate Governance Committee to consider.

Executive summary

Background

This report tells you about the significant findings from our audit. We presented our plan to you in November 2012; we have reviewed the plan and concluded that it remains appropriate.

Audit Summary

- We have completed the majority of our audit work and expect to be able to issue an unqualified audit opinion on the Statement of Accounts and your value for money conclusion.
- The key outstanding matters, where our work has commenced but is not yet finalised, are:
 - review of the final adjustments within the Statement of Accounts;
 - receipt of outstanding investment confirmations;
 - approval of the Statement of Accounts and letters of representation; and
 - completion procedures including subsequent events review.
- Your draft accounts (including pension fund) were submitted to us by the June deadline and were of a high quality. Supporting working papers were good and provided on time in the majority of cases.
- Finance staff are always responsive and helpful. They are committed to the audit process and are always looking to improve.

- We did not identify any material audit and accounting issues during our work. However, the Corporate Governance Committee will need to confirm the proposed treatment of unadjusted items listed in Appendix 1.

Please note that this report will be sent to the Audit Commission in accordance with the requirements of its standing guidance.

We look forward to discussing our report with you on 23 September 2013. Attending the meeting from PwC will be Richard Bacon.

Our Audit Approach is risk-based.

We utilise a range of technology to support what we do, including data auditing, bespoke delivery centres and out cutting edge Auditing software 'Aura'.

Audit approach

Smart People

We continue to deploy our best people on your audit, supported by a substantial investment in training and in our industry programme.

Smart Approach

Data auditing

We use technology-enabled audit techniques to drive quality, efficiency and insight.

In 2013 the work included testing manual journals through data analytics, so we consider the complete population of manual journals and target our detailed testing on the items with the highest inherent risk.

We have used benchmarking as part of our work on Value for Money. This has included using Audit Commission tools to compare you to other County Councils, and our own analysis when assessing your Medium Term Financial Strategy.

We will also continue to explore ways to extend our use of smart technology and data into other areas where we see an opportunity to add value, as well as for quality and efficiency.

Centre of Excellence

We have a Centre of Excellence in the UK for Local Government which is a dedicated team of specialists which advises, assists and shares best practice with our audit teams in more complex areas of the audit.

Our team has been working side by side with the Centre of Excellence to ensure we are executing the best possible audit approach.

Delivery centres

We use dedicated delivery centres to deliver parts of our audit work that are routine and can be done by teams dedicated to specific tasks; for example these include confirmation procedures, preliminary independence checks and consistency and casting checks of the Statement of Accounts.

Benefits for the audit

The key benefits of our approach for your audit have been the use of data analytics in testing your journal transactions, which has identified a range of useful other information as part of the process, and the use of our delivery centres which have reviewed in detail your compliance with the 2012/13 Code of Practice.

Smart Technology

We have designed processes that automate and simplify audit activity wherever possible. Central to this is PwC's Aura software, which has set the standard for audit technology. It is a powerful tool, enabling us to direct and oversee audit activities. Aura's risk-based approach and workflow technology results in a higher quality, more effective audit and the tailored testing libraries allow us to build standard work programmes for key local government audit cycles.

The following pages highlight the risks we originally identified in our Audit Plan, and explain what we have done in response.

The risks on this page, Management Override of Controls and the Recognition of Income and Expenditure, are presumed to be significant risks under International Standards on Auditing.

We have summarised below the risks we identified in our audit plan and the audit approach we took to address them.

Risk	Category	Audit approach
Fraud and Management Override of Controls ▶ ISA (UK&I) 240 requires that we plan our audit work to consider the risk of fraud, which is presumed to be a significant risk in any audit. This includes consideration of the risk that management may override controls in order to manipulate the financial statements.	Significant Risk	We focussed our work on the testing of journals and utilised data auditing audit techniques to do this. We also: <ul style="list-style-type: none"> • reviewed accounting estimates for biases and evaluate whether circumstances producing any bias, represent a risk of material misstatement due to fraud; • evaluated the business rationale underlying significant transactions; and • performed ‘unpredictable’ procedures – these are tests we have not carried out before to test the robustness of controls. <p>More details on the results of our audit procedures are included later in this report.</p>
Recognition of income and expenditure ▶ Under ISA (UK&I) 240 there is a (rebuttable) presumption that there are risks of fraud in revenue recognition. There is a risk that the Council could adopt accounting policies or treat income and expenditure transactions in such a way as to lead to material misstatement in the reported revenue and expenditure position.	Significant Risk	We updated our understanding of your revenue and expenditure controls, and evaluated your accounting policy for income and expenditure recognition. This is consistent with the requirements of the code of accounting for Local Government. We also performed detailed testing of revenue and expenditure transactions in your Statement of Accounts. More details on the results of our audit procedures are included later in this report.

The Valuation of Properties was an area of audit focus. This was due to the size of the Property, Plant and Equipment on your balance sheet.

You have been establishing the East Midlands Shared Service over the past three years. The 'go-live' date was at the start of the 2013/14 financial year. As a result, this did not have a large impact on our work on the 2012/13 accounts as we envisaged at the time of our audit plan. However, we continued to closely monitor your preparations.

Risk	Category	Audit approach
<p>Valuation of properties</p> <p>Property, Plant and Equipment is the largest figure on your balance sheet. The economic conditions continue to be uncertain, which has a potential impact upon the valuation of your property, plant and equipment.</p> <p><i>Specific areas of audit risk include:</i></p> <ul style="list-style-type: none"> • The accuracy and completeness of detailed information on assets. • Whether the assumptions underlying the classification of properties are appropriate. • The valuer's methodology, assumptions and underlying data, and our access to these. 	Other Risk	<p>For assets which were valued during the year, we:</p> <ul style="list-style-type: none"> • agreed the source data used by your Valuer to supporting records; • assessed the work of your Valuer through use of our own internal specialists; and • agreed the outputs to your Fixed Asset Register and accounts. <p>Where assets were not re-valued in year, we reviewed your impairment assessment, and evaluated whether your assets are held at an appropriate value in your accounts at the year-end.</p> <p>More details on the results of our audit procedures are included later in this report.</p>
<p>East Midlands Shared Services</p> <p>On 7 September 2010, the Cabinet considered proposals for a new East Midlands Shared Service centre with Nottingham City Council. This project involves shared services for HR, payroll and financial transaction services, utilising the Oracle ERP system currently used by the Council.</p> <p>The preparation for 'go live' continues, with the project due for implementation during the current 2012/13 financial year.</p>	Other Risk	<p>We have kept up to date with your progress in implementing the East Midlands Shared Services (EMSS) project through discussions with management and review of relevant working papers. The 'go-live' date was at the start of the 2013/14 financial year. As a result, we continued to discuss your progress with management and have considered the work of Internal Audit in looking at the implementation of EMSS.</p> <p>We have also engaged with our Risk Assurance team, and have agreed to use our Oracle 'GATE' tool to provide added value and insight to the configuration of your Oracle system during the 2013/14 financial year, when the EMSS arrangement has been fully embedded.</p>

Local Government Pension Scheme

One of the most material estimates in the accounts is your share of the Leicestershire Pension Fund net liability.

The trend over the past five years has been an increase in the net liability. There has been a significant increase in the pension fund net liability, as estimated by the actuary, due to changing demographics and other assumptions. The fair value of the scheme assets has remained broadly flat.

The actuarial assumptions are primarily driven by the results of the triennial funding review of the Pension Scheme as at March 2010. This information is updated for using a “roll forward” approach (where previous balances are adjusted to account for known trends) until the next full valuation which will impact the 2013/14 accounts.



Other Risk

We have reviewed the assumptions you have used in your accounts to measure the pension fund liability, with assistance from our internal experts in Pension Funds.

We have also:

- tested the source data used by your Actuary to supporting records;
- assessed the work of your Actuary through use of our own internal specialists; and
- agreed the outputs of the Actuary to your accounts.

We have tested the value of the pension fund assets which you recognise in your accounts. More details on the results of our audit procedures are included later in this report.

Medium Term Financial Strategy

The Authority has made significant strides over the past few years to identify savings and deliver more efficient services. The 2012 MTFS is based upon a reduction in formula grant over the four year period 2012/13 to 2015/16. It includes savings of £74m, of which £49m are to be achieved through efficiencies. Growth of £27m has been included for service improvement, cost and demand pressures. There is a well established Change Management Programme and Organisational Efficiency Programme which has helped deliver demonstrable value for money.

You have historically 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 2011/12 and 2012/13 you have continued to deliver savings. The delivery of your savings plan has given you flexibility to direct resources towards 'invest to save' schemes. However, the environment continues to be challenging. You will need to ensure that a robust Medium Term Financial Strategy is approved before March 2013 so that you can demonstrate how you will be financially resilient in the years ahead.



Other Risk

In forming our conclusion economy, efficiency and effectiveness, we have reviewed your Medium Term Financial Strategy. We have updated our understanding of how you develop the strategy and compared the assumptions you used to comparative benchmarks and best practice.

In particular, we have reviewed:

- the governance structure in place to deliver your plans ;
- how you have managed your 2012/13 savings programme;
- the key assumptions included in the MTFS, comparing them with best practice and those used by other Local Authorities.
- The sensitivity of key assumptions to change;
- the impact of potential changes to key assumptions and the rigour behind the MTFS;
- the prioritisation of resources as part of the MTFS; and
- your arrangements to review the value for money which your services provide; and
- the adequacy of your planned level of reserves and contingencies against your stated policy and the level of future risk in delivering the MTFS.

The detailed findings from our work were presented separately to the Corporate Governance Committee at its meeting in June 2013.

A summary of the work to support our value for money opinion is included later in this report.

This section of the report summarises the significant audit and accounting matters we have identified in our work.

You prepared your accounts to a high standard and the working papers were ready for audit on a timely basis. You have been responsive in answering our queries.

We anticipate issuing an unqualified audit opinion.

Significant audit and accounting matters

Auditing Standards require us to tell you about relevant matters relating to the audit of the Statement of Accounts sufficiently promptly to enable you to take appropriate action.

Accounts

We have completed our audit, subject to the following outstanding matters:

- review of the final adjustments within the Statement of Accounts;
- approval of the Statement of Accounts and letters of representation;
- receipt of outstanding investment confirmations; and
- completion procedures including subsequent events review.

Subject to the satisfactory resolution of these matters, the finalisation of the Statement of Accounts and their approval of them we expect to issue an unqualified audit opinion.

As part of our work on the Statement of Accounts we also examine the Whole of Government Accounts schedules submitted to the Department for Communities and Local Government. We anticipate issuing an opinion stating in our view they are consistent with the Statement of Accounts.

Accounts Preparation

You completed your draft accounts by the end of June, and provided them to us in advance of the audit as agreed. The hard work you have put into your accounts process over the past few years gives you a strong base to work from. Our audit identified no material issues in the quality of the accounts presented for audit. Some minor disclosure issues were identified which have been discussed and have been amended appropriately.

We agreed in advance what we would need for our audit and this was ready for us when we arrived and in some cases in advance. The working papers were provided to us electronically and you have made improvements in the availability of finance staff to help us with our queries. The finance team worked hard to meet the timescales and were helpful in resolving our queries.

Overall the Council's accounting performance is to be commended and we would like to thank the team (and others) for their support and assistance during the audit.

There are no material accounting issues to draw to your attention. However, we have highlighted on the next few pages some of the key issues we have identified in our audit for you to consider.

You entered into the Local Authority Mortgage Scheme (LAMS) in the past 18 months. This scheme involves Local Authorities passing money to banks to assist with the availability of mortgages in the local area.

There are differing views nationally on how to account for the LAMS transactions. You have accounted for these as capital transactions in line with advice you have received. We believe that these transactions are revenue in nature. Given the immaterial nature of the amounts involved, the Authority is not minded to change its current accounting treatment.

We have also reviewed the valuation of your property, plant and equipment. This involved reviewing supporting information and consultation with our own valuation experts. We identified no issues to report here.

Accounting issues

We identified no material accounting issues. We would however like to draw to your attention the following matters resulting from our work to assist you in fulfilling your governance responsibilities.

Local Authority Mortgage Scheme (LAMS)

In July 2012 the Authority approved its participation in the Local Authority Mortgage Scheme (LAMS). The aim of this scheme is for Local Authorities to lend to banks in a manner which allows them to make more affordable mortgages available to people who do not currently have the resources to put a significant deposit into a house purchase.

The Authority has approved a total indemnity value of £10 million to enable Lloyds TSB to provide affordable mortgages, through its Local Lend a Hand scheme. This is drawn down in tranches, with the first £3.4 million transferred during 2012. The second £2 million was transferred in early 2013 and in total £5.4 million has been advanced during 2012/13. The money being transferred is sourced from the Authority's revenue reserves.

The accounts treat the expenditure incurred to date as capital expenditure. The definition in the relevant regulations of capital expenditure is that 'the giving of a loan, grant or other financial assistance to any person, whether for use by that person or by a third party, towards expenditure which would, if incurred by the authority be capital expenditure'. This is the basis on which the Authority treated this money as capital expenditure, and is consistent with the advice it has received from Sector.

However, upon review of the arrangements, we believe that these transactions do not meet the definition of capital expenditure. Although the lender may not have made its loan to the borrower without the authority having placed money on deposit, the status of the deposit is such that the lender cannot treat the amount deposited as its own monies.

The authority thus has no direct relationship with the borrower making the house purchase and is not linked to a capital purpose. In essence, the authority has deposited money into a bank account as a Long Term Investment. This ordinarily does not constitute as 'capital expenditure'. This view was shared by the Audit Commission last year in its advice to its own auditors in their Local Government Technical Directory.

The Council has taken professional advice on its accounting treatment. The Audit Commission is aware of differing professional views and is currently seeking legal advice which is awaited. The Council has therefore decided to await the outcome of this advice before changing its draft accounts. The nature of the amounts involved is immaterial. If the Authority is not minded to amend the accounts, this would not impact upon our audit opinion.

Valuations

Your draft accounts include property, plant and equipment with a net book value of £769.7 million, largely made up of land and buildings (£471.8 million) and infrastructure assets (£272.1 million). The total value of your land and buildings has reduced significantly from £656.3 million in the prior year to £471.8 million this year. This is primarily due to the conversion of a large number of schools to Academy status, at which time the school buildings transfer to the Academy school itself on a finance lease.

You have to keep the values of your own land and buildings up to date. The Council's accounting policy is to include land and buildings in the balance sheet at open market value for existing use or at depreciated replacement cost for specialised assets where there is no market. You do this by reviewing the top 20 assets every year, revaluing a fifth of your other assets every year and on completion of a capital scheme above £100,000. The work is completed internally to the Council.

Your Pension Fund assets and liabilities are one of the most significant items in your Statement of Accounts. The net pension liability was £500 million as at 31 March 2013, an increase of 14% from the prior year.

We used the work of our own experts to assess the assumptions made by your actuary. We found the assumptions you have used to be reasonable.

We engaged an internal PwC valuation specialist to review the work of your internal valuation team. We considered the applicable professional requirements and industry standard indices used to revalue specialised assets, and the steps taken by the Council to account for the full impact of these indices across all of its specialised assets. We found no concerns to report.

Pensions liability

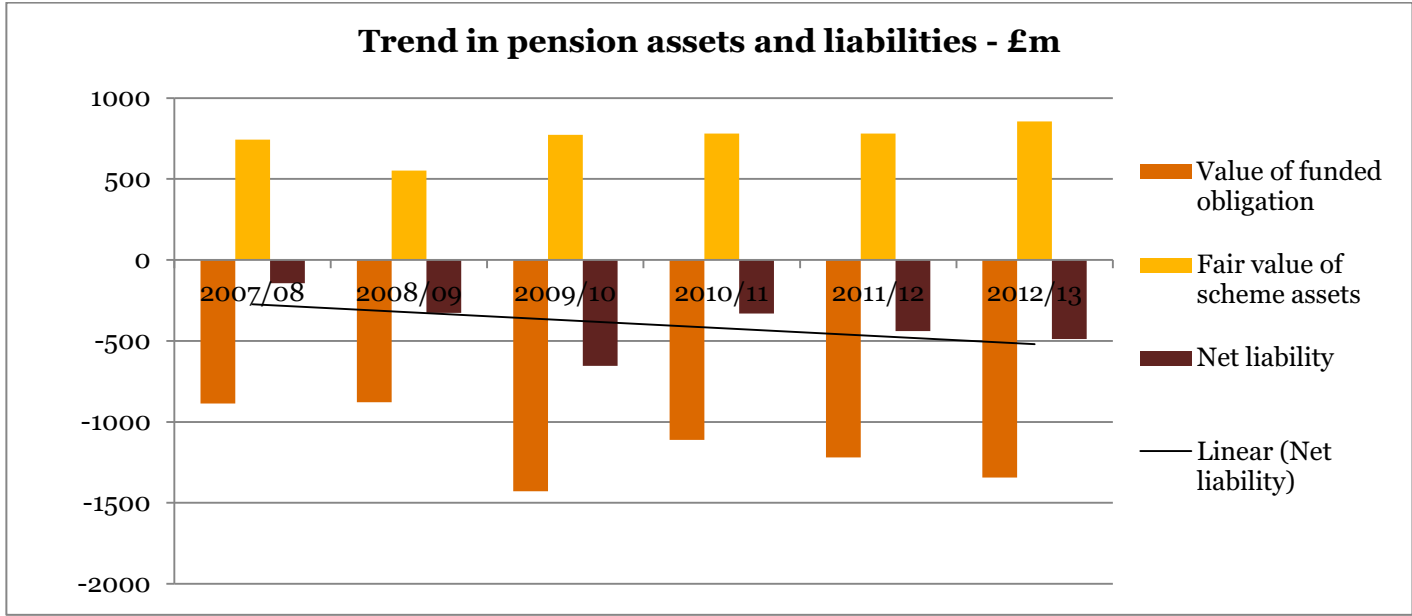
One of the most significant estimates in the Statement of Accounts is in the valuation of net pension liabilities for employees in the Leicestershire pension fund. Your net pension liability at 31 March 2013 was £500 million (£439 million as at 31 March 2012).

The 2013 triennial valuation is yet to be concluded and will be reflected in the 2013/14 Statement of Accounts. The deficit for the Local Government Pension Scheme as a whole is expected to have increased from £38bn to £80bn since 2010.

Although the trend has been for assets to gradually increased in value over this period, the value of the liabilities has increased by more than 40% as these are linked to gilt yields which are at an all time high.

The chart below shows the significant movement in your net pension liability over the last few years, and illustrates the persistent and growing net liability in the pension fund since at least 2007.

Council Pension Liability between 2007/08 and 2012/13



There are some changes to the accounting standard for Employee Benefits (IAS 19) for 2013/14.

Your actuary has estimated that if those changes applied in 2012/13, your expenditure would have increased by £4.7 million.

The Pension Fund gives membership details to the Actuary to calculate the figures for the accounts. We check that the census information used by the Actuary agree to the Council's records and found that they were consistent. We have also reviewed the reasonableness of the assumptions underlying the pension liability, and we are comfortable that the assumptions are within an acceptable range.

Changes to IAS 19: Employee Benefits

From 2013/14 there will be changes to the accounting for defined benefit schemes and termination benefits. For defined benefit schemes the net finance cost will be used. The net scheme liabilities/assets will be unwound using the discount rate for the pension liability and the costs of administering the scheme will be recognised directly in expenses.

The definition of termination benefits has changed and does not now include liabilities where there is a future service element. They do not include any 'voluntary' element.

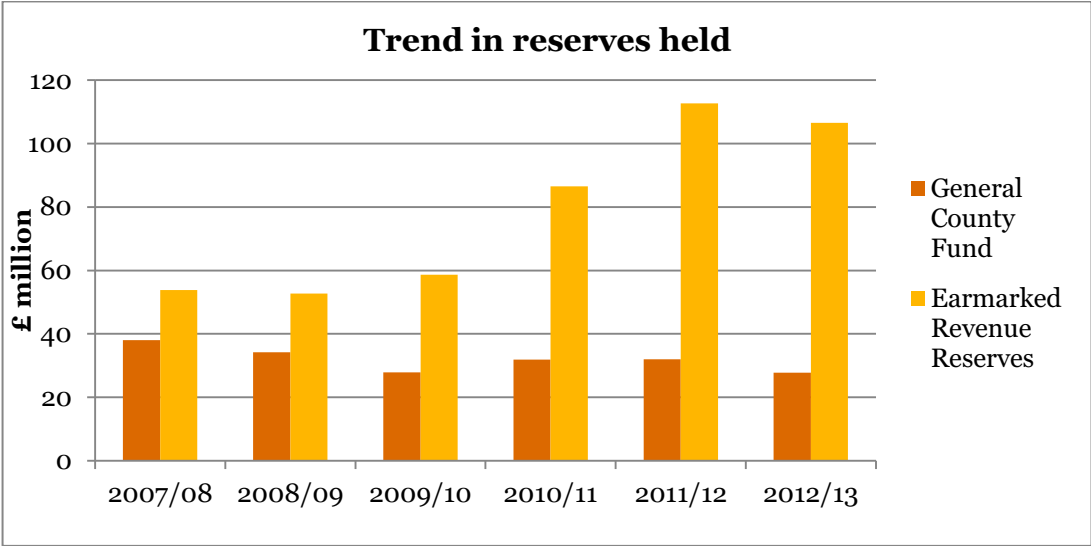
The 2012/13 accounts include disclosure of standards issued but not adopted and estimates of their likely financial effect. As a result, estimates of the impact of IAS 19 (Revised) have been obtained from the actuary. The impact on the Authority in 2012/13 would have been to increase expenditure charged to the Statement of Comprehensive Income and Expenditure by £4.7 million.

Reserves

Your level of reserves continues to be strong. We have commented in more detail on this in our report on your Medium Term Financial Strategy which is presented to you earlier in the year. Your draft Statement of Accounts show that this trend has continued:

The level of your reserves continues to be strong. This includes your General County Fund, which you hold to manage future risk, and your Earmarked Reserves, which are held for specific future purposes.

We are required to tell you about all misstatements we have identified which management has chosen not to amend the accounts for. A summary of these is included in Appendix 1.



Of the reserves held at the end of 2012/13, £8.4 million of the General County Fund relates to delegated funding for schools, a significant decrease of £9.7 million from 2011/12 which reflects schools transferring to Academy status. Significant earmarked reserves include £11.6 million for invest to save/severance projects, £11.4 million for insurance purposes and £10.4 million for Health & Social Care outcomes.

You have raised a number of earmarked reserves to address emerging future costs. Our review of these reserves identified no auditing or accounting issues; we are satisfied that they have been established in accordance with your accounting policies. The use of these reserves will continue to be considered in more detail as part of your financial planning procedures going forward.

From an audit perspective, we are satisfied that reserves have been accounted for correctly. We would comment that, with further cuts to Local Government budgets in 2015/16 recently announced, you continue to face higher levels of risk

in the short and medium term. This will impact your assessment of reserves requirements.

Audit adjustments

The International Standards on Auditing (ISAs) require us to tell you about all unadjusted items we found during the audit, other than those which are trivial. Please see Appendix 1 for more details. We ask for your representation that you are comfortable for the accounts to not be adjusted for these items.

Significant accounting principles and policies

Significant accounting principles and policies are disclosed in the notes to the Statement of Accounts. We will ask management to represent to us that the selection of, or changes in, significant accounting policies and practices that have, or could have, a material effect on the Statement of Accounts have been considered.

As part of preparing the accounting, management make a number of judgements and accounting estimates.

During our audit we review and challenge management on these judgements. We consider whether they are reasonable in light of the information available.

We found that management has made materially appropriate judgements in preparing the Statement of Accounts.

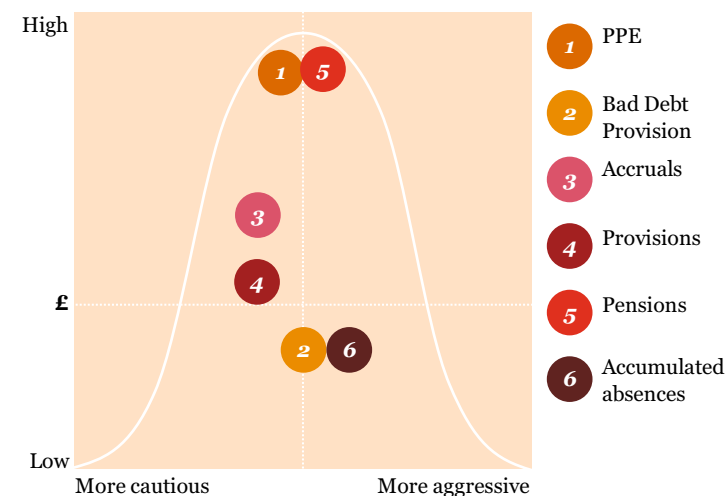
Judgments and accounting estimates

The following significant judgments and accounting estimates were used in the preparation of the financial statements:

- i. **Property, Plant and Equipment - Depreciation and Valuation** - You charge depreciation based on an estimate of the Useful Economic Lives for the majority of your Property, Plant and Equipment (PPE). This involves a degree of estimation. You also value your PPE in accordance with your accounting policies to ensure that the carrying value is true and fair. This involves some judgement and reliance on your internal valuers.
- ii. **Bad Debt Provision** – Your Bad Debt Provision for sundry debtors is calculated on the basis of age and an assessment of the potential recoverability of invoices. There is an inherent level of judgement involved in calculating these provisions and you rely on the knowledge of the Departments for information on specific transactions.
- iii. **Accruals** - You raise accruals for expenditure where an invoice has not been raised or received at the year end, but you know there is a liability to be met which relates to the current year. This involves a degree of estimation.
- iv. **Provisions:** Provisions at 31 March 2013 total £13.1 million (£13.3 million as at 31 March 2012). Because provisions are liabilities of an uncertain timing or amount, there is an inherent level of judgement to be applied.

- v. **Pensions:** See our comments above. You rely on the work of an actuary in calculating these balances.
- vi. **Provision for accumulated absences** - You calculate your accrual for untaken holiday and employment benefits at the year-end based on returns completed by managers. You apply an average calculation based on these returns when you have had no response. This was a new requirement under IFRS and your 31st March 2013 balance is approximately £6 million.

Overall we found your significant judgments and accounting estimates to be reasonable. We outline below a summary of our view of the key accounting judgments applied by management:



We ask management to send us a letter of representation before we sign our audit opinion. A draft of that letter is included in Appendix 2.

We are required to demonstrate our independence by professional standards. Maintaining our independence is important to us in delivering you a robust external audit.

We have considered a range of factors to demonstrate our independence as auditors, including the provision of non-audit work.

Management representations

The final draft of the representation letter that we ask management to sign is attached in Appendix 2.

Audit independence

We are required to follow both the International Standard on Auditing (UK and Ireland) 260 (Revised) “Communication with those charged with governance”, UK Ethical Standard 1 (Revised) “Integrity, objectivity and independence” and UK Ethical Standard 5 (Revised) “Non-audit services provided to audited entities” issued by the UK Auditing Practices Board.

Together these require that we tell you at least annually about all relationships between PricewaterhouseCoopers LLP in the UK and other PricewaterhouseCoopers’ firms and associated entities (“PwC”) and the Authority that, in our professional judgement, may reasonably be thought to bear on our independence and objectivity.

For the purposes of this letter we have made enquiries of all PricewaterhouseCoopers’ teams whose work we intend to use when forming our opinion on the truth and fairness of the Statement of Accounts.

Relationships between PwC and the Authority

We are aware of the following relationships that, in our professional judgement, may reasonably be thought to bear on our independence and objectivity and which represent matters that have occurred during the financial year on which we are to report or up to the date of this document.

Relationships and Investments

We have not identified any potential issues in respect of personal relationships with the Authority or investments in the Authority held by individuals.

Employment of PricewaterhouseCoopers staff by the Authority

We are not aware of any former PwC partners or staff being employed, or holding discussions in respect of employment, by the Authority as a director or in a senior management position covering financial, accounting or control related areas.

Business relationships

We have not identified any business relationships between PwC and the Authority.

Services provided to the Authority

The audit of the Statement of Accounts is undertaken in accordance with the UK Firm’s internal policies. The audit is also subject to other internal PwC quality control procedures such as peer reviews by other offices.

In addition to the audit of the Statement of Accounts, PwC has also undertaken other work for the Authority. This has consisted of:

- Review of the upgrade of Oracle (£20,000) – we were successful in a competitive tender to support the Authority in reviewing the upgrade of your Oracle system.
- VAT Helpline (£3,000) – we provide a VAT service to the Council giving unlimited access to a telephone helpline for routine VAT queries.
- VAT claim (estimated £14,000) – you have requested administrative assistance with a VAT claim you are progressing.
- East Midlands Councils (fees unknown at this stage) – we have been asked to undertake an audit of the East Midlands Councils 2012/13 accounts.

We identified the following potential threats to our independence, and put in place safeguards against these:

We have concluded that we are independent and comply with the relevant UK regulatory and professional requirements.

You are required to produce an Annual Governance Statement (AGS). We reviewed your AGS and found no areas of concern to report.

Our value for money responsibilities require us to conclude on whether you have put in place proper arrangements to secure economy, efficiency and effectiveness in the use of resources. We considered a number of factors, in particular your process for preparing a Medium Term Financial Strategy, your financial results and other performance measures.

Self-review threat: This threat could arise if we undertake work which we later rely upon for our audit. Our non-audit work does not result in a material impact on the financial statements.

Self-interest threat: This threat could arise if we undertake significant levels of non-audit work. The size of the non-audit fees and the nature of the work does not give rise to a self-interest threat.

Management threat: This threat arises if PwC makes a management decision or assumes a management responsibility. The Council designated an appropriate officer to receive the results of our work and make all significant judgements connected with the services. The individuals nominated have a sufficient level of understanding of our services and has the responsibility for evaluating our work and determining what actions to take. We do not take management decisions.

Advocacy threat: Our non-audit services do not involve an advocacy role.

Familiarity threat: All of our members of staff are independent of Leicestershire County Council.

Intimidation threat: No intimidation threat has been identified.

In relation to the non-audit services provided, none included contingent fee arrangements. We are satisfied in all cases that the non-audit work does not compromise our independence as your external auditor.

Fees

The analysis of our audit fees for the year ended 31 March 2013 is included later in this report.

Services to Directors and Senior Management

PwC does not provide any services e.g. personal tax services, directly to directors or senior management.

Rotation

It is the Audit Commission's policy that auditors at an audited body at which a full Code audit is required to be carried out should act for an initial period of five years. The Commission's view is that generally the range of regulatory safeguards it applies within its audit regime is sufficient to reduce any threats to independence that may otherwise arise at the end of this period to an acceptable level. Therefore, to safeguard audit quality, and in accordance with APB Ethical Standard 3, it will subsequently approve auditors for an additional period of up to no more than two years, provided that there are no considerations that compromise, or could be perceived to compromise, the auditor's independence or objectivity.

Gifts and hospitality

We have not identified any significant gifts or hospitality provided to, or received from, a member of Authority's Cabinet, senior management or staff.

Conclusion

We hereby confirm that in our professional judgement, as at the date of this document:

- we comply with UK regulatory and professional requirements, including the Ethical Standards issued by the Auditing Practices Board; and
- our objectivity is not compromised.

We would ask the Corporate Governance Committee to consider the matters in this document and to confirm that they agree with our conclusion on our independence and objectivity.

Annual Governance Statement

Local Authorities are required to produce an Annual Governance Statement (AGS), which is consistent with guidance issued by CIPFA / SOLACE: "Delivering Good

As part of our value for money work we reviewed your Medium Term Financial Strategy. Our detailed findings were reported to you at the meeting in June 2013. We have summarised our findings on this page

Governance in Local Government”. The AGS was included in the Statement of Accounts.

We reviewed the AGS to consider whether it complied with the CIPFA / SOLACE “Delivering Good Governance in Local Government” framework and whether it is misleading or inconsistent with other information known to us from our audit work. We found no areas of concern to report in this context.

Economy, efficiency and effectiveness

Our value for money code responsibility requires us to carry out sufficient and relevant work in order to conclude on whether the Authority has put in place proper arrangements to secure economy, efficiency and effectiveness in the use of resources.

The Audit Commission guidance includes two criteria:

- The organisation has proper arrangements in place for securing financial resilience; and
- The organisation has proper arrangements for challenging how it secures economy, efficiency and effectiveness.

We determine a local programme of audit work based on our audit risk assessment, informed by these criteria and our statutory responsibilities.

Medium Term Financial Strategy

Our audit plan highlighted specific value for money risk in relation to your savings requirement and financial plans over the next few years. We agreed in the audit plan that we would review your Medium Term Financial Strategy (MTFS), comparing it to others, and also review your management arrangements.

We have already reported to members on the results of this work in a separate communication. However a summary of the key points are reported here for you information:

- 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.

Given the scale of the changes you are making, there are inevitably a range of risks which are largely unchanged since we last reported:

- **Slippage:** you may not be able to identify or 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.
- **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.

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. Recent funding announcements have shown that there is likely to be a continuing reduction in the amount you have to spend in the medium term. This will make it increasingly challenging to identify and deliver savings which do not result in service reductions.

In conclusion, our work in this particular area has not identified any issues which would lead to an unqualified value for money conclusion.

We identified no significant deficiencies in internal control to report to you.

Internal controls

Accounting systems and systems of internal control

Management are responsible for developing and implementing systems of internal financial control and to put in place proper arrangements to monitor their adequacy and effectiveness in practice. As auditors, we review these arrangements for the purposes of our audit of the Statement of Accounts and our review of the annual governance statement.

Reporting requirements

We have to report to you any significant deficiencies in internal control that we found during the audit which we believe should be brought to your attention.

We identified no significant deficiencies as part of our audit work. Where other deficiencies in internal controls were identified, we have reported these to management for action to be taken.

We ask that the Corporate Governance Committee, as those charged with governance, confirm to us that there are no additional matters relating to fraud that should be brought to our attention.

As part of work to address the risk of fraud, we use data auditing techniques to select journal entries which we believe have a greater risk of containing fraud or error.

We identified no issues to report to you as part of this work.

Risk of fraud

We discussed with you your understanding of the risk of fraud and corruption and any reported instances when presenting our plan. We also updated you on the work we have done in response to the risk of material fraud in the Statement of Accounts in the 'Audit Approach' section of our report above.

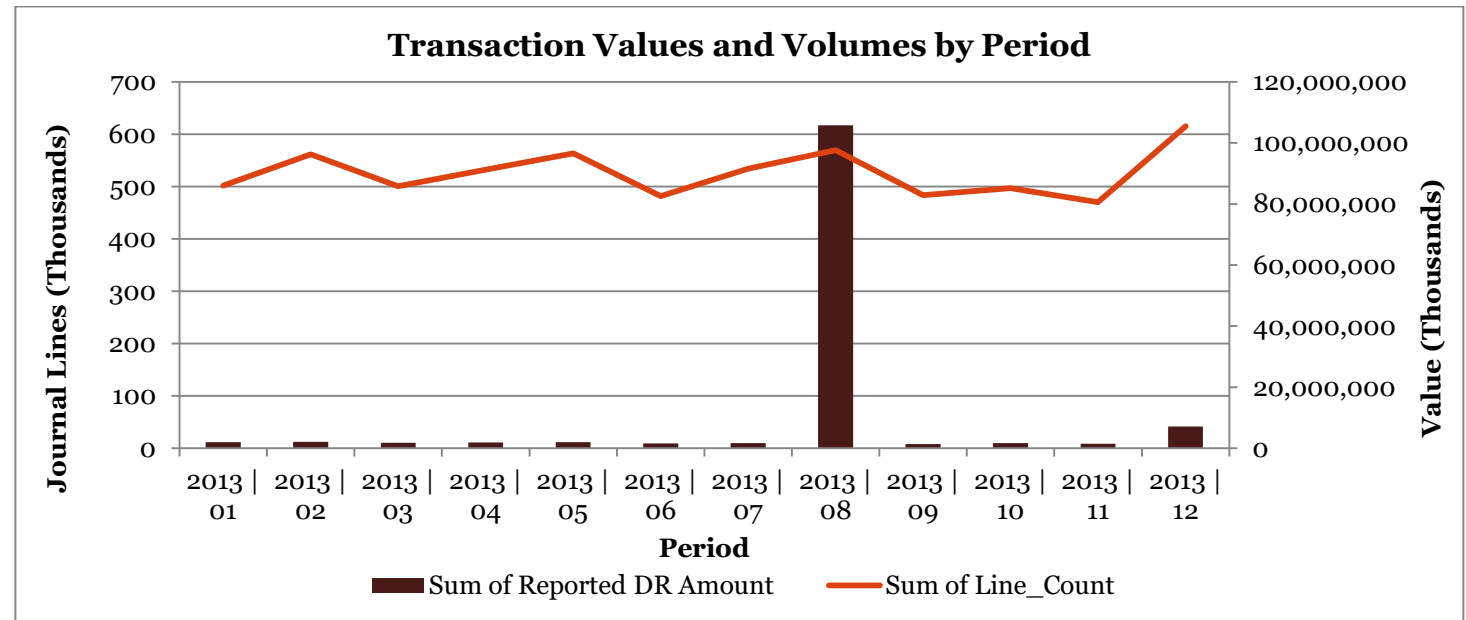
In presenting this report to you we ask for your confirmation that there have been no changes to your view of fraud risk and that no additional matters have arisen that should be brought to our attention. A specific confirmation from management in relation to fraud is included in the letter of representation.

Journals

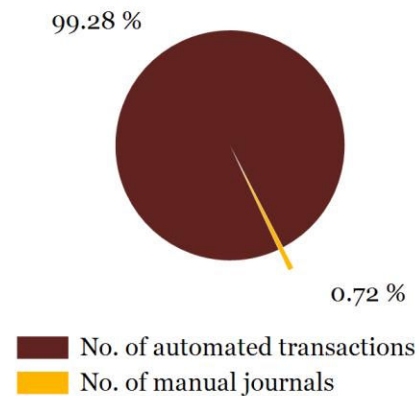
Journals are transactions put through your accounts system which can be of any value and affect any account. Your main processing systems, including purchasing and payroll, produce automatic journals covering the bulk of transactions, but these cannot cover all the various accounting requirements, particularly capital accounting and year end estimates. Your staff have to prepare and enter manual journals for these.

Journals are inherently risky because of their ability to affect any account, and we address this risk in your organisation by using a computer program to interrogate the journals in the ledger system. This helped us direct our detailed audit checks on specific journals which appeared more unusual and therefore riskier.

We are pleased to report that our work on journals identified no significant concerns or issues. Our work did however identify some interesting statistics which we include below for your information.

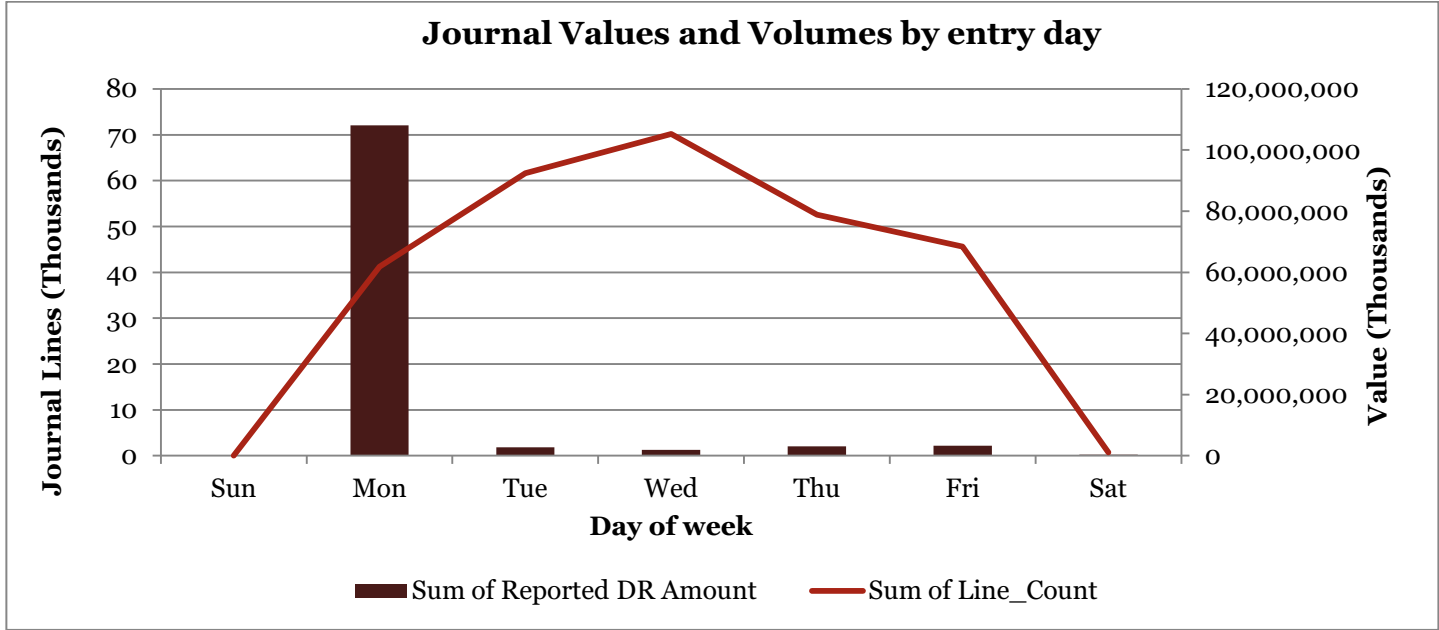


Over 271,000 journals were posted manually in the year including the close down period to the value of over £15 billion (excluding a one off set of transactions in period 8, which are shown by the graph above and were processed to net down balances held gross on the Balance Sheet). The number of your journals which are raised manually is relatively small as a percentage of the total when compared to other similar Councils:



Journals posted out of hours or at weekends, when there is less obvious supervision, present a higher risk of management override of controls. A total of 39 journals (83 in 2011/12) were posted at the weekend. We targeted our testing to look at material journals posted at unusual times and dates.

A summary of this information is presented below. The significant peak in the value of transactions on a Monday is due to a single significant transaction which was processed in Month 8 on a Monday. The peak in the volume of transactions is on Wednesday, which is consistent with prior periods:



We did not identify any significant issues from this work. We have shared the detail above with management to consider further.

Our audit fees are in line with our original proposal.

Fees update

Fees update for 2012/13

We reported our fee proposals in our plan.

Our forecast outturn is in line with our original proposals.

	2012/13 outturn	2012/13 fee proposal
Statement of Accounts (including whole of government accounts)	100,000	100,000
Value for Money Conclusion	12,600	12,600
TOTAL	112,600	112,600

Our fee for certification of grants and claims is yet to be finalised for 2012/13 and will be reported to those charged with governance within the Grants Report to Management which we issue later in the year.

Details of non-audit work we have undertaken is included earlier in this report.

Appendices

We are required to report to you all uncorrected misstatements we have identified.

If the accounts remain unadjusted for these items, we will need a written representation explaining why.

A proposed letter of representation is included in Appendix 2 to this report.

Appendix 1: Summary of uncorrected misstatements

We found the following matters during the audit that have not been adjusted by management. You are requested to consider these formally and determine whether you would wish the accounts to be amended. If the misstatements are not adjusted we will need a written representation from you explaining your reasons for not making the adjustments.

No	Description of misstatement (factual, judgemental, projected)	Income statement (£m)		Balance sheet (£m)	
		Dr	Cr	Dr	Cr
1	Local Authority Mortgage Scheme (LAMS) The transactions made under the scheme to date have been accounted for as capital transactions rather than as revenue transactions. In addition, the money passed to the bank to date has been classified as a Long Term Debtor rather than a Long Term Investment. For more detail please refer to the 'Significant audit and accounting matters' section of the main report.	J		Long Term Investment 5.4 Capital Adjustment Account 5.4 Movement in Reserves Statement 5.4	Long Term Debtor 5.4 Movement in Reserves Statement 5.4 Earmarked Reserves 5.4
Total uncorrected misstatements				5.4	5.4

In addition, as part of our sampling of individual transactions we found a small error of £3,000. This occurred where you had under-accrued for an invoice. Although this is below the agreed reporting level, when we extrapolated this amount there was an additional projected error of £239,000. Due to the immaterial nature of this item you have decided not to adjust the accounts.

There are a number of matters on which we are required to ask for a written representation.

A draft letter of representation is included in this appendix.

Appendix 2: Letter of representation

[Insert LCC letterhead]

PricewaterhouseCoopers LLP
Cornwall Court
19 Cornwall Street
Birmingham
B3 2DT

Dear Sirs,

Representation letter – audit of Leicestershire County Council’s (the Authority) Statement of Accounts for the year ended 31 March 2013

Your audit is conducted for the purpose of expressing an opinion as to whether the Statement of Accounts of the Authority give a true and fair view of the affairs of the Authority as at 31 March 2013 and of its surplus/deficit and cash flows for the year then ended and have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13 supported by the Service Reporting Code of Practice 2012/13.

I acknowledge my responsibilities as Director of Corporate Resources for preparing the Statement of Accounts as set out in the Statement of Responsibilities for the Statement of Accounts. I also acknowledge my responsibility for the administration of the financial affairs of the authority and that I am responsible for making accurate representations to you.

I confirm that the following representations are made on the basis of enquiries of other chief officers and members of the Authority with relevant knowledge and experience and, where appropriate, of inspection of supporting documentation sufficient to satisfy myself that I can properly make each of the following representations to you.

I confirm, to the best of my knowledge and belief, and having made the appropriate enquiries, the following representations:

Statement of Accounts

I have fulfilled my responsibilities for the preparation of the Statement of Accounts in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13 supported by the Service Reporting Code of Practice 2012/13; in particular the Statement of Accounts give a true and fair view in accordance therewith.

All transactions have been recorded in the accounting records and are reflected in the Statement of Accounts.

Significant assumptions used by the Authority in making accounting estimates, including those surrounding measurement at fair value, are reasonable.

All events subsequent to the date of the Statement of Accounts for which the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13 requires adjustment or disclosure have been adjusted or disclosed.

The effects of uncorrected misstatements are immaterial, both individually and in the aggregate, to the Statement of Accounts as a whole. A list of the uncorrected misstatements is attached below:

Description of misstatement (factual, judgemental, projected)	Income statement (£m)		Balance sheet (£m)	
	Dr	Cr	Dr	Cr
Local Authority Mortgage Scheme (LAMS) The transactions made under the scheme to date have been accounted for as capital transactions rather than as revenue transactions. In addition, the money passed to the bank to date has been classified as a Long Term Debtor rather than a Long Term Investment.		J	Long Term Investment 5.4	Long Term Debtor 5.4
			Capital Adjustment Account 5.4	Movement in Reserves Statement 5.4
			Movement in Reserves Statement 5.4	Earmarked Reserves 5.4
Total uncorrected misstatements			5.4	5.4

In addition, as part of the auditors' sampling of individual transactions a small error of £3,000 was identified. When this was extrapolated an additional projected error of £239,000 was identified. Due to the immaterial nature of this item we have decided not to adjust the accounts.

The Statement of Accounts disclose all matters of which we are aware that are relevant to the Authority's ability to continue as a going concern, including all significant conditions and events, mitigating factors and the Authority's plans.

Information Provided

I have taken all the steps that I ought to have taken in order to make myself aware of any relevant audit information and to establish that you, the authority's auditors, are aware of that information.

I have provided you with:

- access to all information of which I am aware that is relevant to the preparation of the Statement of Accounts such as records, documentation and other matters, including minutes of the Authority and its committees, and relevant management meetings;
- additional information that you have requested from us for the purpose of the audit; and
- unrestricted access to persons within the Authority from whom you determined it necessary to obtain audit evidence.

So far as I am aware, there is no relevant audit information of which you are unaware.

Accounting policies

I confirm that I have reviewed the Authority's accounting policies and estimation techniques and, having regard to the possible alternative policies and techniques, the accounting policies and estimation techniques selected for use in the preparation of Statement of Accounts are appropriate to give a true and fair view for the authority's particular circumstances.

Fraud and non-compliance with laws and regulations

I acknowledge responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.

I have disclosed to you:

- the results of our assessment of the risk that the Statement of Accounts may be materially misstated as a result of fraud.
- all information in relation to fraud or suspected fraud that we are aware of and that affects the Authority and involves:
 - management;
 - employees who have significant roles in internal control; or
 - others where the fraud could have a material effect on the Statement of Accounts.
- all information in relation to allegations of fraud, or suspected fraud, affecting the Authority's Statement of Accounts communicated by employees, former employees, analysts, regulators or others.
- all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing Statement of Accounts.

I am not aware of any instances of actual or potential breaches of or non-compliance with laws and regulations which provide a legal framework within which the Authority conducts its business and which are central to the authority's ability to conduct its business or that could have a material effect on the Statement of Accounts.

I am not aware of any irregularities, or allegations of irregularities including fraud, involving members, management or employees who have a significant role in the accounting and internal control systems, or that could have a material effect on the Statement of Accounts.

The Authority pension fund has not made any reports to the Pensions Regulator nor am I aware of any such reports having been made by any of our advisors. I confirm that I am not aware of any late contributions or breaches of the schedule of contributions that have arisen which I considered were not required to be reported to the Pensions Regulator. I also confirm that I am not aware of any other matters which have arisen that would require a report to the Pensions Regulator.

There have been no other communications with the Pensions Regulator or other regulatory bodies during the year or subsequently concerning matters of non-compliance with any legal duty.

Related party transactions

I confirm that we have disclosed to you the identity of the Authority's related parties and all the related party relationships and transactions of which we are aware.

Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of Section 3.9 of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

We confirm that we have identified to you all senior officers, as defined by the Accounts and Audit Regulations 2011, and included their remuneration in the disclosures of senior officer remuneration.

Employee Benefits

I confirm that we have made you aware of all employee benefit schemes in which employees of the authority participate.

Contractual arrangements/agreements

All contractual arrangements (including side-letters to agreements) entered into by the Authority have been properly reflected in the accounting records or, where material (or potentially material) to the statement of accounts, have been disclosed to you.

Litigation and claims

I have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the statement of accounts and such matters have been appropriately accounted for and disclosed in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

Taxation

I have complied with UK taxation requirements and have brought to account all liabilities for taxation due to the relevant tax authorities whether in respect of any direct tax or any indirect taxes. I am not aware of any non-compliance that would give rise to additional liabilities by way of penalty or interest and I have made full disclosure regarding any Revenue Authority queries or investigations that we are aware of or that are ongoing.

In particular:

- In connection with any tax accounting requirements, I am satisfied that our systems are capable of identifying all material tax liabilities and transactions subject to tax and have maintained all documents and records required to be kept by the relevant tax authorities in accordance with UK law or in accordance with any agreement reached with such authorities.
- I have submitted all returns and made all payments that were required to be made (within the relevant time limits) to the relevant tax authorities including any return requiring us to disclose any tax planning transactions that have been undertaken the authority's benefit or any other party's benefit.
- I am not aware of any taxation, penalties or interest that are yet to be assessed relating to either the authority or any associated company for whose taxation liabilities the authority may be responsible.

Retirement benefits

All significant retirement benefits that the Authority is committed to providing, including any arrangements that are statutory, contractual or implicit in the authority's actions, wherever they arise, whether funded or unfunded, approved or unapproved, have been identified and properly accounted for and/or disclosed.

All settlements and curtailments in respect of retirement benefit schemes have been identified and properly accounted for.

The actuarial assumptions underlying the valuation of retirement benefit scheme liabilities are consistent with my knowledge of the business and in my view would lead to the best estimate of the future cash flows that will arise under the scheme liabilities.

The authority participates in the Teachers' Pension Scheme that is a defined benefit scheme. I confirm that the authority's share of the underlying assets and liabilities of this scheme cannot be identified and as a consequence the scheme has been accounted for as a defined contribution scheme.

Using the work of experts

I agree with the findings of Hymans Robertson, experts in evaluating the liabilities of the Pension Fund and have adequately considered the competence and capabilities of the experts in determining the amounts and disclosures used in the preparation of the Statement of Accounts and underlying accounting records. The Authority did not give or cause any instructions to be given to experts with respect to the values or amounts derived in an attempt to bias their work, and I am not otherwise aware of any matters that have had an impact on the objectivity of the experts.

Pension fund assets and liabilities

All known assets and liabilities including contingent liabilities, as at the 31 March 2013, have been taken into account or referred to in the Statement of Accounts.

Details of all financial instruments, including derivatives, entered into during the year have been made available to you. Any such instruments open at the 31 March 2013 have been properly valued and that valuation incorporated into the Statement of Accounts.

The pension fund has satisfactory title to all assets and there are no liens or encumbrances on the pension fund's assets.

The value at which assets and liabilities are recorded in the net assets statement is, in the opinion of the authority, the market value. We are responsible for the reasonableness of any significant assumptions underlying the valuation, including consideration of whether they appropriately reflect our intent and ability to carry out specific courses of action on behalf of the pension fund. Any significant changes in those values since the date of the Statement of Accounts have been disclosed to you.

Pension fund registered status

I confirm that the Leicestershire Pension Fund is a Registered Pension Scheme. We are not aware of any reason why the tax status of the scheme should change.

Bank accounts

I confirm that I have disclosed all bank accounts to you including those that are maintained in respect of the pension fund.

Litigation

I am not aware of any pending or threatened litigation, proceedings, hearings or claims negotiations which may result in significant loss to the Authority.

Transactions with members/officers

No transactions involving members, officers and others requiring disclosure in the Statement of Accounts under the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13 have been entered into.

Subsequent events

There have been no circumstances or events subsequent to the period end which require adjustment of or disclosure in the statement of accounts or in the notes thereto.

As minuted by the Corporate Governance Committee at its meeting on 23 September 2013.

.....

Director of Corporate Resources

For and on behalf of Leicestershire County Council

Date



In the event that, pursuant to a request which Leicestershire County Council has received under the Freedom of Information Act 2000, it is required to disclose any information contained in this report, it will notify PwC promptly and consult with PwC prior to disclosing such report. Leicestershire County Council agrees to pay due regard to any representations which PwC may make in connection with such disclosure and Leicestershire County Council shall apply any relevant exemptions which may exist under the Act to such report. If, following consultation with PwC, Leicestershire County Council discloses this report or any part thereof, it shall ensure that any disclaimer which PwC has included or may subsequently wish to include in the information is reproduced in full in any copies disclosed.

This document has been prepared only for Leicestershire County Council and solely for the purpose and on the terms agreed through our contract with the Audit Commission. We accept no liability (including for negligence) to anyone else in connection with this document, and it may not be provided to anyone else.

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**CORPORATE GOVERNANCE COMMITTEE - 23 SEPTEMBER 2013****JOINT REPORT OF THE DIRECTOR OF CORPORATE
RESOURCES AND THE COUNTY SOLICITOR****PROPOSED CHANGES TO THE
CONTRACT PROCEDURE RULES****Purpose of Report**

1. The purpose of this report is to:
 - a. report on the operation of the Contract Procedure Rules between 1 July 2012 and 30 June 2013;
 - b. bring to the Committee's attention actions being taken to continue to ensure compliance with the Contract Procedure Rules;
 - c. propose that recommendations to the County Council are made to revise the Contract Procedure Rules.

Background

2. Rule 7 (Annual Reporting) of the Constitution's Contract Procedure Rules stipulates that the Director of Corporate Resources, in consultation with the County Solicitor, shall at least once in each financial year submit a report to the Corporate Governance Committee in relation to the operation of these Rules. This includes (amongst other things) details of the approved exceptions to these Rules and approved extensions to contracts where not provided for in the contract, and proposed revisions to these Rules and/or changes required to accommodate the requirements of UK and EU procurement law, as may be necessary from time to time.

Approved Exceptions to the Rules

3. Between 1 July 2012 and 30 June 2013, 34 approved exceptions, which are allowed for in Rule 5b, have been recorded in the Exceptions Logs maintained by Corporate Procurement and Chief Officers. These have been consolidated and are detailed in Appendix A to this report (attached).
4. It should be noted that last year saw the introduction of Departmental Contract Procedure Logs to record exceptions/extensions approvals given by each Chief Officer to improve monitoring, particularly of lower value contracts. This increased monitoring activity has facilitated a more comprehensive review of approvals at Chief Officer level and has contributed to the increased

number of exceptions recorded. In the previous annual report to this Committee for the period 1 August 2011 to 30 June 2012 (11 months), there were 18 exceptions with a total contract value of £1.05m.

5. The aggregate value of the 34 contracts (£2.47m) represents less than 1% of the Council's annual procurement expenditure of £302m. All but one of these 34 exceptions was below the EU threshold of £173,934, over which the Public Contracts Regulations 2006, which set down strict rules for competing requirements, must be complied with. Three of the exceptions were agreed by the Cabinet or the Director of Corporate Resources and 31 by the appropriate Chief Officer.
6. The reasons for these exceptions included:
 - a. the implementation of short-term contracts pending a service review to facilitate the Authority's transformational change;
 - b. the specialist nature of the service;
 - c. the limited nature of the market;
 - d. the timescales/restrictions associated with obtaining central government funding and the urgency of the requirement.
7. The one approved exception over the Public Contracts Regulations 2006 threshold of £173,934 was for 'Quick Access Accommodation & Support Services' (Total Value £1.0m), where approval was sought from the Director of Corporate Resources to use the Negotiated Procedure due to there being no suitable bid being received for the south of the County. This was in compliance with the Public Contract Regulations 2006 and also with the Council's Contract Procedure Rule 17, which states that the Negotiated Procedure must only be used with the prior approval of the Director of Corporate Resources.

Approved Contract Extensions Where no Provision in the Contract

8. During the same 12 months period, in compliance with Rule 31 (iv), there were 8 approved contract extensions where there was no provision within the original contract (see Appendix A). The total value of these 8 extended contracts, including the approved extension, was £4.77m.
9. The majority of these extensions have been awarded to allow time for aligning and co-terminating contracts in order to review the service and to cover the transition period, for example, the new Health Watch organisation.

Actions Taken to Further Increase Compliance

10. In order to continue to maximise compliance with the Rules, business critical projects worth £69.86m have been subject to independent challenge by the Corporate Commissioning & Contracts Board (an officer board put in place to oversee contract awards and contract management). Departmental Commissioning & Contracts Boards are also in place to review and challenge

the procurement processes for lower value, risk procurement activity and to ensure good procurement practice has been followed.

11. The Corporate Management Team also receives a report on a quarterly basis to performance monitor the number of approved exceptions.

Proposed Revisions to the Rules

12. Since the review of the Rules last year, 27 comments have been received and logged on the operation of the Rules from officers across the Council. The nature of these comments has ranged from amendments being proposed to take account of the personalisation agenda, changes in legislation, as well as some minor changes to clarify meaning.
13. As a consequence, 16 proposed revisions to the Rules have been drafted (see Appendix B), supported by the Head of Procurement & Resilience, Head of Legal Services, Head of Democratic Services and Administration, Head of Internal Audit Service and Assistant Director (Strategic Finance & Procurement).
14. One of the more significant proposed revisions is the addition of an exception in Rule 5 to accommodate cases where service users are able to choose their own providers. Most of the other amendments are to provide greater clarification to the rules and to drive the best practice used for higher value procurements down through lower value purchases.
15. Should the County Council approve the draft revised Contract Procedure Rules, they will be published on the Council's intranet and internet sites (the revisions highlighted on the home page) and communicated to all relevant managers and staff within the Council, including via newsletters and presentations.

Recommendations

16. It is recommended:
 - a. That the contents of this report on the operation of the Contract Procedure Rules between July 2012 and June 2013 be noted;
 - b. That the County Council be recommended to approve the proposed amendments to the Contract Procedure Rules, as set out in Appendix B to this report.

Appendices

Appendix A	-Contract Procedure Rules Exceptions & Requested Contract Extensions (2012-13)
Appendix B	-Proposed Amendments to the Contract Procedure Rules

Equal Opportunities Implications

The Rules ensure that all potential suppliers and suppliers receive equal treatment when bidding for contracts.

Background Papers

The Constitution of Leicestershire County Council

Report to the Corporate Governance Committee on 24 September 2012 –
'Proposed Changes to the Contract Procedure Rules'

Circulation under the Local Issues Alert Procedure

None

Officers to Contact

Fiona Holbourn
Head of Procurement & Resilience
Tel. 0116 305 6185
E-mail: fiona.holbourn@leics.gov.uk

Anthony Fernihough
Senior Procurement Manager
Tel. 0116 305 6494
E-mail: Anthony.fernihough@leics.gov.uk

APPENDIX A: CONTRACT PROCEDURE RULES EXCEPTIONS & REQUESTED CONTRACT EXTENSION WHERE NO PROVISION IN CONTRACT (2012-13)

Exceptions

No	Contract Title	Contract Description (if required)	Total Contract Value (£)	Rationale	Approval Date	Approved By	Category Group	Department	Supporting Documentation	Supplier(s)
1	AutoCAD licences	AutoCAD licences - an industry standard, shrink-wrapped, technical drawing software package	£ 35,000	HR review / changes in personnel resulted in limited time being available to advertise the contract opportunity and issue the Request for Quotation document, though a number of quotations were gained, with this offer being evaluated as best value. Contract to be offered to competition this year.	05/07/12	Appropriate Chief Officer	ICT	Corporate Resources	CPR Exceptions Supporting Documentation\111 AutoCAD Exception Paper 3rd July 2012.doc	CADline Ltd
2	BlueCielo Teamwork licences	BlueCielo Teamwork licences - a specialist software product for storing drawings	£ 4,000	HR review / changes in personnel resulted in limited time being available to advertise the contract opportunity and issue the Request for Quotation document. The authority has a skill base in the use of this particular software product which would be difficult to replace and total cost of licence renewal below £5k	05/07/12	Appropriate Chief Officer	ICT	Environment & Transport	CPR Exceptions Supporting Documentation\112 BlueCielo Teamwork Exception Paper 3rd July 2012.doc	Extelch Ltd
3	eForms	eForms using an Amazon-based Cloud solution	£ 56,000	Ensure continuity of service by contracting with the current provider as an interim (2 year) arrangement to align with the Web Technologies Refresh/Review Programme	18/08/12	Appropriate Chief Officer	ICT	Corporate Resources	CPR Exceptions Supporting Documentation\114 e-Forms Exception Paper - Final.doc	Firmstep
4	Oracle Policy Automation (OPA) support and development services	Oracle Policy Automation (OPA) support and development services for the issuing of long-term waste permits	£ 23,000	LCC are working in partnership with Oracle to develop a pilot implementation of OPA (to demonstrate the versatility of the tool). The individual that Oracle assigned to the pilot project has since established an independent consulting business. This individual's expertise and knowledge is critical to the success of the project	20/08/12	Appropriate Chief Officer	ICT	Corporate Resources	CPR Exceptions Supporting Documentation\115 Red Opal Exception Paper 15th Aug. 2012.doc	Red Opal Ltd
5	Warm Homes Officers	Tackle fuel poverty via provision of information, advice, practical support and referral to other appropriate services	£ 87,000	There is no time for a procurement process. The Department of Health confirmed funding on 21st November 2012, and requires that all funds be committed and the projects implemented by 31st March 2013	03/12/12	Appropriate Chief Officer	Miscellaneous	Adults & Communities	CPR Exceptions Supporting Documentation\123 Change Agents UK2.doc	Change Agents UK
6	Administration of the Social Fund in Leicestershire	Short term contract for the administration of the New Social Fund in Leicestershire	£ 120,000	The original proposal was that the District Councils would administer the Social Fund on the basis of a single eligibility criteria devised for the County. However, the aggregated District Council administrative costs proved to be considerably higher than the Government allocation and an outsourced option offered better value for money. Because of the need to undertake these discussions with partners it was not possible to carry out a full procurement process and therefore a direct award of a short term contract for the administration of the New Social Fund will ensure that a fair and robust social fund provision is in place in Leicestershire for 1 April 2013.	16/01/13	Executive	Miscellaneous	Chief Executive's	CPR Exceptions Supporting Documentation\124 SF-Cabinet2v3 JT comments.doc	Northgate Information Solutions Ltd
7	Additional Oracle Policy Automation (OPA) development services - see exception no 4 of this appendix	Oracle Policy Automation (OPA) development services for the issuing of long-term waste permits	£ 75,000	Widen OPA into other service areas beyond long-term waste permits (see exception 115), including home to school transport and highways reporting. The proprietary nature of the Connector software means that only this supplier can provide support development work.	04/02/13	Appropriate Chief Officer	ICT	Corporate Resources	CPR Exceptions Supporting Documentation\126 Red Opal Exception Paper 11th Dec. 2012.doc	Red Opal Ltd

8	CareOnLine 10 year longitudinal study	Third party study of the benefits gained by service users from the services and equipment provided by CareOnLine. It will pay particular attention to how the delivery of services to users in their own homes has improved independence, well-being and affected the need for health and social care support services.	£ 20,000	The contractor selected has a unique knowledge of how CareOnLine works and is in a position to meet the timescales required. They have worked with CareOnLine over the past 3 years on the international Sus-IT research project (understanding the challenges faced by older people using technology and identifying ways to use computers to improve their quality of life); the team have also conducted interviews with CareOnLine service users	09/01/13	Appropriate Chief Officer	Miscellaneous	Adults & Communities	Approval paperwork is retained by Director of Adults & Communities	Loughborough University Research School of Informatics Department and S & F Phipps Consultancy Services Ltd
9	Mobile Libraries Tablet PC Evaluation Study	To explore alternative methods of service delivery using IT by focusing on the mobile library service.	£ 6,500	The contractor selected has a unique knowledge of how CareOnLine works and is in a position to meet the timescales required. They have worked with CareOnLine over the past 3 years on the international Sus-IT research project (understanding the challenges faced by older people using technology and identifying ways to use computers to improve their quality of life); the team have also conducted interviews with CareOnLine service users	09/01/13	Appropriate Chief Officer	ICT	Adults & Communities	Approval paperwork is retained by Director of Adults & Communities	Loughborough University Research School of Informatics Department and S & F Phipps Consultancy Services Ltd
10	Choose My Support Training Evaluation Study	Increase the active user base of Choose My Support by providing a 12 month outreach training programme to Adult Social Care service users	£ 6,500	The contractor selected has a unique knowledge of how CareOnLine works and is in a position to meet the timescales required. They have worked with CareOnLine over the past 3 years on the international Sus-IT research project (understanding the challenges faced by older people using technology and identifying ways to use computers to improve their quality of life); the team have also conducted interviews with CareOnLine service users	09/01/13	Appropriate Chief Officer	Miscellaneous	Adults & Communities	Approval paperwork is retained by Director of Adults & Communities	Loughborough University Research School of Informatics Department and S & F Phipps Consultancy Services Ltd
11	Energy Management Software for SCORE schools	To enable schools to forensically examine when and where energy is being consumed within their building	£ 50,000	There are no other suppliers that can provide software with this functionality as advised by the Carbon Trust and Brar Associates	25/07/12	Appropriate Chief Officer in consultation with the appropriate Category Manager	ICT	Environment & Transport	CPR Exceptions Supporting Documentation\136_Approval to Contract Exception\2_Energy Mgt Software.pdf	Simplicity Energy Management
12	Leicester and Leicestershire City Deal Support	Services to support the development of the Leicester, Leicestershire Enterprise Partnership City Deal	£ 4,990	The award is on the basis of the contractor's expertise from their involvement in the wave one city deals.	27/12/12	Appropriate Chief Officer	Miscellaneous	Chief Executive's	CPR Exceptions Supporting Documentation\141_Contract - Exception KPMG.htm	KPMG
13	Mosaic Shaping Disability Services	A variety of services for disabled people living in the County ensuring that they have access to community activities	£ 52,000	Short term contract to ensure continuity of services until the same point as other Early Intervention & Prevention Services which have been extended to 31 March 2014.	10/01/13	Appropriate Chief Officer	Social Care	Adults & Communities	Approval paperwork is retained by Director of Adults & Communities	Mosaic Shaping Disability Services
14	Hot Drinks Vending in C&W Venues	Coffee and Hot Drinks in Communities and Wellbeing Venues Project	£ 52,247	Procurement exercise was conducted in period when the appropriate ESPO framework had expired, and the replacement was some months away.	15/01/13	Appropriate Chief Officer in consultation with the appropriate Category Manager	Food & Catering Equipment/Services	Adults & Communities	Approval paperwork is retained by Director of Adults & Communities	Autobar UK Ltd
15	Audio Visual Maintenance for Council Chamber and Committee Suite	Agreement to provide maintenance support for the audio visual equipment in the Committee Suite and Council Chamber.	£ 15,500	Soundadvice AV installed the equipment in the first instance following a procurement process and LCC have worked with them for a number of years. Soundadvice AV have provided ad hoc support for a number of years this formalises the arrangement	16/01/13	Appropriate Chief Officer	ICT	Chief Executive's	CPR Exceptions Supporting Documentation\144_Approval of Contracts for Soundadvice AV.htm	Soundadvice AV
16	Installation of Cameras in Sparkenhoe	The installation of cameras in Sparkenhoe Committee Room to enable webcasting of events	£ 8,000	The supplier installed microphones in all the Committee Rooms in 2012 following a procurement process. A decision has been taken to extend the webcasting facility and it has been decided to use the supplier who installed the microphones	16/01/13	Appropriate Chief Officer	ICT	Chief Executive's	Email approval from County Solicitor	Soundadvice AV
17	Energy Services Contractor Consultancy & Procurement Services	To tender the appointment of an Energy Services Contractor (ESCO)	£ 12,250	Company already appointed by the Greater London Authority to manage the REFIT framework of ESCO. The GLA framework is the only one available which meets the Authority's requirements	18/01/13	Appropriate Chief Officer	Consultancy & Professional Services	Corporate Resources	Reasons for decision retained on the appropriate file in Property Services	Turner & Townsend

18	Purchase of Surface Dressing Chipping Spreader		£ 146,550	There are no other suppliers in the EU that can provide this equipment. Market Research has identified only one supplier which is capable of supplying a vehicle in time for the surface dressing season	20/01/13	Appropriate Chief Officer in consultation with the appropriate Category Manager	Vehicles & Plant	Environment & Transport	CPR Exceptions Supporting Documentation\147 Surface Dressing Chipper Purchase 240113.doc	Phoenix
19	Demolition of Pinfold Gate Nursery (Loughborough)	Contract required to enable building of Loughborough Relief Road	£ 63,000	Prime contractor went into administration. To ensure urgent works are delayed as little as possible, direct award of contract to specialist sub-contractor appointed by the prime contractor following a tender exercise.	07/02/13	Appropriate Chief Officer	Building & Civil Engineering	Corporate Resources	CPR Exceptions Supporting Documentation\148 Further Clarification on Baggaelys Advise.htm	Total Reclaims
20	Vehicle Tracker System	To enable continuous monitoring of LCC vehicle usage to optimise usage, fuel consumption etc	£ 93,000	Purchase of system for additional vehicles to that used currently, to ensure compatibility with existing system.	20/03/13	Appropriate Chief Officer in consultation with the appropriate Category Manager	ICT	Environment & Transport	CPR Exceptions Supporting Documentation\152 Vehicle Tracking System Request for Exception Report1.doc	Matrix Telematics Solution
21	Quick Access accommodation & support service - Leicestershire South	Quick access homeless hostel	£ 1,000,000	Original procurement exercise led to an award for services in the North of the County but no suitable bid was received for the South.	27/03/13	Director of Corporate Resources	Social Care	Corporate Resources	CPR Exceptions Supporting Documentation\154 FINAL Approval for Negotiated Procedure Request V1.0.doc	
22	Support and Maintenance Contract for OPA CRM Connector	Provision of Oracle Policy Automation Customer Relationship Management Connector Support Services	£ 130,000	The software is proprietary, solely owned by ERPaaS and not licensed to any other business to resell or provide support and maintenance services	22/07/13	Director of Corporate Resources	ICT	Corporate Resources	CPR Exceptions Supporting Documentation\157 ERPaaS Exception Paper 4th July 2013.doc	ERPaaS Limited
23	2D/3D Design for Gallery Redevelopment	Redevelopment at Bosworth Battlefield Heritage Centre	£ 10,000	Value for money and Intellectual Copyright	21/06/13	Appropriate Chief Officer	Design, Printing & Marketing Services	Adults & Communities	CPR Exceptions Supporting Documentation\161 Studio MB.pdf	Studio MB
24	High Street Banks - Service user finances are currently managed by a SSIS module, County Council Bank accounts and HBOS Bank accounts with interfaces to and from SSIS, Oracle and HBOS. Approximately 1200 service users' accounts are managed by the Department	IAS Banking Solution	£ 10,000	The current contractual arrangement with HBOS procured in 2009 under the exemption rules was valued to be under £10k, because there is effectively no cost to the local authority for opening a bank account.	25-Mar-13	Appropriate Chief Officer	ICT	Adults & Communities	Approval paperwork is retained by Director of Adults & Communities	IAS Banking Solution
25	Collection Boxes	Bespoke collection boxes for a number of key libraries, museums and the record office	£ 40,000	Requirement for a very bespoke product. Procuring Officer did thorough market research and engaged with a number of appropriate potential providers before selecting the contractor.	23/11/12	Appropriate Chief Officer	Miscellaneous	Adults & Communities	CPR Exceptions Supporting Documentation\122 Donation box procurement briefing note.doc	Donation Boxes Ltd
26	Housing 21 (Carers Emergency Respite Scheme)	Integrated 24 hour rapid response to meet emergency support needs. For the provision of services between the hours of 10.30 pm and 7.00 am and in relation to day time care needs - short term intervention.	£ 60,000	This is a new service, to be piloted for up to six months, and it is recognised that the delivery model may need to be refined within this time period to ensure that positive service user outcomes are maintained. The provider of the service will be expected to work in close partnership with Adult Social Care and Health to refine the service delivery model as a work stream within the integration of Reablement and Intermediate Care Project.	26-Mar-13	Appropriate Chief Officer	Social Care	Adults & Communities	CPR Exceptions Supporting Documentation\164 Housing 21 Contract Exception.doc1.doc	Housing 21
27	Foster Carer Handbook (Web Enabled)	Provision of web-enabled Foster Carer Handbook and maintenance for year 2	£ 3,100	Tri-X have existing understanding of business requirements through a similar contract and low value (£3100). The quotation received was deemed value for money.	31/07/12	Appropriate Chief Officer	ICT	Children & Young People's Service	CPR Exceptions Supporting Documentation\166 reasons for not getting quotes for the Foster carer handbook v1.doc	Tri-X Childcare Ltd
28	Key Stage One and Two Monitoring and Moderation		£ 40,600	Although a supply market exists for broader educational services, there has not been sufficient time for it to establish the specific services required by Leicestershire County Council at present, largely as a result of other known Local Authorities undertaking this work as a discrete aspect of in-house provision. Consequently it was deemed impracticable to undertake a competitive procurement in the time available. It is intended that CYPs will seek to undertake a competitive procurement ahead of academic year 13/14	26/10/12	Appropriate Chief Officer	Consultancy & Professional Services	Children & Young People's Service	CPR Exceptions Supporting Documentation\167 Key Stage One & Two Monitoring & Moderation.pdf	Rose Payne Educational Consultancy

29	Specialist Summer Scheme Provision 2013	For children with complex needs and disabilities, who require one to one staffing to access summer scheme provision	£70,000	This is for the direct award of playscheme places where providers are all generally local voluntary sector providers or special schools. It is a series of small value contracts (circa £5000) and funding passported back to the schools. Running a competition exercise would be disproportionately costly involving award of different numbers of places to different providers in different localities. These issues may transpire into relational and political risks with an important local provider market which is volunteer based to a large extent. The exception is to negotiate numbers, dates and locations of Playschemes with existing providers.	12-Feb-13	Appropriate Chief Officer in consultation with the appropriate Category Manager	Social Care	Children & Young People's Service	CPR Exceptions Supporting Documentation\168 Signed Exception to Contract procedure Rules 12th February 20132.doc	Various
30	Youth Service - Counselling		£37,000	Wider restructuring of CYPS and move towards specifying desired services future commissioning now represents a contractual requirement as apposed to Grant Funding. To allow time to effectively plan future services alignment with broader services it is proposed that a contract is negotiated with Knighton Counselling directly to provide counselling services between 1st April 2013 and 31st March 2014	15-Feb-13	Appropriate Chief Officer in consultation with the appropriate Category Manager	Education Services	Children & Young People's Service	CPR Exceptions Supporting Documentation\169.doc	Knighton Counselling
31	Carefree Young Carers Service		£76,086	Following a report to the Commissioning & Contracts Board on 4th Dec 2012 the Board concluded that the existing agreement should be a contract rather than the current grant arrangement. The Board agreed a change to contract for next year (2013/2014) was required on the basis of single tender RFQ as apposed to continuing the grant funding arrangement. The decision to contract directly rather than seek 3 quotes required chief officer approval under rule 5(b)(i)	02-May-13	Appropriate Chief Officer in consultation with the appropriate Category Manager	Social Care	Children & Young People's Service	CPR Exceptions Supporting Documentation\171.doc	Barnardos Carefree Young Carer's Service
32	Permanency Strategy Advice		£2,800	3 verbal quotes received for the Fostering Adoption Post as opposed to 3 written quotes.	31-May-13	Appropriate Chief Officer	Social Care	Children & Young People's Service	CPR Exceptions Supporting Documentation\172 Children Always First Ltd	Children Always First Ltd
33	Apprenticeship 2 Year Pilot Project		£50,000	This is for a two year pilot at the end of which there is a clear intention and plan to compete any longer term requirements.	28-Jun-13	Appropriate Chief Officer in consultation with the appropriate Category Manager	Social Care	Children & Young People's Service	CPR Exceptions Supporting Documentation\173 Apprenticeship contract and exception.rtf	Flying Fish
34	School Data Services	School Data Services	£14,558	Fischer Education Projects Ltd provide the County Council with a unique data analysis project and the decision to use their service is based on our understanding that this is a service subscribed to by 100% of Local Authorities that includes Leicestershire county Council in the previous years. Fischer Family Trust is the only provider of this particular School data. The County Solicitor comments that in reality the County Council is being given little choice because these are the services used by schools.	09/03/13	Appropriate Chief Officer	Consultancy & Professional Services	Chief Executive's	CPR Exceptions Supporting Documentation\174 Contract - Exception .htm	Fischer Education Project Ltd

Extensions where no provision in contract

No	Contract Title	Contract Description (if required)	Total Contract Value (£)	Rationale	Approval Date	Approved By	Category Group	Department	Supporting Documentation	Supplier(s)
1	Bus Service 103	Meynell's Gorse Park and Ride	£ 2,455,000	Co-terminate with another contract to allow a review of the services in order to consider potential efficiencies when re-tendering together, e.g. improved operational reliability and attractiveness to users.	24/09/12	Director of Corporate Resources	Transport	Environment & Transport	CPR Exceptions Supporting Documentation\118 Decision on Extension of Meynell's Gorse Park and Ride Contract.rtf	Roberts Coaches
2	Mentoring of Looked After Children		£ 211,000	Align contract end date with the end of the academic year (whilst a competitive procurement process is undertaken for a contract that commences at the start of the new academic year)	12/10/12	Director of Corporate Resources	Social Care	Children & Young People's Service	CPR Exceptions Supporting Documentation\119 Mentoring of Looked After Children Contract - Exception Report - Oct 12.doc	De Montfort University Students

3	Wisdom Software Maintenance & Support	Maintenance and Support of ERDM software	£ 683,000	There are no other suppliers that provide maintenance and support for Wisdom ERDM software	02/01/13	Appropriate Chief Officer in consultation with the appropriate Category Manager Executive	ICT	Corporate Resources	CPR Exceptions Supporting Documentation\125_Wisdom_Exception_Paper_27th_Dec_2012.doc	2e2 Group Ltd
4	Extra Care Housing	Housing Related Support and Personal Care Services Contracts	£ 531,818	To allow sufficient time for work on a robust service model and specification to be completed and for procurement activity to be carried out.	12/06/13		Social Care	Adults & Communities		Melton Borough Council, Seven Locks, Help at Home, Carewatch South Midlands
5	Warm Homes Officers - links to exception No 6 above	The provision of information, advice, practical support and referral onto other services reduce the harm associated with cold weather on those who are vulnerable either through underlying health conditions and/or who are in fuel poverty.	£ 152,000	Funding is time limited – confirmation of the award from the Department of Health's Warm Homes Healthy Lives fund was received on 21 November 2012, and that we, as a 'top-tier' Local Authority have sponsored the initiatives cited in the 4WaystoWarmth Campaign for this winter. We are happy to report that we have secured additional funding through the Winter Pressures Fund. To extend the Warm Homes Officers' contract from six month to 9 months to fully utilise their increasing skills, knowledge and experience to the benefit of those in fuel poverty/cold housing. That this will encompass the April and Welfare Reform is an additional positive.	11/02/13	Appropriate Chief Officer	Miscellaneous	Adults & Communities	CPR Exceptions Supporting Documentation\125_Wisdom_Exception_Paper_27th_Dec_2012.doc	Change Agents UK
6	Links		£ 161,708	To cover the transition period until the new Healthwatch Organisation is in place.	14/08/12	Appropriate Chief Officer	Healthcare Services	Chief Executive's	Email approval from County Solicitor	
7	Voluntary Sector Information & Advice Services & the Leicestershire Communication Support Service	The provision of information and advice services and the Leicestershire Communication Support Service for people who have had a stroke.	£ 276,000	Extending contracts will allow time to carry out a 12 week public consultation exercise. This will cover the overall model for information and advice services relating to adult social care and the priorities for the delivery of contracted services. It will also allow more detailed exploration of the equalities impacts of the proposed changes.	06/03/13	Executive	Social Care	Adults & Communities	CPR Exceptions Supporting Documentation\151_CPRVoluntarySectorInformationandAdviceServicesandLeicsCommSupportService.doc.pdf	Age UK Leicestershire and Rutland (x2), Age Concern Oadby and Wigston, Alzheimer's Society, Bangladeshi Social Association, Human Rights and Equalities Charnwood (x2), Mosaic, CLASP, LEEAP, Stroke Association
8	Domestic Abuse Support Services	These services provide emotional and practical support to males and females affected by domestic abuse to improve life outcomes for them and their families and prevent further harm and escalation of risk of harm.	£ 303,000	The implementation of two locality arrangements – one joint across Harborough and Melton districts and one in Oadby & Wigston Borough have been delayed, and therefore we are looking to extend the current contract that covers outreach in these areas to cover the interim period. The locality arrangements will be implemented by the end of June 2013. The period of delay is only a few months, and therefore with the nature of the service working with vulnerable victims, who may be at risk of serious harm, it would be significantly disruptive to separately procure a service for the interim period.	26/03/13	Director of Corporate Resources	Social Care	Chief Executive's	email sent by James Fox, Graeme Wardle has copy of email	Women's Aid Leicestershire Ltd

Appendix B - Proposed Amendments to the Contract Procedure Rules

References to the rule numbers in the table below relate to the current rule numbers prior to the proposed amendments being made.

RULE	PROPOSED AMENDMENTS - AS HIGHLIGHTED	EXPLANATION	Current Wording
5(a) (iv)	<p><u>for the following social care services:</u></p> <p><u>A.</u> residential placements sought for an individual with a registered care provider of their choice;</p> <p><u>B.</u> supported living services sought for an individual with an appropriate care and support provider of their choice under the National Health Service and Community Care Act 1990;</p> <p><u>C.</u> individual school placements sought for a child with Special Educational Needs (SEN);</p> <p><u>D. social care packages managed by or on behalf of individual clients under the personalisation agenda;</u></p> <p><u>E.</u> where certain needs of an individual (either an adult or a child) require a particular social care package, which is only available from a specific provider in the opinion of the Appropriate Chief Officer.</p> <p>In each case the Appropriate Chief Officer must ensure that the provider meets the relevant national minimum standards (for example those standards set by the Health and Social Care Act 2008, OFSTED and HMI) and that a record of the reasons for the choice of provider is maintained on the individual's case notes. A record of the annual cumulative expenditure with each provider will be maintained by each directorate and made available for audit.</p>	<p>Clause amended to include numbering to aid readability. Clause (D) added to include other services where service users are able to choose their own providers.</p>	<p>for residential placements sought for an individual with a registered care provider of their choice and for supported living services sought for an individual with an appropriate care and support provider of their choice under the National Health Service and Community Care Act 1990, or for individual school placements sought for a child with Special Educational Needs (SEN), or where the particular needs of an individual (either an adult or a child) require a particular social care package, which is only available from a particular provider in the opinion of the Appropriate Chief Officer. In each case the Appropriate Chief Officer must ensure that the provider meets the relevant national minimum standards (for example those standards set by the Health and Social Care Act 2008, OFSTED and HMI) and that a record of the reasons for the choice of provider is maintained on the individual's case notes. A record of the annual cumulative expenditure with each provider will be maintained by each directorate and made available for audit.</p>
<u>5 (a) v</u>	<u>for those unforeseen emergencies, where immediate action is required in order to fulfil the Council's statutory obligations under the Civil Contingencies Act 2004.</u>	New Clause added to take account of Civil Contingencies Act.	New Clause
8 (b) (ii)	commit an offence under the Bribery Act 2010 or <u>give any fee or reward, the receipt of which is an offence under</u> Section 117(2) of the Local Government Act 1972; or	Clause improved.	commit an offence under the Bribery Act 2010 or Section 117(2) of the Local Government Act 1972; or
9	Move Rule 9 higher up the Contract Procedure Rules to promote the Procurement Principles	Rule 9 moved to be between Rule 4 and 5 to raise the profile of Procurement Principles	No change to wording

11(b)	<p>Table 1: Estimated value £1,000 to £20,000 under column headed 'Minimum Contract Opportunity Publication':</p> <p>None <u>When inviting quotations officers should consider the benefits of including a local supplier in the invitation to quote where appropriate or applicable to the contract¹</u></p> <p><u>Footnote 1</u></p> <p><u>The Council cannot give preference to local suppliers, as there are legislative constraints and such a policy would be incompatible with Best Value. However the Council recognises that there can be barriers limiting or restricting the ability of smaller suppliers to compete for Council business. The Council will seek to reduce the impact of such barriers, where it can do so legally, without discrimination, and without placing unacceptable levels of risk on the Council</u></p> <p>Table 1: Estimated value £1,000 to £20,000 under column headed 'Documentation': (If three Quotations cannot be obtained a record of the reasons for this must be <u>forwarded to the appropriate Category Manager</u>)</p>	<p>To support the Council's objective of supporting local businesses and at the same time to operate within procurement legislation.</p> <p>Footnote 1 will be added to the end of Table 1.</p>	<p>Table 1: Estimated value £1,000 to £20,000 under column headed 'Minimum Contract Opportunity Publication':</p> <p>None</p>
13 ©	<p>In the case of a Procurement Exercise with an Estimated Value of £100,000 – <u>£20,000</u> or more the award methodology <u>process for identifying the most economically advantageous Tender, including selection and award criteria</u>, must be agreed in consultation with the appropriate Category Manager <u>and included in the RFQ/Invitation to Tender</u> and recorded in writing by the Procuring Officer in advance of the issue of the Invitation to Tender and a copy retained on file.</p>	<p>Clause amended so that lower value procurements adhere to best procurement practice - threshold reduced from £100,000 to £20,000 and, ITT/RFQ to include details of selection and award criteria.</p>	<p>In the case of a Procurement Exercise with an Estimated Value of £100,000 or more the award methodology must be agreed in consultation with the appropriate Category Manager and recorded in writing by the Procuring Officer in advance of the issue of the Invitation to Tender and a copy retained on file.</p>
13 (d)	<p>In all cases where the Estimated Value is equal to or exceeds the EU Threshold the process for identifying a most economically advantageous Tender, including evaluation criteria, must be prepared in consultation with the Category Manager in advance of the issue of the Invitation to Tender and a copy retained on file.</p>	<p>Clause deleted - redundant due to revised Clause 13 (c).</p>	<p>In all cases where the Estimated Value is equal to or exceeds the EU Threshold the process for identifying a most economically advantageous Tender, including evaluation criteria, must be prepared in consultation with the Category Manager in advance of the issue of the Invitation to Tender and a copy retained on file.</p>
14(a)	<p>Unless otherwise agreed by the Director of Corporate Resources <u>Appropriate Chief Officer</u>, the Procuring Officer must ensure, for all Procurement Exercises with an Estimated Value of £20,000 or more but less than the relevant EU Threshold, that Contract Opportunity Publication is given on a website approved by the Director of Corporate Resources for the purpose of notifying the supply market.</p>	<p>Clause amended to replace reference to Director of Corporate Resources to appropriate Chief Officer so as to be consistent with other areas of the Contract Procedure Rules.</p>	<p>Unless otherwise agreed by the Director of Corporate Resources the Procuring Officer must ensure, for all Procurement Exercises with an Estimated Value of £20,000 or more but less than the relevant EU Threshold, that Contract Opportunity Publication is given on a website approved by the Director of Corporate Resources for the purpose of notifying the supply market.</p>

14 (b)	<p>The publication of the Contract Opportunity Publication must be made <u>For all proposed contracts where the Total Value is below the EU threshold, a period of at least fifteen days should be allowed between the closing date for requests for the Invitation to Tender and either :</u></p> <p><u>i) the deadline</u> before the last date for receipt of Tenders where an Open Tendering procedure is being used, <u>or</u></p> <p><u>ii) and at least fifteen days before the last date the deadline</u> for receipt of Pre-Qualification Questionnaires or Expressions of Interest, where a Restricted Tendering procedure is being used.</p>	<p>Clause amended to clarify it relates to below EU thresholds and to ensure 15 days are allowed for suppliers to complete and return the ITT to LCC.</p>	<p>The publication of the Contract Opportunity Publication must be made at least fifteen days before the last date for receipt of Tenders where an Open Tendering procedure is being used, and at least fifteen days before the last date for receipt of Pre-Qualification Questionnaires or Expressions of Interest, where a Restricted Tendering procedure is being used.</p>
22 (a)	<p>In the case where the Estimated Value was below the EU Threshold, and following the receipt of Tenders but before acceptance of any Tender, the Procuring Officer <u>in consultation with the appropriate Category Manager</u> may carry out Post Tender Negotiations in an attempt to secure improvements in the price or economic advantage in one or more of the following circumstances:</p>	<p>Clause amended to add reference to appropriate Category Manager to be consistent with other areas of the Contract Procedure Rules.</p>	<p>In the case where the Estimated Value was below the EU Threshold, and following the closing date for receipt of Tenders but before acceptance of any Tender, the Procuring Officer may carry out Post Tender Negotiations in an attempt to secure improvements in the price or economic advantage in one or more of the following circumstances:</p>
30 (a)	<p>Prior to any extra-variation being agreed <u>which would result in an increase in the Total Value of the contract</u>, the Procuring Officer must ensure that sufficient additional budget provision has been approved by the budget holder.</p>	<p>Clause amended to account for the financial implications of a variation (some variations may not have financial implications) and the deletion of redundant wording.</p>	<p>Prior to any extra or variation being agreed the Procuring Officer must ensure that sufficient additional budget provision has been approved by the budget holder.</p>
30 (b)	<p>If the Total Value of the contract is under £100,000, <u>including the planned variation</u>, the Appropriate Chief Officer <u>in consultation with the appropriate Category Manager</u> shall be authorised to vary the contract.</p>	<p>Clause amended to include the cost of variation within the threshold and consultation with the appropriate Category Manager.</p>	<p>If the Total Value of the contract is under £100,000 the Appropriate Chief Officer shall be authorised to vary the contract.</p>
30 ©	<p>In the case of a contract with a Total Value of £100,000 or more: <u>i) for any extra(s) or variation(s) that would increase or decrease the Total Value of the contract by 10% or more, the Appropriate Chief Officer in consultation with the appropriate Category Manager and the County Solicitor</u> must gain the prior approval of the Director of Corporate Resources. This authorisation must be issued before the work is carried out, or in the case of an emergency, immediately thereafter.</p> <p><u>(ii) for any variation(s) that would increase or decrease the Total Value of the contract by less than 10% the Appropriate Chief Officer in consultation with the appropriate Category Manager shall be authorised to vary the contract. This authorisation must be issued before the work is carried out, or in the case of an emergency, immediately thereafter.</u></p>	<p>Clause amended to clarify requirements for variations that are less than 10% with the addition of a new Clause 30 © (ii). Wording to include consultation with the appropriate Category Manager and County Solicitor added to mitigate procurement risks. Redundant wording (extra) removed to be consistent with other areas.</p>	<p>In the case of a contract with a Total Value of £100,000 or more, for any extra(s) or variation(s) that would increase or decrease the Total Value of the contract by 10% or more, the Appropriate Chief Officer must gain the prior approval of the Director of Corporate Resources. This authorisation must be issued before the work is carried out, or in the case of an emergency, immediately thereafter</p>

30 (d)	In the case of a contract which was originally approved by the Executive and where any extras or variations are considered significant by the Director of Corporate Resources <u>consultation with the appropriate Category Manager</u> , then the Executive must be informed as soon as practicable.	Clause amended to include County Solicitor and appropriate Category Manager to mitigate procurement risks. Deletion of redundant wording (extras).	In the case of a contract which was originally approved by the Executive and where any extras or variations are considered significant by the Director of Corporate Resources then the Executive must be informed as soon as practicable.
<u>30 (e)</u>	<u>All contract variations must be within the scope of the original contract.</u>	New Clause added to ensure variations are in keeping with the original scope of the contract.	New Clause 30 (e).
31 (iii)	If the Total Value of a contract, including the planned extension, is under £100,000 and the contract does not provide for the extension the Appropriate Chief Officer, <u>in consultation with the Procuring Officer and appropriate Category Manager</u> , shall be authorised to extend the contract on a one-off basis, provided that the extension does not exceed 6 months or a Total Value of £25,000, whichever is the greater. If the extension does exceed the greater of 6 months or a Total Value of £25,000 then the Appropriate Chief Officer must gain the prior approval of the Director of Corporate Resources;	Clause simplified by the deletion of unclear wording so that the clause is appropriate for the level of spend and associated procurement risk. Wording amended to include consultation with the Procuring Officer and Category Manager.	If the Total Value of a contract, including the planned extension, is under £100,000 and the contract does not provide for the extension the Appropriate Chief Officer shall be authorised to extend the contract on a one-off basis, provided that the extension does not exceed 6 months or a Total Value of £25,000, whichever is the greater. If the extension does exceed the greater of 6 months or a Total Value of £25,000 then the Appropriate Chief Officer must gain the prior approval of the Director of Corporate Resources;

**CORPORATE GOVERNANCE COMMITTEE – 23 SEPTEMBER 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 an update on the County Solicitor's report on 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, and action to be taken to recover costs incurred;
 - (d) Provide an update on other amounts invoiced to the former Leader of the County Council, Mr David Parsons.

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 April and 31 July 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

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).

Opinion given	Number
Far exceeds	0
Well above	5
Above	3
Reaches	0
Generally reaches, however....	2
Below	0
Total	10

6. The outcome of all other audits completed since the last progress report to the Committee is shown in **Appendix A**. 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 B** 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. To summarise Appendix B, two new recommendations were added; none were closed and the implementation dates for three recommendations were further extended to allow additional development and re-testing. At the June Committee meeting Members were informed that the three HI recommendations relating to the administration of Developer's Contributions

(s106) were put on hold pending an audit of the implementation of a replacement ICT system, which has now started.

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

9. Members were informed at the Committee meeting held 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.
10. The total value of these journeys had been calculated as £4089.84 but on 14 June 2013 the Committee was informed that agreement had been reached for payment of a sum of £3,100 to be made in instalments over a six month period.
11. The final instalment was received on 1 September 2013 and this amount has now been fully paid.

Progress against the County Solicitor's report on investigation into allegations concerning a Member's conduct

12. At the meeting of the Committee held on 14 June 2013, Members were informed that the independent investigation into allegations concerning the conduct of the former Leader of the County Council, Mr David Parsons, regarding his use of County Council resources and specifically journeys undertaken in the official car, otherwise than in relation to County Council business, had been finalised.
13. The conclusion reached was that Mr Parsons had used the car and chauffeur inappropriately on 29 occasions; in 27 of these cases 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.
14. The Director of Corporate Resources informed the Committee at its last meeting that a calculation of the costs of the 29 journeys had not been finalised, but the figure was likely to be in the region of £3,500.
15. The Committee resolved at its meeting in June: -
 - “(b) That the Director of Corporate Resources be requested to take further steps 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 report back to the Committee on the action taken;”

16. The Head of Internal Audit Service scrutinised the 29 journeys. For one journey there was no evidence that supported Mr Parsons being transported. For each of the remaining 28 journeys there was sufficient evidence and the costs of both the chauffeur and mileage were calculated. The total cost of the 28 journeys, plus an overnight hotel stay in January 2009 and VAT, was £3670.66.
17. An invoice for that amount along with a statement of the journeys and the calculations, a copy of the hotel invoice and an accompanying letter from the Director of Corporate Resources, was sent to Mr Parsons on 24 June 2013.
18. In accordance with the County Council's normal debt recovery policy, first and second reminder letters had been sent to Mr Parsons on 22 July and 2 August respectively. A third and final reminder was sent on 10 September stating the County Council would look to commence legal proceedings if payment was not forthcoming within 14 days. If payment is not made consideration will be given to this option.

Other amounts invoiced to the former Leader of the County Council, Mr David Parsons

19. Two other amounts relating to his leased car have been invoiced to Mr Parsons. The first invoice was raised on 17 May 2013 in the sum of £752 for the early termination of the lease. To date £502 has been paid and the final payment of £250 is due on 1 October. The second invoice was raised on 30 August 2013 in the sum of £157.56 for his May 2013 contributions. Payment was received on 6 September 2013.
20. In accordance with the Committee's previous resolutions 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.

Resource Implications

21. None.

Equal Opportunities Implications

22. There are no discernible equal opportunities implications resulting from the audits listed.

Recommendation

23. That the contents of the report be noted.

Background Papers

The Constitution of Leicestershire County Council

Report to the Corporate Governance Committee on 13 February 2013 and 14 June 2013 – ‘Internal Audit Plan for 2013-14’

Reports to the Corporate Governance Committee on 6 February, 15 May, 29 June, 24 September and 26 November 2012 and 13 February and 14 June 2013 – ‘Members’ allowances and expenses whistle blowing complaints (East Midlands Councils)’

Reports to the Corporate Governance Committee on 15 May and 29 June 2012 – ‘Response to a request for an audit by Mr G.A. Boulter CC’.

Report to the Corporate Governance Committee on 14 June 2013 – ‘Investigation into allegations concerning Members’ conduct’

Circulation under the Local Issues Alert Procedure

None.

Officer to Contact

Neil Jones, Head of Internal Audit Service

Tel: 0116 305 7629

Email: neil.jones@leics.gov.uk

Appendices

Appendix A - Summary of Final Internal Audit Reports issued during the period 1 April to 31 July 2013

Appendix B - High Importance Recommendations

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<u>Company</u>	<u>Sub-Function</u>	<u>Name</u>	<u>Final Issue</u>	<u>Audit Opinion</u>	<u>HI Recommendation</u>
Adults & Communities Adults & Communities	Governance Information	Integrated Commissioning Board Information Governance	04-Jun-13	Substantial	Yes
			11-Jul-13	Partial	
Chief Executives Chief Executives	Procurement Information	Contract Monitoring (Health Trust) DWP Information Sharing	27-Jun-13	Partial	Advice
			14-May-13	Advice	
Children & Young Peoples Service	Accounting / General Ledger	Academy financial balance on transfer	29-May-13	Substantial	
Corporate - Finance	Accounting / General Ledger	Joint Audit 12-13 Interim	30-May-13	Substantial	
Corporate - Governance	Governance	Troubled Families Comm Budget	12-Jun-13	Substantial	
Corporate - Human Resources	Payables	ESC - General Ledger	01-May-13	Substantial	
Environment & Transport Environment & Transport	Grants, Funds, Forms, Precepts Information	Bus Service Grant (Oct 12 - Mar 13) Capital Programme HI Follow-Up	25-Jun-13	Substantial	Full
			16-Jul-13	Full	
Pension Fund Pension Fund	Developments Information	Contribution Bandings Datamatching	04-Jul-13 12-Jun-13	Partial Advice	Yes

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High Importance Recommendations

<u>Audit Title (Director)</u>	<u>Summary of Finding and Recommendation</u>	<u>Management Response</u>	<u>Action Date:</u>	<u>Confirmed Implemented</u>
Reported September 2013				
Information Governance (A&C)	<p>An audit of a large sample of staff across a variety of sections within the Department, revealed a weak approach to operational information governance including: -</p> <ul style="list-style-type: none"> • A very low percentage of staff had completed the mandatory Information Security E Learning course • There was a high number of examples of staff failing to adequately secure confidential/sensitive data both within the office and in transit <p>Recommended formal and regular reminders on staff responsibilities.</p>	A	<p>A group was immediately set up to implement good practice, culture change and monitor performance in all service areas. Progress to be reported back to A&C Management Team.</p> <p>October 2013</p>	
Pension Fund contribution 'bands' (Pension Fund)	<p>Each year the Department for Communities & Local Government set the contribution bandings for the Local Government Pension Fund. These come into effect each April, hence payrolls have to be revised to reflect the new bandings. EMSS payroll staff should check that the changes have properly occurred. The audit revealed that a report designed to assist this task was inadequate and also that due to work load and time constraints no checks were undertaken on one payroll and only a random sample on another. This could impact on both employee and employer contributions and have reputation damage.</p> <p>Recommended that the report should be reconfigured and a framework for sample testing should be agreed and</p>	A	<p>September 2013</p> <p>Implementation of the new business reporting mechanism has been delayed and there have been changes to management.</p> <p>Extend to October 2013.</p>	

	implemented to cover future pension banding changes.			
Originally reported Feb 2013				
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>EMSS partners have agreed Oracle requirements and are requesting changes to the system from April 2014, but these will need to be considered against other system developments.</p> <p>Extend to January 2014</p>	

Originally reported Sep 2012				
Partnerships Risks (CG)	<p>Considerable time & 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: - 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>A framework has been designed and implemented. A period of operation is required before compliance testing can take place, which will be performed later in the year.</p> <p>Extend to January 2014</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>A process to alert the system administrator of temporary changes to BACS access, has been tested in a 'development' environment but further testing is required by Internal Audit Service to prove it works in 'live' environment.</p> <p>Extend to October 2013.</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"> 1. Monitoring income and expenditure to project time-spans and purpose intended 2. validating the accuracy of individual record content as it was migrated onto the new database 3. department 'links officers' reporting to a central coordinator 	A	<p>March 2012</p> <p>Agreed to extend to April 2013</p> <p>Suspended June 2013</p>	<p>1. Met</p> <p>2. Data migration errors have now been addressed. Work underway on validation checks and introducing systems to capture spending data.</p> <p>3. Not met</p>
Developers Contributions (Section 106) (CEX) in conjunction with all departments	<p>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.</p>	A	<p>February 2012</p> <p>Agreed to extend to April 2013</p> <p>Suspended June 2013</p>	<p>Partly met</p> <p>A group is established but await the data migration cleansing to finalise methodology.</p>
Developers Contributions (Section 106) (CEX)	<p>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.</p>	A	<p>March 2012</p> <p>Agreed to extend to April 2013</p> <p>Suspended June 2013</p>	<p>Not yet in place</p>

Key to management response

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