



**Meeting:** Corporate Governance Committee

**Date/Time:** Tuesday, 23 September 2014 at 10.30 am

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

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

**Email:** [joanne.twomey@leics.gov.uk](mailto:joanne.twomey@leics.gov.uk)

### **Membership**

Mr. S. L. Bray CC    Mr. S. D. Sheahan CC  
Mr. G. A. Hart CC    Mr. R. J. Shepherd CC  
Mr. P. G. Lewis CC    Mr. E. D. Snartt CC  
Mr. K. W. P. Lynch CC

### **AGENDA**

<b><u>Item</u></b>	<b><u>Report by</u></b>
1. Election of Chairman.	
Mr E. D. Snartt CC was nominated Chairman elect at the Annual Meeting of the County Council held on 21 May 2014.	
2. Appointment of Vice Chairman.	
3. Minutes of the meeting held on 12 May 2014	(Pages 3 - 12)
4. Question Time.	
5. Questions asked by members under Standing Order 7(3) and 7(5).	
6. To advise of any other items which the Chairman has decided to take as urgent elsewhere on the agenda.	
7. Declarations of interest in respect of items on the agenda.	



8.	External Audit of the 2013/14 Statement of Accounts and the Annual Governance Statement.	Director of Corporate Resources	(Pages 13 - 50)
9.	Risk Management Update.	Director of Corporate Resources	(Pages 51 - 70)
10.	Proposed Changes to the Contract Procedure Rules.	County Solicitor and Director of Corporate Resources	(Pages 71 - 78)
11.	Ombudsman Annual Review 2013-14 and Corporate Complaint Handling.	Chief Executive and Director of Corporate Resources	(Pages 79 - 104)
12.	Whistleblowing Policy.	County Solicitor and Director of Corporate Resources	(Pages 105 - 118)
13.	Annual Report on the Operation of Members' Code of Conduct 2013/2014.	County Solicitor	(Pages 119 - 124)
14.	Covert Surveillance and Regulation of Investigatory Powers Act 2000 Quarterly Update.	County Solicitor	(Pages 125 - 126)
15.	Quarterly Treasury Management Report.	Director of Corporate Resources	(Pages 127 - 130)
16.	Internal Audit Service Annual Members Report 2013/14.	Director of Corporate Resources	(Pages 131 - 150)
17.	Internal Audit Service Progress Report.	Director of Corporate Resources	(Pages 151 - 162)

18. Date of next meeting.

The next meeting of the Corporate Governance Committee will be held on Monday 24 November 2014 at 10.00 am.

19. 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, 12 May 2014.

PRESENT

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

Mr. G. A. Boulter CC  
Mr. G. A. Hart CC  
Mr. K. W. P. Lynch CC

Mrs. J. Richards CC  
Mr. S. D. Sheahan CC  
Mr. R. J. Shepherd CC

68. Minutes.

The minutes of the meeting held on 10 February 2014 were taken as read, confirmed and signed.

69. Question Time.

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

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

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

71. Urgent Items.

There were no urgent items for consideration.

72. 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.

73. Change to the Order of Business.

The Chairman sought and obtained the consent of the Board to vary the order of business from that set out on the agenda for the meeting.

74. East Midlands Shared Service Outturn 2013/14 and 2014/15 Audit Plan.

The Committee considered a report of the Director of Corporate Resources, the purpose of which was to present the East Midland Share Services (EMSS) Audit Outturn for 2013/14 and the draft Audit Plan for 2014/15. A copy of the report is filed with these notes.

The Chairman welcomed to the meeting Shail Shah, Head of Internal Audit and Robert Smith, Audit Manager, of Nottingham City Council.

Arising from discussion, the following points arose:

- i. The Committee welcomed the progress being made and the work undertaken by both Council's;
- ii. Although the system was still bedding in in some areas, in terms of functionality it was now operating across all required services;
- iii. System audits and testing had taken longer for this first full year of operation and some areas were still therefore highlighted as being 'in progress'. Initial teething problems had now been resolved and improvements established to help speed up the process for the future;
- iv. Limited assurance had been given to both the County Council and Nottingham City Council in respect of the 'Systems Administration Team'. This was mainly due to access controls being weaker than expected. An Action Plan had been put in place to ensure controls were improved and work was progressing well.

RESOLVED:

That the East Midland Shared Services Audit Outturn 2013/14 and Audit Plan for 2014/15 be noted.

75. External Review of the Medium Term Financial Strategy 2014/15 - 2017/18.

The Committee considered a report of the Director of Corporate Resources which presented the key findings from a review undertaken by the Council's external auditor, PricewaterhouseCoopers (PwC), on the Medium Term Financial Strategy (MTFS) 2013/14 – 2016/17. A copy of the report is filed with these minutes.

The Chairman welcomed Matthew Elmer, Audit Senior Manager at PwC, to the meeting.

Arising from discussion, the following points were noted:

- i. The cumulative levels of savings required to be made over the next four years, particularly in 2015/16, were significant and would be very challenging for the Authority. This was despite prudent planning and the early delivery of savings which had enabled earmarked reserves to be established to help mitigate those risks likely to be faced in future years;
- ii. The County Council had robust governance arrangements in place and recognising this, it had established the Transformation Board which considered possible service changes to meet the savings identified in the MTFS;
- iii. Some members questioned the sustainability of continuing to make the necessary savings year on year. The external auditor confirmed that there were currently no signs that costs would increase due to the proposals being put forward. However, it would be important for the Transformation Board to continually monitor and track closely any changes introduced to protect against

false economies arising in later years. The Committee suggested that, in future years, this might be an area for the Scrutiny Commission to consider, as part of its budget monitoring role;

- iv. The external auditor highlighted that it would be unlikely for all the savings required to be made to be delivered through efficiencies and that over time, services would be affected. This was the case for all local authorities over the coming years;
- v. In response to questions raised, the Committee noted that the external review of the County Council's MTFS by PwC was provided at no extra cost, but as part of its ongoing contract as agreed by the Audit Commission. PwC provided an external and independent level of challenge to the assumptions made by the Authority as part of its MTFS which was increasingly important during this period of austerity. It also provided a useful comparison with other local authorities.

#### RESOLVED:

That the report of the County Council's external auditors, PricewaterhouseCoopers, on the Medium Term Financial Strategy 2014/15 – 2017/18 be noted.

#### 76. Risk Management update.

The Committee considered a report of the Director of Corporate Resources, the purpose of which was to provide an overview of key risk areas and the measures being taken to address them. The report also provided an update on the outcome of the Internal Audit risk review and on related risk management matters such as Insurance and Business Continuity. A copy of the report is filed with these minutes.

The Committee also received a presentation on the risks associated with the delivery of savings and efficiencies through service redesign and transformation recorded in the Corporate Strategic Risk register. A copy of the presentation slides is filed with these minutes.

#### Presentation – Transformation

The Committee noted that through the Transformation Board a more co-ordinated approach had been adopted to ensure plans put forward to achieve future savings were robust. The operation of this Board did not replace specific governance arrangements already in place to monitor transformation through this Committee and the Cabinet etc. This therefore provided an additional check during this difficult period.

The Committee was assured that changes introduced would be monitored closely throughout to ensure any issues or concerns arising from the transformation programme could be addressed early on.

## Corporate Risk Register

### **Transfer of nine elderly persons homes**

Some members raised concerns regarding the delay by Leicestershire County Care Limited (LCCL) to pay the balance outstanding in accordance with terms previously agreed with the County Council (i.e. by 31 March 2014).

In response to questions raised, the Director of Corporate Resources confirmed the following:

- Independent accountants advice had been taken to secure the new payment arrangements with LCCL;
- A revised payment schedule had been negotiated with additional security obtained, as detailed in the report;
- Escalating interest rates had been agreed starting at a rate of 7% above the Bank of England base rate for the 2014/15 financial year;
- As detailed in the report to the Cabinet on 4 February 2014, the County Council had independently verified with LCCL's proposed lender, that its application for finance had been approved at a local level and had been passed for approval at a national level;
- LCCL had a single Director who had provided a personal guarantee on all his assets. Further guarantees had also now been obtained from a new company and the original parent company.

The County Solicitor reported, for clarification, that the nine elderly persons homes had been transferred to LCCL, but that the County Council had a legal charge secured against each of the homes should LCCL not meet the arrangements for repayment.

The Committee agreed that it would be important to continue to monitor this risk area and requested that a further update be provided at its next meeting.

### **General**

- i. Some members raised concerns regarding the Single Local Growth Fund (SLGF) and the lack of advanced preparation of schemes within the Environment and Transport Department. It was noted that work to accelerate the early planning of schemes was being undertaken which would enable projects to be identified and delivered quickly, to meet the short time frames by which SLGF funding must be spent;
- ii. The Committee noted the risk within the Children and Young People's Service regarding a duplication of risk reporting processes which had the potential to cause confusion and result in risks potentially not being reported. This had been identified by Internal Audit as a high importance recommendation and a structured process was now in place to address this. Follow-up testing would be undertaken shortly;
- iii. The Committee noted the risks associated with Municipal Mutual Insurance going into administration and the potential cost to the Authority. Earmarked reserves of £5m were being held to mitigate this and other uninsured losses. However, the final amount payable would not be known for several years;

- iv. The Committee noted the addition of risk 19 relating to increased unplanned and speculative local developments to address the shortfall in the 5 year housing supply which could have an adverse impact on the functioning of the transport network and the County Council therefore as the Highway Authority. The Committee requested that a presentation on this new risk area be provided at its next meeting;
- v. In respect of risk 20, it was questioned whether such liability (i.e. deficit budgets and repair costs) would also apply if a foundation school was directed to become a sponsored academy and if so, if this should be made clearer within the Risk Register. The Director of Corporate Resources undertook to clarify the position and advise members of the Committee after the meeting.
- vi. A number of issues were arising around future housing developments in the area and in particular around developer contributions. The revision of the County Council's developer contributions policy would shortly be subject to a public consultation. It was suggested that to obtain members input into that consultation, an all member briefing/workshop would be helpful.

RESOLVED:

- (a) That the contents of the report and presentation be noted;
- (b) That the current status of the strategic risks and emerging risks facing the Council, as detailed in the report and the Corporate Risk Register, be noted;
- (c) That a presentation be provided at the next meeting of the Committee on the risks associated with an increase in unplanned and speculative local developments to address the shortfall in the five year housing supply and the possible adverse impact on the functioning of the transport network, as detailed in the Corporate Risk Register (Risk 19);
- (d) That the Committee support the proposed briefing to members regarding the revision of the policy on developer contributions;
- (e) That the updated Corporate Risk Register be approved;
- (f) That, in light of the concerns now raised by some members of the Committee, a further update be provided on the risks to the County Council surrounding arrangements in respect of the transfer of nine elderly persons homes at the next meeting of the Committee.

77. Employee Code of Conduct.

The Committee considered a joint report of the County Solicitor and the Director of Corporate Resources, the purpose of which was to present the draft revised Employee Code of Conduct for consideration and to advise the Committee of progress in revising a range of other employee related policies. A copy of the report is filed with these minutes.

The County Solicitor explained that a revised Employee Code of Conduct had been developed to address some key issues that required updating and to ensure this linked more directly with other HR policies.

To address a general lack of awareness amongst staff of the previous version of the document, a guidance document had also been developed. This would be more accessible for staff and therefore ensure they understood how it applied to their role as an employee of the County Council.

The County Solicitor reported that, to address concerns raised by the Employment Committee regarding a lack of detail, particularly in respect of paragraph 6.2.1 and the rules around relationships between staff and elected members, the guidance document included cross-references to a number of other protocols in the County Council's Constitution, such as the Protocol on Member/Officer Relations. This avoided the need for the Constitution to be revised whenever an employment policy was revised.

Regarding Part 7 (paragraph 7.5.1) of the Code, the Committee suggested that it should be made clear to whom such declarations should be made. It was noted that a separate process for the registration of interests was currently being reviewed and would be brought back to the Committee for consideration.

Members were keen to ensure that, once finalised, the new Code was brought to the attention of all employees, particularly in light of the wording on page 81 of the guidance (Appendix 2 to the report) which highlighted that unintentional and inadvertent disregard to the revised Code could still result in disciplinary action.

RESOLVED:

- (a) That the County Council be recommended to approve the proposed Employee Code of Conduct, as set out in Appendix 1 to the report;
- (b) That it be noted that a further report will be presented to the Corporate Governance Committee in relation to procedures on declarations of interest, gifts and hospitality and whistleblowing.

78. Covert Surveillance and Regulation of Investigatory Powers Act 2000 - Quarterly Update.

The Committee considered a report of the County Solicitor the purpose of which was to provide the Committee with a quarterly update on the use of powers under the Regulation of Investigatory Powers Act 2000. The report also detailed the use of covert surveillance during the period 1 January to 31 March 2014. A copy of the report is filed with these minutes.

RESOLVED:

That the contents of the report be noted.

79. Annual Treasury Management Report 2013/14.

The Committee considered a report of the Director of Corporate Resources on the action taken and performance achieved in respect of the treasury management activities of the Council in 2013/14. A copy of the report is filed with these minutes.

RESOLVED:

That the contents of the report be noted.



80. 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 31 March 2014. A copy of the report is filed with these minutes.

The Director of Corporate Resources reported that the Local Authority Mortgage Scheme (LAMS) had now ceased due to the introduction of the Governments 'Help to Buy' scheme. The Committee noted that a total of 350 mortgages had been issued locally under the County Council's scheme run with Lloyds Banking Group and none of the customers were currently in arrears.

RESOLVED:

That the contents of the report be noted.

81. Section 106 Developer Contributions.

The Committee considered a report of the County Solicitor the purpose of which was to provide reassurance to members that income from section 106 (s.106) developer contributions had not been lost and that such money was being appropriately collected. A copy of the report is filed with these minutes.

Arising from discussion, the following points arose:

- i. The increase in developer contributions in 2013/14 had been as a result of a particular development coming on stream for which the s.106 agreement had been completed some 8 years ago. This was an example of the delay between the date when such agreements were finalised and when these were subsequently triggered and came to fruition;
- ii. The Committee were reassured that the requisite data was being collected and monitored by each spending service and that there was no evidence to suggest that developer contributions owed to the Authority were not being collected or pursued.
- iii. The introduction of the new IT system would allow for data around s.106 contributions to be recorded centrally in line with the recommendations of the Internal Audit Service;
- iv. Some members expressed concern that claw back clauses in some s.106 agreements allowed developers to request a reduction in the contributions payable, for example because of a subsequent fall in the housing market and thus a reduction in profits arising from the development. This did not reflect a change in the services to be provided by the Authority nor therefore the costs it would incur as a result of the development. As the Authority could not seek more funds in times of a booming housing market some members considered that the renegotiation of settlements should be agreed only in exceptional circumstances;
- v. Some members noted that a s.106 agreement relating to the Birstall Park and Ride development completed some time ago and paid for by the County Council had required the cost of this to be reimbursed by the developer. It was

questioned whether or not such payment had been received and the County Solicitor undertook to obtain and circulate this information to members of the Committee.

RESOLVED:

That the contents of the report and the progress made to implement a centralised recording system to respond to the recommendations of the Internal Audit Service be noted.

82. Annual Governance Statement 2013/14.

The Committee considered a joint report of the Director of Corporate Resources and the County Solicitor outlining the background and approach taken to produce the County Council's 2013/14 Annual Governance Statement (AGS) and presenting the draft AGS for comment prior to sign off by the Chief Executive and Leader of the Council. A copy of the report is filed with these minutes.

RESOLVED:

- (a) That the draft 2013/14 Annual Governance Statement be approved;
- (b) That it be noted that the Statement may be subject to change as required by the Code of Practice in Local Authority Accounting, as detailed in paragraph 17 of the report, and that such changes will be notified to members of the Committee;
- (c) That the proposed actions and improvement areas detailed in section 6 of the Statement be confirmed.

83. Quarterly Internal Audit Service Progress Report.

The Committee considered a report of the Director of Corporate Resources which summarised the work of Leicestershire County Council's Internal Audit Service (LCCIAS) finalised since the last report to the Committee and highlighted audits where high importance recommendations had been made to managers. The report also provided an update on progress against the audit report on members' allowances and expenses whistleblowing complaints (East Midlands Councils), information on a prosecution for fraud by former County Council employees, and an update on the implementation of the Public Sector Internal Audit Standards. In addition, the report set out the provisional annual internal audit opinion on the overall adequacy and effectiveness of the organisation's governance, risk and control framework and provided a brief summary of LCCIAS performance during 2013-14. A copy of the report is filed with these minutes.

Update on the County Solicitor's report on investigation into allegations concerning a former member's conduct

The Committee noted that the instalment due from Mr Parsons on 1 May 2014, as detailed in paragraph 11 of the report, had not been received. The County Solicitor confirmed that the usual debt recovery process would be followed to recover the money outstanding.

### Fraud committed at Leicestershire highways Operations

In response to questions raised, the County Solicitor reported that a hearing would be held on 15 August when the Court would consider making an order to determine the amount that the County Council would be able to recover as proceeds of crime. The Committee noted that the County Council would consider and pursue, as appropriate, all possible means to recover as much as possible.

RESOLVED:

That the contents of the report and the information now provided be noted.

#### 84. Internal Audit Service Audit Plan for 2014/15.

The Committee considered a report of the Director of Corporate Resources, the purpose of which was to provide members with information about the contents of the Internal Audit Service Audit Plan 2014-15 for the County Council and audit resource allocated to other organisations. A copy of the report is filed with these minutes.

In response to questions raised, the Committee noted that the days of audit work provided by the Internal Audit Service solely in respect of County Council services had been reduced by 200 days to 1,500. The 200 days had been re-allocated to audit work conducted on behalf of other organisations on a traded basis, such as academies and the Fire and Rescue Service. This allowed for a larger 'pool' of audit resource to be maintained.

RESOLVED:

That the Internal Audit Service Plan for 2014/15 be approved.

#### 85. Date of next meeting.

RESOLVED:

That the next meeting of the Committee be held on 22 September 2014.

#### 86. Chairman's Announcement - Mr B. Boulter CC

The Chairman announced that, as Mr Boulter would become Chairman of the County Council next year, he would cease for this period to be a member of the Committee. On behalf of the Committee, the Chairman thanked Mr Boulter, who had been a member since the Committee's inception, for his contribution and input over the years and wished him well in his year as Chairman of the County Council.

10.00 am - 12.20 pm  
12 May 2014

CHAIRMAN

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**CORPORATE GOVERNANCE COMMITTEE – 23 SEPTEMBER 2014****REPORT OF THE DIRECTOR OF CORPORATE RESOURCES****EXTERNAL AUDIT OF THE 2013/14 STATEMENT OF ACCOUNTS & ANNUAL GOVERNANCE STATEMENT****Purpose of Report**

1. To report the key findings from the external audit of the 2013/14 financial statements.

**Background**

2. PricewaterhouseCoopers (PwC), the County Council's external auditor, are required to communicate the results of the 2013/14 audit of the Council's financial statements to those charged with governance prior to certifying the statement of accounts. The draft 2013/14 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](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. Matthew Elmer, the PwC senior audit manager, 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**

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**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 2014 (*ISA (UK&I) 260*)

Government and  
Public Sector

September 2014

15

# 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 2013; 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.
- We will update you on progress at the Committee, but the key outstanding matters at the time of writing were:
  - review of the final adjustments within the Statement of Accounts;
  - receipt of outstanding bank account confirmations;
  - approval of the Statement of Accounts and letter of representation; and
  - completion procedures including subsequent events review.

- Your draft accounts (including the 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. Your use of our 'Client Connect' electronic working papers system helped the audit process run smoothly.
- 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 needs to confirm the proposed treatment of one unadjusted misstatement which is 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 2014. Attending the meeting from PwC will be Matthew Elmer.

*Our Audit Approach is risk-based.*

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

## Audit approach

Our audit approach was set in our audit plan which we presented to you in November 2013.

We have summarised below the significant risks we identified in our audit plan, the audit approach we took to address each risk and the outcome of our work.

Risk	Category	Audit approach
<b>Fraud and Management Override of Controls</b>  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"><li>• reviewed accounting estimates for biases and evaluate whether circumstances producing any bias, represent a risk of material misstatement due to fraud;</li><li>• evaluated the business rationale underlying significant transactions; and</li><li>• performed 'unpredictable' procedures – these are tests we have not carried out before to test the robustness of controls.</li></ul> More details on the results of our audit procedures are included later in this report.
<b>Recognition of income and expenditure</b>  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. Joint operations were established in September 2012 and the 'go-live' date was at the start of the 2013/14 financial year.*

Risk	Category	Audit approach
<p><b>Valuation of properties</b></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"> <li>• The accuracy and completeness of detailed information on assets.</li> <li>• Whether the assumptions underlying the classification of properties are appropriate.</li> <li>• The valuer's methodology, assumptions and underlying data, and our access to these.</li> </ul>	Other Risk	<p>For assets which were valued during the year, we:</p> <ul style="list-style-type: none"> <li>• agreed the source data used by your Valuer to supporting records;</li> <li>• assessed the work of your Valuer through use of our own internal specialists; and</li> <li>• agreed the outputs to your Fixed Asset Register and accounts.</li> </ul> <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><b>East Midlands Shared Services</b></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 shared service went live at the start of the 2013/14 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.</p> <p>We continued to discuss your progress with management and have considered the work of Internal Audit in looking at the implementation of EMSS.</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.

### Leicestershire Highways

The financial information associated with Leicestershire Highways will be migrated onto Oracle from 6 January 2014.



### Other Risk

The financial information associated with Leicestershire Highways was migrated onto Oracle during the last quarter of 2013/14.

We identified no issues during our testing of financial information from Highways.

### Medium Term Financial Strategy

The Authority has made significant strides over the past few years to identify savings and deliver more efficient services. The current MTFS is based upon a reduction in formula grant over the four year period 2013/14 to 2016/17. It includes savings of £79m. Growth of £24m has been included for service improvement, cost and demand pressures. Recent announcements on likely future funding mean that the total savings requirement for the next 5 year period starting in 2013/14 is likely to be around £110 million.

There is a well-established Change Management Programme and Organisational Efficiency Programme which has helped deliver demonstrable value for money. A 'Transformation Board' has also been introduced on an all party-basis for members to engage with officers around the medium term transformation of the way the Council operates.

During 2011/12 and 2012/13 you 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 2014 so that you can demonstrate how you will be financially resilient in the years ahead.

### Significant 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 2013/14 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;
- 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 2014.

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

# *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;
- receipt of outstanding bank account confirmations;
- approval of the Statement of Accounts and letter of representation; 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 need to 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, subject to final review and completion of this work.

## *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 mostly ready for us when we arrived. The working papers were provided to us electronically and your use of our 'Client Connect' electronic working papers system helped us perform our audit. The finance team worked hard to meet the timescales and were helpful in resolving our queries.

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.*

## **Accounting issues**

We identified the following key matters during our audit.

### **Valuation of Property, Plant and Equipment**

Your draft accounts include property, plant and equipment with a net book value of £787.4 million, largely made up of land and buildings (£466.4 million) and infrastructure assets (£296.5 million). The total value of your land and buildings has increase slightly from £769.7 million in the prior year to £787.4 million. This is primarily due to new capital additions and upwards re-valuations of your existing assets, offset by the conversion of a number of schools to Academy status.

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 review 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.

We have 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. No issues have been identified to report.

### **East Midlands Shared Services**

The East Midlands Shared Service (EMSS) went live from the start of the 2013/14 financial year. As part of our planning for the audit we asked for the Internal Auditors of EMSS to review the core financial processes – accounts receivable, accounts payable and payroll.

We experienced some delays in receiving the reports from the Internal Auditors of the EMSS. When we reviewed the work, we found that some of the key controls had not been tested, particularly in relation to testing starters and leavers in the Payroll system. The Leicestershire County Council Internal Auditors had to undertake additional testing to give us the assurance we needed in these areas.

We recommend that the Council reviews the processes in place for gaining assurance over the East Midlands Shared Service so that it is robust and gives the Authority, in addition to your External Auditors, the assurance which is needed. This will be increasingly important if the number of Councils involved in the shared service increases in the future.

### **Pensions liability**

The most significant estimate 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 2014 was £603.3 million (2013 - £497.6 million).

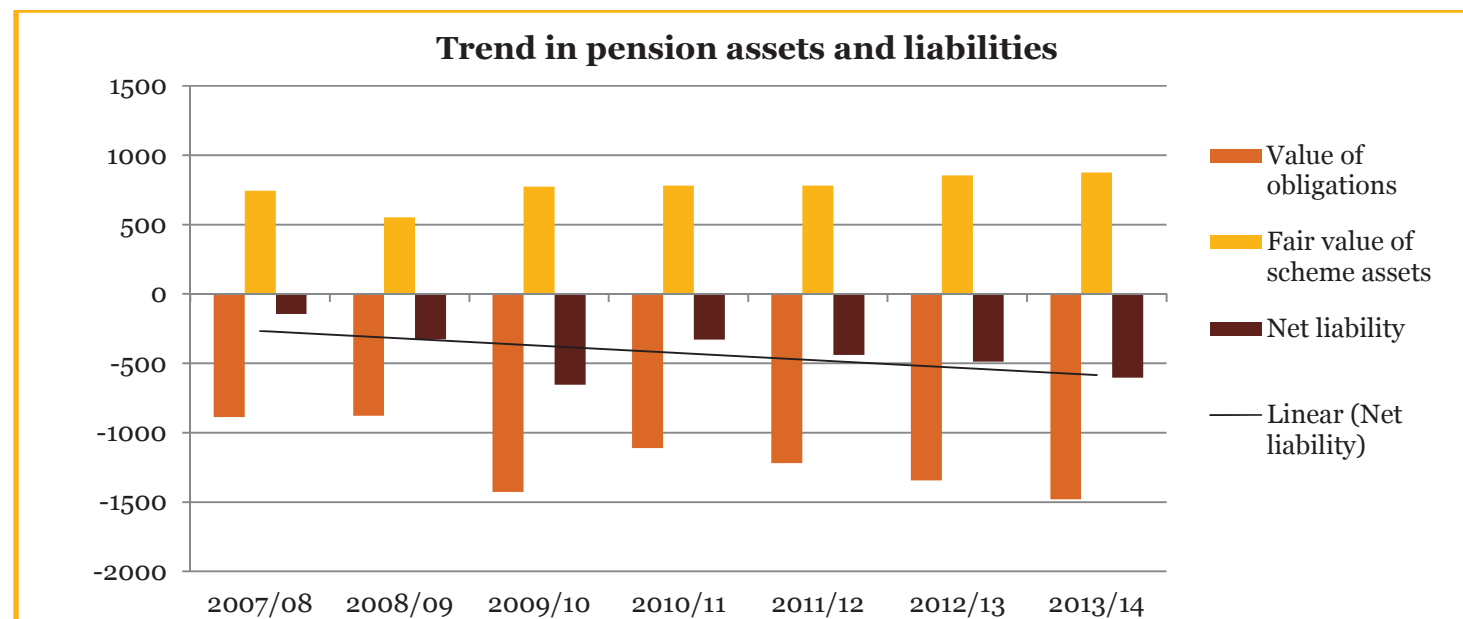
The increase in your pension fund deficit reflects an increase in the net deficit for Local Government Pension Funds as a whole over the last few years. The 2013 triennial valuation increased the total deficit from £36 billion in 2010 to £46 billion, an increase of over 25%.

Although the trend for your scheme has been for assets to gradually increase 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 running 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 2013/14



We also reviewed the reasonableness of the assumptions underlying the pension liability, and we are comfortable that the assumptions are within an acceptable range. The key assumptions used are as follows:

Description	Assumption used
Duration of liabilities	15 – 20 years
Discount Rate	4.1% - 4.3%
Mortality	Club Vita analysis where available.
Inflation - RPI	3.4% - 3.6%
Inflation - CPI	2.6% - 2.8%
Salary increases	3.4% - 5.1% (with a lower short term assumption)

We utilised the work of PwC actuarial experts to assess the assumptions applied by the Council. We also validated the data supplied to the actuary on which to base their calculations.

We utilised the work of the PwC Pensions Team over the Leicestershire Pension Fund to gain assurance over the valuation of your pension fund assets. The work undertaken included obtaining confirmation letters directly from the managers of relevant investment funds.



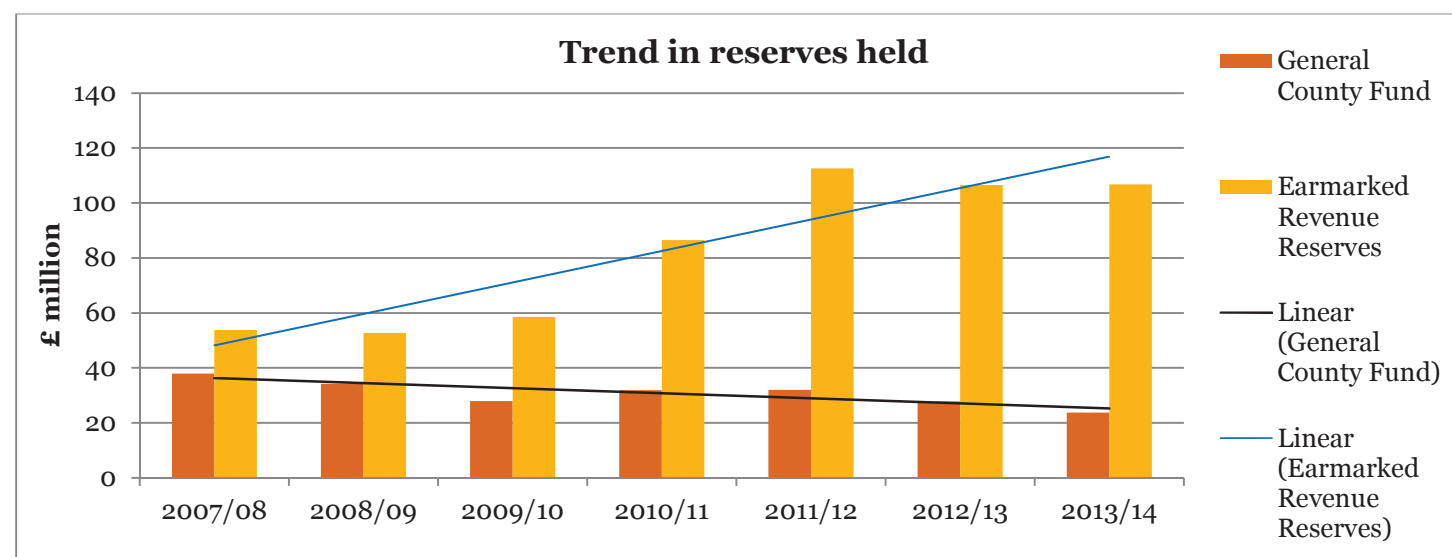
## Changes to IAS 19: Employee Benefits

From 2013/14 there have been changes to the accounting for defined benefit schemes and termination benefits. For defined benefit schemes the net finance cost is used. The net scheme liabilities/assets are unwound using the discount rate for the pension liability and the costs of administering the scheme have been 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. These changes have been reflected in the Authority's financial statements and have been dealt with appropriately.

## 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:



Of the reserves held at the end of 2013/14, £8.1 million of the General County Fund relates to delegated funding for schools. Significant earmarked reserves include £14.9 million for insurance purposes (£11.4 million in 2012/13) and £15 million for invest to save/severance projects (£11.6 million in 2012/13).

You hold a number of earmarked reserves to address emerging future costs. During 2013/14 you undertook a detailed review of your reserves requirements. 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 reductions in Local Government funding likely and a number of policy reforms requiring implementation, you continue to face higher levels of risk in the short and medium term. You should continue to take this in account in your assessment of reserves requirements.

### *Misstatements and significant audit adjustments*

We have to tell you about all uncorrected misstatements we found during the audit, other than those which are trivial. See Appendix 1.

There are no misstatements which have been corrected by management but which we consider you should be aware of in fulfilling your governance responsibilities.

### *Judgments and accounting estimates*

The Authority is required to prepare its financial statements in accordance with the CIPFA Code. Nevertheless, there are still many areas where management need to apply judgement to the recognition and measurement of items in the financial statements. The following significant judgements 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 2014 total £9.7 million (£13.1 million as at 31 March 2013). 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 a sample of returns completed by managers. You apply an average calculation based on these returns when you have had no response. Your 31<sup>st</sup> March 2014 balance is £5.8 million.

Overall we found your significant judgements and accounting estimates to be reasonable.

### *Management representations*

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

### *Related parties*

In forming an opinion on the financial statements, we are required to evaluate:

- whether identified related party relationships and transactions have been appropriately accounted for and disclosed; and
- whether the effects of the related party relationships and transactions cause the financial statements to be misleading.

We also considered the completeness of the information provided to us by considering our knowledge of the Council, undertaking internet searches and utilising ‘Board Ex’ information.

We did not identify any matters during the course of our work to report.

### *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.

### *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 Council:

- 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 (£14,000) – you have requested administrative assistance with a VAT claim you are progressing.
- East Midlands Councils (estimated fee of £10,000) – we have been asked to undertake an audit of the East Midlands Councils 2013/14 accounts. We also undertook the audit of the East Midlands Council accounts covering the periods 2010/11, 2011/12 and 2012/13 during the year. The fee for this work was £27,500 and we obtained the appropriate approval from the Audit Commission to undertake this work.

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

*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 and non-audit fees for the year ended 31 March 2014 is included later in this report. In relation to the non-audit services provided, none included contingent fee arrangements.

### *Services to Directors and Senior Management*

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

### *Rotation*

It is the Audit Commission's policy that engagement leaders 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 engagement leaders 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.

The 2013/14 financial year is Richard Bacon's 5<sup>th</sup> year as your Engagement Leader. In March 2014, we requested an extension to his appointment to cover the 2014/15 financial

year, the last for which PwC will be your auditors. This request was approved in April 2014.

### *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 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 in the medium term, particularly during 2015/16, is more significant than what you have faced to date. This is something you recognise

through the establishment of the Transformation Board and the additional resources you have put in place;

- You have applied a number of prudent assumptions in setting your MTFS. In some 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 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. These reserves will be required to effectively deliver the transformation you require.

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.

- **Policy:** Current and future changes in government policy have the potential to fundamentally alter the framework within which the MTFS has been developed. Examples may include further integration of Health and Social Care, the impact of the Care Bill and future Comprehensive Spending Reviews.

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. 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 a qualified value for money conclusion.

### *Reports in the public interest*

In auditing the accounts of a Local Authority, the auditors must consider:

- Whether, in the public interest, they should make a report on any matter coming to their notice in the course of the audit, in order for it to be considered by the body concerned or brought to the attention of the public; and
- Whether the public interest requires any such matter to be made the subject of an immediate report rather than of a report to be made at the conclusion of the audit.

No public interest report has been issued.

### *Other reporting requirements*

In auditing the accounts of a Local Authority, the auditors must consider:

- Whether we need to make written recommendations for the consideration of the Council under s11(3) of the 1998 Act;
- Whether we need to report on any questions or objections made to us as auditors;
- Whether we believe that the Council or one of its officers:
  - is about to make or has made a decision which involves or would involve the authority incurring expenditure which is unlawful,
  - is about to take or has begun to take a course of action which, if pursued to its conclusion, would be unlawful and likely to cause a loss or deficiency, or
  - is about to enter an item of account, the entry of which is unlawful and we need to issue an advisory notice under s19A of the 1998 Act;
- Whether there is any item of account for which we need to make an application to the court under s17 of the 1998 Act for a declaration that the item is contrary to law; and
- Whether we need to apply under s24 of the 1998 Act for judicial review of any decision or failure to act by the Council which it is reasonable to believe would have an effect on the accounts.

None of these actions has been necessary.



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# *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.

We report internal control issues separately to management and action plans have been agreed with officers.

## *Reporting requirements*

We have to report to you any deficiencies in internal control that we found during the audit which we believe should be brought to your attention. No such deficiencies were identified.



# Risk of fraud

International Standards on Auditing (UK&I) state that we, as auditors, are responsible for obtaining reasonable assurance that the financial statements taken as a whole are free from material misstatement, whether caused by fraud or error. The respective responsibilities of auditors, management and those charged with governance are summarised below:

## Auditors' responsibility

Our objectives are:

- to identify and assess the risks of material misstatement of the financial statements due to fraud;
- to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud, through designing and implementing appropriate responses; and
- to respond appropriately to fraud or suspected fraud identified during the audit.

## Management's responsibility

Management's responsibilities in relation to fraud are:

- to design and implement programmes and controls to prevent, deter and detect fraud;
- to ensure that the entity's culture and environment promote ethical behaviour; and
- to perform a risk assessment that specifically includes the risk of fraud addressing incentives and pressures, opportunities, and attitudes and rationalisation.

## Responsibility of the Corporate Governance Committee

Your responsibility as part of your governance role is:

- to evaluate management's identification of fraud risk, implementation of anti-fraud measures and creation of appropriate "tone at the top"; and
- to investigate any alleged or suspected instances of fraud brought to your attention.

## Your views on fraud

In our audit plan presented to the Corporate Governance Committee in November 2013 we enquired:

- Whether you have knowledge of fraud, either actual, suspected or alleged, including those involving management?
- What fraud detection or prevention measures (e.g. whistle-blower lines) are in place in the entity?
- What role you have in relation to fraud?
- What protocols / procedures have been established between those charged with governance and management to keep you informed of instances of fraud, either actual, suspected or alleged?

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.

## Conditions under which fraud may occur

**Management or other employees have an incentive or are under pressure**

Incentive / pressure

**Why  
commit  
fraud?**

### **Opportunity**

Circumstances exist that provide opportunity – ineffective or absent control, or management ability to override controls

### **Rationalisation/attitude**

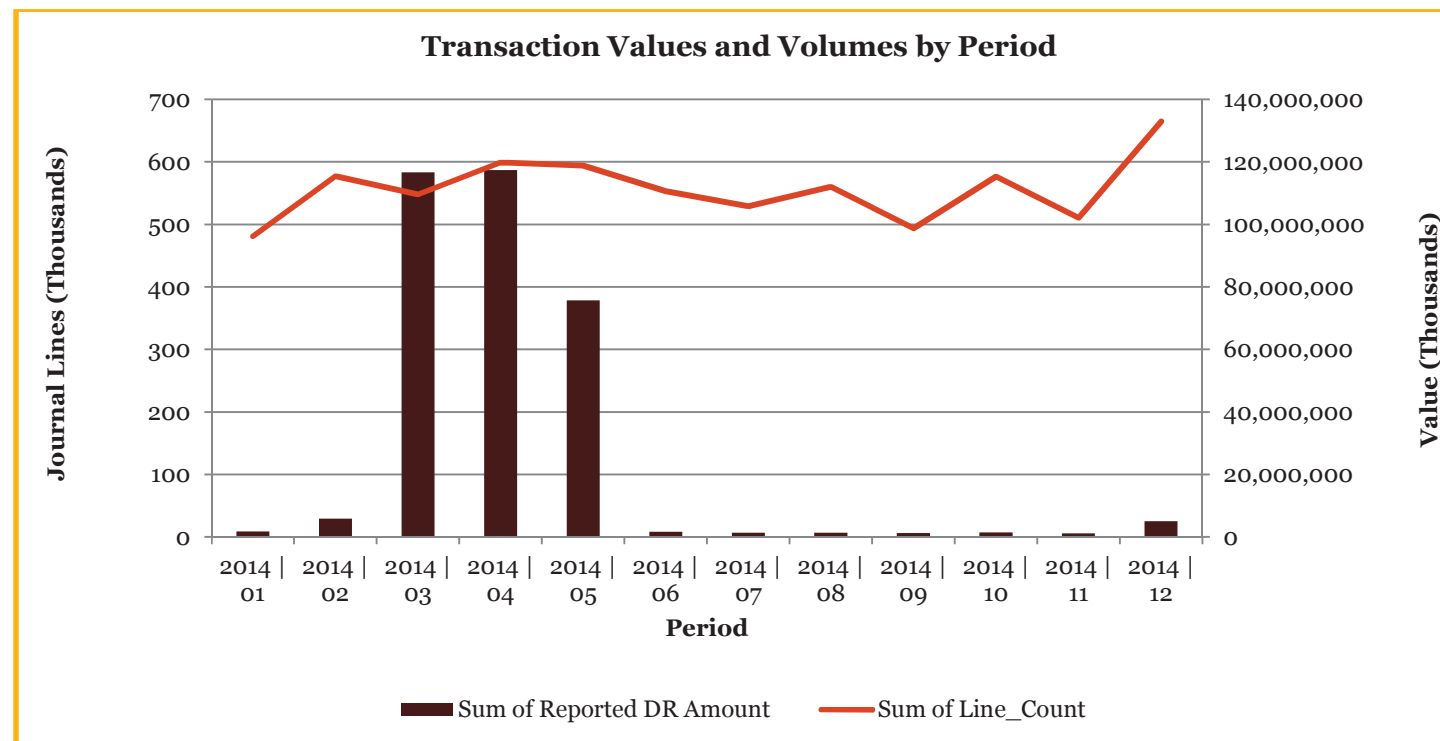
Culture or environment enables management to rationalise committing fraud – attitude or values of those involved, or pressure that enables them to rationalise committing a dishonest act

## *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.

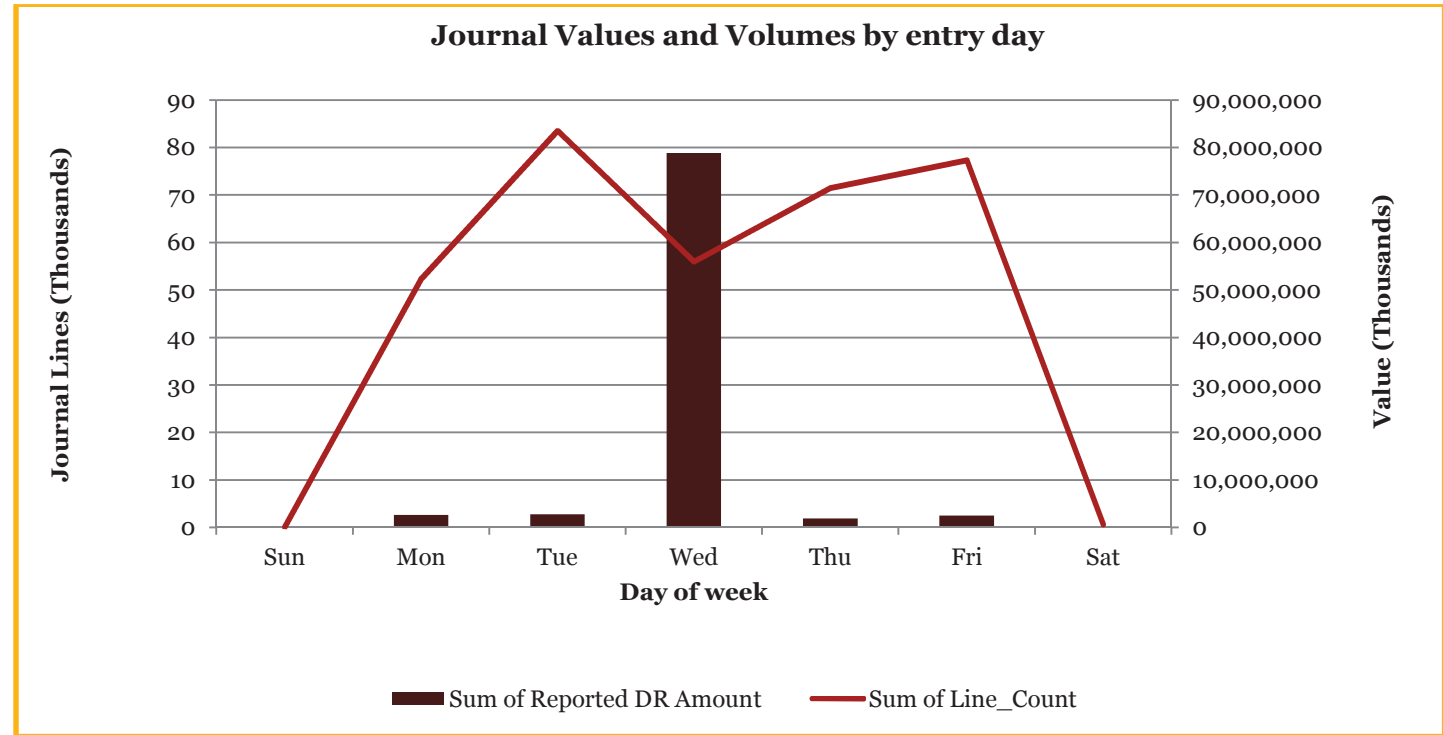
We are pleased to report that our work on journals identified no significant concerns or issues. Our work did however identify some interesting statistics which we include below for your information.



Over 341,000 journals were posted manually in the year including the close down period to the value of over £88 billion (excluding a one off set of transactions in Months 3 and 4, which are shown by the graph above).

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 13 journals (39 in 2012/13) 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 Wednesday is due to a single significant transaction which was processed in Months 3 and 4. The peak in the volume of transactions is on Tuesday; in previous years this peak was on a Wednesday:



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

# Fees update

## Fees update for 2013/14

We reported our fee proposals in our plan. Our actual fees were in line with our proposals.

Our fees charged were therefore:

	2013/14 outturn	2013/14 fee proposal
Accounts	90,000	90,000
Use of Resources/ Value for Money Conclusion	12,600	12,600
<b>Sub-total</b>	<b>102,600</b>	<b>102,600</b>
Certification of claims and returns (estimated)	6,700*	6,700
<b>Total Audit Fee</b>	<b>109,300</b>	<b>109,300</b>

We have performed work which fell outside of the Code of Audit Practice requirements. Details are included in the section on independence earlier in this report.

\*Our fee for certification of grants and claims is yet to be finalised for 2013/14 and will be reported to those charged with governance later in the year within the Certification Report to Management.

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# *Appendices*

# Appendix 1: Summary of uncorrected misstatements

We found the following misstatements 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.

The level we agreed with you for reporting misstatements, as part of agreeing our audit plan, is £100,000.

No	Description of misstatement (factual, judgemental, projected – F, J, P)		Income statement		Balance sheet	
			Dr	Cr	Dr	Cr
1	<b>Unrecorded liabilities</b>	F	£2,072			£2,072
	We sampled unpaid invoices outstanding as at 30 June 2014 and found one item which related to 2013/14 and had not been accrued for. This totalled £2,072. This was because it had not been receipted in i-procurement on a timely basis. Using our non-statistical sampling methodology there is an extrapolated error of £789,839:	P	£789,839			£789,839
	Dr Service Expenditure Cr Accruals					
<b>Total uncorrected misstatements</b>			<b>£791,911</b>			<b>£791,911</b>

## ***Appendix 2: Letter of representation***

### **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 2014**

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 2014 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 2013/14 supported by the Service Reporting Code of Practice 2013/14.

I acknowledge my responsibilities as Chief Financial Officer 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 2013/14 supported by the Service Reporting Code of Practice 2013/14; 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.

Leicestershire County Council

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- 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 2013/14 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:

No	Description of misstatement (factual, judgemental, projected – F, J, P)		Income statement		Balance sheet	
			Dr	Cr	Dr	Cr
1	<b>Unrecorded liabilities</b>	F	£2,072			£2,072
	We sampled unpaid invoices outstanding as at 30 June 2014 and found one item which related to 2013/14 and had not been accrued for. This totalled £2,072. This was because it had not been receipted in i-procurement on a timely basis. Using our non-statistical sampling methodology there is an extrapolated error of £789,839:	P	£789,839			£789,839
	Dr Service Expenditure Cr Accruals					
<b>Total uncorrected misstatements</b>			<b>£791,911</b>			<b>£791,911</b>

- The restatement made to correct a material misstatement in the prior period Statement of Accounts that affects the comparative information has been appropriately accounted for and disclosed in accordance with the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14.
- 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. The Authority also has the intent and ability to take actions necessary to continue as a going concern.

### ***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 payment schedule 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 the attached appendix to this letter is a complete list of the Authority's related parties. All transfer of resources, services or obligations between the Authority and these parties have been disclosed to you, regardless of whether a price is charged. We are unaware of any other related parties, or transactions between disclosed related parties.

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 2013/14.

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.

The Authority has complied with all aspects of contractual agreements that could have a material effect on the Statement of Accounts in the event of non-compliance. There has been no non-compliance with requirements of regulatory authorities that could have a material effect on the Statement of Accounts in the event of non-compliance.

I have disclosed all material agreements that have been undertaken by the Authority in carrying on its business.

### ***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 2013/14.

### ***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 to 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.

### ***Pension fund assets and liabilities***

All known assets and liabilities including contingent liabilities, as at the 31 March 2014, 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 2014 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, except for those that are disclosed in the statement of accounts.

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.

### ***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.

### ***Accounting Estimates***

I confirm the Authority has used appropriate measurement processes, including related assumptions and models, in determining the accounting estimate in the context of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14:

- Measurement processes were consistently applied from year to year.
- The assumptions appropriately reflect our intent and ability to carry out specific courses of action on behalf of the authority, where relevant to the accounting estimates and disclosures.
- Disclosures related to accounting estimates are complete and appropriate under the CIPFA/ CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14.
- No subsequent event requires adjustment to the accounting estimates and disclosures included in the Statement of Accounts.

### ***Using the work of experts – pension fund***

I agree with the findings of Hymans Robertson, experts in evaluating the liabilities connected with the Local Government Pension Scheme. I 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.

### ***Using the work of experts – valuation of Property, Plant and Equipment***

I agree with the findings of our internal Leicestershire County Council valuers, who are experts in evaluating the valuation of Property, Plant and Equipment. I 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.

### ***Assessment of indication of impairment regarding valuation of Property, Plant and Equipment***

I confirm that we have conducted an appropriate assessment of whether or not there was any indication that our Property, Plant and Equipment may be impaired. Our assessment did not reveal any impairment indicators.

### ***Assets and liabilities***

The Authority has no plans or intentions that may materially alter the carrying value and where relevant the fair value measurements or classification of assets and liabilities reflected in the Statement of Accounts.

In my opinion, on realisation in the ordinary course of the business the current assets in the balance sheet are expected to produce no less than the net book amounts at which they are stated.

The Authority has satisfactory title to all assets and there are no liens or encumbrances on the Authority's assets, except for those that are disclosed in the Statement of Accounts.

I confirm that we have carried out impairment reviews appropriately, including an assessment of when such reviews are required, where they are not mandatory. I confirm that we have used the appropriate assumptions with those reviews.

Details of all financial instruments, including derivatives, entered into during the year have been made available to you. Any such instruments open at the year-end have been properly valued and that valuation incorporated into the statement of accounts.

### ***Financial Instruments***

All embedded derivatives have been identified and appropriately accounted for under the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14.

### ***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 following 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:

Description	Assumption used
Duration of liabilities	15 – 20 years
Discount Rate	4.1% - 4.3%
Mortality	Club Vita analysis where available.
Inflation - RPI	3.4% - 3.6%
Inflation - CPI	2.6% - 2.8%
Salary increases	3.4% - 5.1% (with a lower short term assumption)

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.

As minuted by the Corporate Governance Committee at its meeting on 23 September 2014.

.....  
(Chief Financial Officer)

For and on behalf of Leicestershire County Council

Date .....





## **Appendix 1 - Related parties and related party transactions**

The Council is to include a complete list of related parties and the transactions in the final signed letter here.



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 2014****REPORT OF THE DIRECTOR OF CORPORATE RESOURCES****RISK MANAGEMENT UPDATE****Purpose of Report**

1. One of the key roles of the Committee is to ensure that the Council has effective risk management arrangements in place. This report assists the Committee in fulfilling that role by providing a regular overview of key risk areas and the measures being taken to address them. This is to enable the Committee to review or challenge progress, as necessary, as well as highlight risks that may need to be given further consideration. It covers:
  - a) The Corporate Risk Register (CRR);
  - b) Emerging Risks;
  - c) Update on related risk management matters - counter-fraud initiatives.



**Transfer of Responsibility for Risk Management to Internal Audit Service**


2. Responsibilities for risk management, the Annual Governance Statement and counter fraud have recently been transferred from Strategic Finance to the Internal Audit Service.
3. The Public Sector Internal Audit Standards (PSIAS) do not prohibit internal auditors from assisting management in establishing or improving risk management processes. Nevertheless, there has to be safeguards to ensure that the Head of Internal Audit Service can objectively evaluate the effectiveness of the processes when delivering his annual opinion. The extent and nature of internal audit's responsibilities will need to be documented in the audit charter which is currently being developed by the Internal Audit Service (as detailed in a report elsewhere on the agenda).






**Corporate Risk Register (CRR)**





4. The Council maintains a CRR and departmental risk registers. These registers contain the most significant mitigated risks which the Council is managing and are owned by Directors and Assistant Directors.
5. The key changes since the CRR was last presented to the Committee in May are:

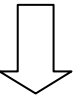


- i. The order of risks on the Register has been amended so that these are themed and grouped accordingly. Risks have therefore been renumbered;
  - ii. Removal of Risk: “Partnerships failing to agree an integrated approach to service delivery and funding will lead to ‘best services at lowest cost’ not being achieved”. It has been identified that such risks need to focus on specific partnerships, for example, Health & Social Care integration (see risk 4 paragraph 7 below);
  - iii. Addition of new risks:
    - Risk 5 - Preparation for the transition of Health Visiting (from NHS England) to local authorities;
    - Risk 11 - Members use of IT and risk of breach of Data Protection and expectations in the Public Services Network Code of Conduct;
    - Risk 15 - Community safety - difficulty in maintaining a working relationship with the Police and Crime Commissioner;
    - Risk 16 - Leicester and Leicestershire Enterprise Partnership (LLEP) – funding risk from the Single Local Growth Fund (SLGF) and implications regarding the delivery of transport programmes.
6. At its meeting on 12 May, the Committee requested that a presentation be provided on the risks associated with an increase in unplanned and speculative local developments to address the shortfall in the five year housing supply and the possible adverse impact on the functioning of the transport network, as detailed in the Corporate Risk Register (Risk 13). This will be undertaken as part of this agenda.
7. The latest assessment of the highest ranking risks is shown in the table below. The number in brackets in column two refers to the previous CRR risk number. Where a change has taken place to the current risk score a note is included.

Dept/ Function	CRR Risk No	Risk Description	Current Risk Score (incl changes)	Update	Direction of Travel (Residual Risk over the next 12 months)
Medium Term Financial Strategy (MTFS)					
All	1 (16)	Risk around the ability to deliver savings and efficiencies through service redesign and transformation as required in the MTFS.	25	Although there is no change to the previous reported position, the significant budget pressures in the current year are increasing, which will impact on the financial position of future years.	 expected to remain 'high/red'
C&F	2 (20)	Cost of school sponsorship to LCC prior to	16	The Corporate School Group continues to monitor any development and agree actions.	




		conversion		<p>The degree of risk (financial risk) remains the same as sponsorships for Longslade College and William Bradford are yet to be concluded. A funding package for both establishments has been established and approved by Corporate Schools Group. There are robust procedures and systems to manage schools in sponsorship. LCC is working proactively with the last remaining maintained secondary schools to establish long term academy solutions.</p>	<p>the residual risk has the potential to diminish but will be influenced by OFSTED judgments of LA maintained schools</p>
Health & Social Care Integration					
A&C	3 (2)	<p>Proposals in the Government's Care Act which provide for very significant changes and implications for Adult Social Care and the whole Council.</p> <p>(see Risk 4 for BCF)</p>	25	<p>Consultation on funding allocations for The Care Act due to be implemented in April 2015 were launched on 31 July for the :</p> <ul style="list-style-type: none"> <li>• Universal Deferred payment Agreements;</li> <li>• Social care in Prisons;</li> <li>• New entitlements for carers.</li> </ul> <p>The consultation, which runs until 9 October, relates to the technicalities of allocating funding for the above aspects. Progress continues to be made on assessing the financial implications associated with implementing the Care Act (planned implementation April 2015). However, accuracy is undermined by the lack of accessible data and delays in the release of costing models by the LGA/Department of Health. The risk is that:</p> <p>a) Leicestershire BCF allocations will be insufficient to cover the full cost of implementation, once known;</p> <p>b) Allocating the entire indicative Care Act allocation from the BCF will have a knock-on effect on the deliverability of the identified local priorities (£1m);</p> <p>c) The overall on-going cost of the Care Act will exceed the on-going Government funding allocation for implementation.</p>	 <p>expected to remain 'high/red'</p>

CE	4 (17)	Risk to Health and Care Partners failing to deliver integrated care to the local population (including via the Better Care Fund (BCF) plan	15  Reduced from 20 (increased controls)	Due to changes in national arrangements for BCF plans, all areas are required to resubmit their plans by 19 September. Delivery continues through the production and approval of individual business cases for key elements of the BCF programme.  An element of the funding is based on payment by results.	 expected to remain 'high/red'
All	5 (12)	Challenges caused by the Welfare Reform Act.	25	There have been delays in introducing the Universal Credit reforms, but the Government has announced that they intend to make even larger reductions in the Welfare Budget. This means the longer term risks remain significant.	 expected to remain 'high/red'
PH	6 (new)	The transition of Health Visiting (from NHS England) to Local authorities	20	Following the first publication of the proposed financial structure for the transfer of Health Visiting to LAs, negotiations are underway to determine an appropriate proportion split for LCC and Leicester City, as well as the ongoing commissioning costs for the service. The Board responsible for the transition meets monthly and will continue to update Public Health departmental management teams and chief officers on a regular basis.	 expected to remain 'high/red'
ICT, Information Security					
CR	7 (6)	Maintaining ICT systems and having the ability to restore services quickly and effectively in the event of an outage.	15	Development of a clear IT disaster recovery framework and testing plan is underway and due for completion in August 2014. The review of the Data Centre role and capability of secondary data centre is underway.	 expected to move to 'medium/amber'
CR	8 (7)	Continuing risk of failure of information security.	16	The Council has achieved PSN (Public Services Network) compliance. Security penetration testing has been undertaken as scheduled and work is underway to prepare for the next annual	 expected to move to 'medium/amber'

				submission for PSN compliance. A revised Information Security and Acceptable Usage policy has recently been signed off and is due to be launched in September 2014. Guidance and training events have been planned for staff and members.	amber'
All	9 (13)	Failure by LCC to ascertain, understand and manage increased demand for services will restrict implementation of effective strategies, impacting council wide priorities and delivery of the Transformation Programme.	15	Business Intelligence is now recognised as a core component of the Council's transformation programme and will provide evidence to support demand management.	 expected to remain 'high/red'
CR	10 (15)	Insufficient capacity to provide Information & Technology solutions.	16	Capacity planning and prioritisation of agreed organisational priorities is underway.	 expected to remain 'high/red'
CE	11 (new)	Failure by Members to comply with the new Information Security Policy	20	Members are being informed of their responsibilities and further options for accessing County Council emails via letters from the Monitoring Officer. All Members briefing planned for 23 September. Automatic forwarding of emails to cease from 1 October 2014 - technical controls will be put in place.	 Expected to move to amber
Transportation					
E&T	12 (8)	Impact of academy and secondary age conversion on home to school transport policy.	20 Increased from 16 (increased impact)	Further round of consultation undertaken following Cabinet approval. Mainstream Home to School Transport Policy agreed. Reports taken to Scrutiny on 11 July and Cabinet on 15 July. Policy will be published in September	 expected to remain 'high/red'

				2014, with implementation in September 2015.	
E&T	13 (19)	Impact of an increase in unplanned and speculative local developments to address the shortfall in the five year housing supply which could have an adverse impact on the functioning of the transport network.	15	Note: no change to previous reported position.	 expected to move to amber
Partnership Working					
C&F	14 (4)	Outcomes relating to Supporting Leicestershire Families (SLF) not being achieved.	20	Government announced a fourth year of Payment By Results (PBR) funding into 2015/16. Leicestershire has now completed phase one of PBR and pulled down additional funding into the pooled SLF budget. Service is now fully up and running and merged into C&F Services. Whole family working is being rolled out across a range of Services. Nevertheless, risk remains around the ability of partner organisations to financially sustain the programme once government funding ceases.	 expected to remain 'high/red'
CE & C&F	15 (new)	Partnership relationships - Community Safety are not effective due to the difficulties of maintaining a working relationship with the Police and Crime Commissioner (PCC)	15	Continued PCC engagement in Leicestershire Community Safety Strategy Board, Police and Crime Panel.	 expected to remain 'high/red'



E&T	16 (new)	LLEP- insufficient funding for transport schemes to deliver economic growth	20	Continued engagement with the LLEP regarding the development of future plans and transport strategies to align with Strategic Economic Plan (SEP)	 expected to remain red
Commissioning & Procurement					
CR	17 (14)	The ability of Leicestershire County Council to effectively contract manage devolved services through new service delivery models	15	The Corporate Commissioning Contracts Board has continued to monitor the performance of 23 of the Council's key contracts. Further work has been initiated to identify all key suppliers for business critical services (based on business continuity plans) and a pilot undertaken to identify and minimise supply chain risk in two areas. A Contract Management Toolkit is to be developed as part of the Effective Commissioning Enabler (Transformation Programme).	 expected to move to 'medium/ amber'
Specific Update - EPH					
A&C	18 (18)	Risk to the County Council surrounding transfer of nine Elderly Persons Homes.	12	Officers continue to work with the provider to secure repayment of the deferred amount. Further details are provided below	 expected to remain 'medium / amber'

8. This register is designed to capture strategic risk, which by its nature has a long time span. Risk owners are engaged and have demonstrated a good level of awareness regarding their risks. The full CRR is attached as Appendix A (shaded areas represent updates and the addition of new risks).
9. The improvements introduced to the risk management framework acknowledge that the CRR is a working document and therefore assurance can be provided that, through timetabled review, high/red risks will be introduced to the CRR on an ongoing basis, as necessary. Equally, as further mitigation actions come to fruition and current controls are enhanced, the risk scores will be reassessed and this will result in some risks being removed from the CRR and reflected within the relevant departmental risk register.

### **Specific Updates**

10. Following its meeting in May 2014, the Committee specifically requested a further update on the sale of the nine Elderly Person's Homes.
11. Members will recall that the County Council and Leicestershire County Care Ltd (LCCL) entered into a new agreement in April 2014 to secure repayment of the remaining £2.22m deferred capital sum. £0.5m of the outstanding sum was received in early September 2014, in line with the agreement, and a sum of £1.72m remains outstanding. The key remaining elements of this agreement are:
  - i) Regular monthly Capital Payments from October 2014 to December 2016;
  - ii) Lump sum payments in September 2014, September 2015, September 2016 and December 2016, to enable full repayment of the outstanding debt by the end of 2016;
  - iii) A new parent company guarantee, confirmation of an existing personal guarantee from Dr Kananda, and confirmation of a guarantee from the original parent company, Southend Care – all guaranteeing payment of the debt until such date as no further monies are due to the Council;
  - iv) Financial covenants placed on LCCL to ensure that available monies within the company are paid to the County Council and no one else;
  - v) Increased rates of interest.
12. Members are advised that LCCL continues to comply with the terms of the new financial agreement, making timely interest payments at the increased rate of 7.5% (current Bank of England Base Rate, plus 7%). This rate will increase to base rate plus 8% from 1 April 2015 and to base rate plus 9% from 1 April 2016. Interest received up to the end of August 2014 amounted to £319,000.

### **Emerging Risks**

#### **Reduced Recycling Performance**

13. There is an emerging risk related to reduced recycling performance. Recycling performance can be affected by a number of factors, only some of which are in the control of the Authority. Over the past year, performance has primarily been affected by changes in Environment Agency guidance relating to the composting of wood waste and it is anticipated that further impacts will be seen in 2014/15. Other external factors could include increased waste arisings linked to the economic climate, the potential impacts of changes in recycling services provided by the district and borough councils and planned changes in the method of calculating performance.
14. The primary consequence of reduced recycling performance could be an increase in the cost of waste disposal, if material that was previously recycled was diverted into the residual waste stream. Other consequences could include reputational damage and reduced levels of customer satisfaction.

15. Local trends in waste arisings and recycling performance are closely monitored and engagement with national groups such as the National Association of Waste Disposal Officers is undertaken to understand the national picture. The Council also engages with the WasteDataFlow user group to ensure that it is informed about any upcoming changes in guidance and changes to the method of calculating performance. A robust communication plan is in place to ensure that recycling messages remain high profile and any messages relating to reduced performance are managed appropriately.
16. The above risk is highlighted within the Environment and Transport Departmental Risk Register with no further escalation required to the CRR at this stage. The Lead Member has been kept informed of developments.

**Leicester and Leicestershire Enterprise Partnership Strategic Economic Plans (Transport implications)**

17. Under previous arrangements, funding was directly allocated to the Council to support transport programmes. However, a substantial proportion of this money will, from 2015/16 onwards, be allocated via the Single Local Growth Fund (SLGF) and not ring-fenced for transport improvements. The SLGF will be managed and distributed through the Leicester and Leicestershire Enterprise Partnership (LLEP).
18. The LLEP has now received its SLGF settlement. Out of its original bid (for all projects, transport and otherwise) of £240m for the period 2015 to 2020, including a bid for £81m for 2015/16, it received £60m, of which £20m is available in 2015/16. Whilst the award is welcomed, it is insufficient to enable delivery of all of the transport projects submitted.
19. The process for payment of the 2015/16 monies is unclear at this time. It appears that the Government may be wishing to put in place additional controls above and beyond the assessment of bids that it has already carried out. Should this result in delays in the release of funding, there is a risk that this could impact on work to develop and deliver schemes in 2015/16.
20. The process for securing SLGF monies for 2016/17 and beyond is also unclear at this time, although it appears that the Government intends there to be, once again, some form of bidding/submission process that *might* need to be undertaken by Christmas. Whether and how the LLEP will consider previous submissions (i.e. schemes not funded for 2015/16) and whether and how it will consider any new submissions is not clear at this time.
21. Transport projects form a major component of the 'Place' theme in the submitted Strategic Economic Plan (SEP) and represent a substantial call on SLGF resources. However, in the light of the SLGF settlement and pressures on the Authority's own budgets, there remains a significant and likely risk that the Council's ability to invest in transport measures to support the area's economy will be severely limited and leave the Council vulnerable, as future SLGF funding will be assessed, in part, on delivery performance.

22. Risks will be mitigated as much as possible and the County Council will seek to work with the LLEP to develop its understanding and expertise on the economic importance of an effective transport system and develop processes to compare the benefits of the wide range of projects contained within the SEP to ensure that the most appropriate projects to support economic growth are chosen.
23. Other mitigation includes:
- To develop transport projects for future annual SEP submissions (2016/17 to 2019/20) with a supporting programme for high priority schemes;
  - Ensuring a supply of deliverable (shovel ready) transport schemes which can be delivered within the SLGF timeframe, should funding be approved;
  - Investigating ways to accelerate the advanced planning of schemes to put the Council in a position where SEP schemes are deliverable within the SLGF timeframe and have surplus schemes available, ready to take advantage of other opportunities;
  - The County and City Councils as Highways Authorities continuing to work closely with the Department for Transport (DfT), the Highways Agency and other partners to ensure transport aspects of the SEP are robust, deliverable and represent good value for money

### **Integrated Adults System**

24. The Integrated Adults System (IAS) by Liquid Logic was the chosen solution and supplier for the replacement of the previous (historic) adult social care case management system. The finance solution (that integrates with the case management solution) is provided by ContrOcc (Oxford Computing). Both solutions are now 'live'. There were some issues that arose during the implementation of the first phase and these are in the process of being resolved.
25. Phase two of the IAS project has commenced and is due to be completed by March 2015. This phase of the project is a critical enabler to meeting the requirements of the Care Act 2014. Governance arrangements are being developed to ensure that the IAS project is not isolated from other dependent programme requirements. However, the current project plan has identified that the timescales for the release of software upgrades which are critical to meet requirements within the Care Act from April 2015 are not due to be released by the supplier until February 2015.

The risks are around insufficient project resources, supplier delays regarding software releases which could influence the time available for testing and absence of criteria to determine priorities so that the scope of phase two is not overly ambitious.

26. The above risk is highlighted within the Adults and Communities Departmental risk register with no further escalation required to the CRR at this stage.

## **Counter Fraud Initiatives**

27. With the Audit Commission being decommissioned in early 2015, its counter fraud functions are being transferred to the public sector accountancy institute, CIPFA. CIPFA will take the lead on matters pertaining to counter fraud for public services. As part of this, CIPFA is expected to launch its Code of Practice on Managing the Risk of Fraud and Corruption shortly and is to establish a centre of excellence in counter fraud based upon the transfer of existing public sector counter fraud functions from the Audit Commission to the Institute. The Counter Fraud Centre (CFC) will be the first national centre for all counter fraud professionals and will link across the whole of the public sector and will be staffed by counter fraud specialists.
28. Operational responsibility for co-ordinating the Council's approach to Counter Fraud has now transferred to the Head of Internal Audit Service. A programme of work has been agreed upon for the 2014/15 financial year. Immediate priorities, which are well advanced, include:
  - Updating the Council's Anti-Fraud & Corruption Strategy and Procedures. As part of this update, the Council's strategy will be aligned to the new CIPFA Code of Practice on Managing the Risk of Fraud and Corruption;
  - Publishing of an Anti-Money Laundering Policy and a defining of the role of the Council's Money Laundering Reporting Officer. The Policy will be accompanied by guidance notes for staff and targeted training in areas where the risk of money laundering activity is reasonably high.
29. The refreshing of key documents such as the Anti-Fraud & Corruption Strategy will compliment recent work by the County Solicitor (Monitoring Officer) to refresh the Officer Code of Conduct, policies on Declaration of Gifts and Hospitality and revisions to the Council's Whistleblowing Policy.
30. A medium-term priority is to refresh the Council's e-learning module on Fraud and Corruption to harmonise it with recent legislation (e.g. the Bribery Act) and current internal strategies and procedures. There is evidence that the module, although mandatory, has been completed by only a minority of staff. Therefore, the new module, once finalised, will be accompanied by targeted communications to both employees and managers in a bid to raise fraud awareness across the whole organisation.
31. Other priorities later in the year will be the Council's annual fraud risk assessment as recommended in 'Fighting Fraud Locally – The Local Government Fraud Strategy' (National Fraud Authority) and the 'annual fighting fraud checklist for governance' (Audit Commission – Protecting the Public Purse).
32. National Fraud Initiative (NFI) - The Council is a mandatory participant in the Audit Commission's biennial NFI exercise. The National Fraud Initiative (NFI): National Report (June 2014) highlights that the Audit Commission's sophisticated data matching exercise has identified a further £229 million of

fraud, overpayment or error in England, Scotland, Wales and Northern Ireland, since it last reported in May 2012. The highest value categories identified in England continue to be pensions (£74 million), followed by council tax single person discount (£39 million) and then housing benefit (£33 million). Whereas district and unitary councils as council tax / benefit authorities continue to be the main beneficiaries from the NFI exercise, we continue to play an active part, for example in the provision of information to other councils.

33. The total value of cases of fraud, overpayment or error identified by the NFI is lower, albeit the number of cases rose by 19.4 per cent over the same period. The Commission believes this potentially indicates that participants are increasingly effective at the early detection of fraud, overpayment and error. This will have been helped by the Commission's introduction of a new service, NFI Flexible Data Matching, which has made it possible for participants to undertake near-instantaneous data matching at any time.
34. The next NFI exercise will take place shortly, with participants submitting data in October 2014 and potential matches being released to councils for further investigation in January 2015. Responsibility for NFI will move from the Audit Commission to the Cabinet Office in April 2015.
35. As part of a proactive approach to fraud prevention, a comprehensive review of the single person discount scheme applied across six Leicestershire District Councils was conducted in conjunction with a third party, Datatank. The review involved contacting targeted tax-payers in receipt of single persons discount to obtain assurance they continued to be eligible for this relief.
36. The review revealed a significant number (over 2,800) of individuals were taking advantage of the 25% rebate when they were ineligible. The County Council funded 75% of the cost of the review (circa £50,000) based on its approximate share of the average council tax bill. Analysis of the results indicates that, on average, savings of £13 for every £1 spent on the initiative have been achieved. In total, the benefit from extra council tax revenue is estimated to be in the region of £900,000. Of this the County Council will receive approximately £650,000, so it was a very worthwhile investment and brings a direct financial benefit to the County Council, District Councils and the Police and Fire authorities.

### **Recommendation**

37. That the Committee:
  - (a) Notes that the Head of Internal Audit Service now has responsibility for monitoring adherence to, reporting on and developing the Authority's risk management process;
  - (b) Notes that the current status of the strategic risks and emerging risks facing the Council and make recommendations on any areas which might benefit from further examination;

- (c) Identify a risk area for presentation at its next meeting;
- (d) Approve the updated Corporate Risk Register;
- (e) Support the Council's initiatives to improve the prevention and pursuit of fraud;
- (f) Notes the outcomes of the collaborative work with Leicestershire's District Councils on reducing single person discount fraud.

### **Resources Implications**

None.

### **Equal Opportunities Implications**

None.

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

Members News in Brief item covering the agreement reached with LCCL regarding payment has been circulated to all members.

### **Background Papers**

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

Report of the Director of Corporate Resources – 'Risk Management Update' – Corporate Governance Committee, 2 September 2013

Report of the Director of Corporate Resources – 'Risk Management Update' – Corporate Governance Committee, 25 November 2013

Report of the Director of Corporate Resources – 'Risk Management Update' – Corporate Governance Committee, 10 February 2014

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### **Appendices**

Appendix A – Corporate Risk Register

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Updated:

Represents updates to column since May 2014  
Aug-14

Corporate Risk Register

Current Risk Score  
15 to 25 = Red (R) / High  
6 to 12 = Amber (A) / Medium  
3 to 5 = Green (G) / Low

APPENDIX A

						Current Risk Score				Residual Risk			
Departme nt	Risk #	Risk	Causes (s)	Consequences (s)	Risk Owner	List of current controls	Impact	Likelihood	Risk Score	Further Actions / Additional Controls	Residual Impact	Residual Likelihood	Residual Risk Score
All	1	The County Council is unable to deliver savings and contain growth through Service Redesign/Transformation as required in the MTFS.	<ul style="list-style-type: none"><li>Chancellor Budget 2014 projected austerity beyond 2017/18, requiring LCC to find additional estimated savings (increase of £27.5m on current position)</li><li>Budget statement did not contain any reference to costs of Care Bill reforms to Adult Social Care which could significantly impact savings gap</li><li>Increased demand for the most vulnerable continues to increase: Adult Social Care / CYPs</li><li>Significant efficiencies/savings already realised and implemented thereby making it increasingly difficult to deliver unidentified savings</li></ul>	<p><u>Service Delivery</u></p> <ul style="list-style-type: none"><li>Negative impact on all services as further service cuts will be required to reduce deficit</li></ul> <p><u>Reputation</u></p> <ul style="list-style-type: none"><li>Significant impact on reputation exacerbated by the need for quick and potentially crude savings if a more considered approach not adopted</li></ul> <p><u>Financial</u></p> <ul style="list-style-type: none"><li>Loss of income</li><li>Restricted funding from other sources</li></ul>	John Sinnott / CMT	<ul style="list-style-type: none"><li>Resource review undertaken</li><li>Public consultation undertaken</li><li>Monitoring processes in place at both departmental and corporate level</li><li>Settlement reviewed and MTFS updated</li><li>Progress with savings monitored and reported to Scrutiny Commission regularly during 2014/15</li><li>Assistant Director Transformation in post</li></ul>	5	5	[R] 25	<ul style="list-style-type: none"><li>Financial position to be reported to Cabinet in September</li><li>Update MTFS early 2015 to be considered by Scrutiny Commission, Cabinet and County Council. This will include additional savings</li><li>Increase focus on A&amp;C and C&amp;F overspends</li><li>Further work required to agree Transformation process, resources and governance</li><li>Greater emphasis on commissioning, active communities and demand management</li><li>Improved provision of management and performance information</li></ul>	5	5	[R] 25
C&F	2	Local Authority schools that fail Ofsted/consistently under perform are directed to become a Sponsored Academy by the DfE. Under this arrangement and prior to conversion, there is a legal requirement for LCC to absorb deficit budgets, as well as potentially incur additional high costs towards building repairs.	<ul style="list-style-type: none"><li>Sponsors are seeking building repairs/updates before agreeing to sponsor schools</li><li>Central agenda/strategy pushes for more conversion</li><li>Deficit budgets return to the Local Authority at the point of conversion.</li><li>No identified funding source to support sponsorship projects</li></ul>	<p><u>Service Delivery</u></p> <ul style="list-style-type: none"><li>Local academy strategy objectives unachievable</li><li>If sponsorship projects are approved Capital programme slippage and delays to other major schemes</li></ul> <p><u>People</u></p> <ul style="list-style-type: none"><li>Displaced children needing to be relocated if school closes</li><li>Stress/pressure on pupils, parents, teachers</li></ul> <p><u>Reputation</u></p> <ul style="list-style-type: none"><li>Sponsor schools walk away from arrangements unless demands met</li><li>If the school continues to sustain underperformance (and no sponsor found) then the DfE could direct LCC to close the school.</li></ul> <p><u>Financial</u></p> <ul style="list-style-type: none"><li>Demand on limited Dedicated School Grant (revenue) resources</li><li>Diversion of capital funding from other schools</li><li>If schools closes there will be a negative impact on the transport budget as the LA will have to transport children to other schools.</li></ul>	Lesley Hagger / Gill Weston	<ul style="list-style-type: none"><li>£2.5 million held in Dedicated Schools Grant reserves (Revenue).</li><li>On-going negotiations with sponsors and the Department for Education.</li><li>Updated conditions surveys prepared</li><li>Corporate School group to monitor</li><li>Property to ensure capital program delivers priority 1 and 2. Notice of Concern is served on each school giving the LA greater influence over decision making.</li></ul>	4	4	[R] 16	Further develop a robust criteria to use to determine the priority on the demands on capital budget . Audit underway in to the management of sponsorships. Outcome is awaited but early indications are that report is positive with robust systems in place	4	4	[R] 16

						Current Risk Score				Residual Risk			
Departme nt	Risk #	Risk	Causes (s)	Consequences (s)	Risk Owner	List of current controls	Impact	Likelihood	Risk Score	Further Actions / Additional Controls	Residual Impact	Residual Likelihood	Residual Risk Score
A&C	3	Inability to establish long term delivery strategies as a result of the Government's Care Act which provide for very significant changes and implications for Adult Social Care and the whole Council	<ul style="list-style-type: none"><li>•Increase in LCC responsibilities and costs</li><li>•National eligibility criteria increases demand with no additional funding (reform under funded)</li><li>•All service users (existing and new) requiring a 'care account'</li><li>•Cap on total lifetime costs paid by individuals</li><li>•Leicestershire more affluent therefore more of the costs which are currently self funded will pass to tax payer</li><li>•Additional costs are hard to quantify precisely due to lack of information on service users who currently fund and manage their own care</li><li>•Uncertainty about formula used to allocate funding</li></ul>	<u>Service Delivery</u> <ul style="list-style-type: none"><li>•Double the number of service users eligible</li><li>•Concern on how well changes will be understood by service users/public</li></ul> <u>People</u> <ul style="list-style-type: none"><li>•Significant staffing and ICT resource implications</li><li>•Required additional staffing at a time where workforce planning to be reduced</li></ul> <u>Financial</u> <ul style="list-style-type: none"><li>•Major impact on substantial savings/efficiencies required</li><li>•Additional operating costs associated (increased assessment activity / care accounts)</li><li>•Significant reduction in income from charges</li><li>•More deferred payments for care costs</li></ul>	Mick Connell / Sandy McMillan	<ul style="list-style-type: none"><li>•Project Board (with senior sponsor) established to oversee development and delivery of an implementation plan</li><li>•Department is in the process of engaging with emerging national and regional support programme for the Bill</li></ul>	5	5	[R] 25	<ul style="list-style-type: none"><li>•Review of projects within A&amp;C efficiency programme</li><li>•Continue modelling exercise on scoping impact of Dilnot on service users, including obtaining best practice from other local authorities</li><li>•Careful planning to avoid potential risk of making staff redundant when future new recruitment may be required</li><li>•Review of risks as changes communicated</li><li>•Preparation for detailed analysis of draft guidance/ regulation to respond to consultation and plan for implementation</li></ul>	5	5	[R] 25
CE	4	Risk to Health and Social Care Partners failing to deliver integrated care to the local population, including via Better Care Fund (BCF). The BCF was announced in the 2013 Spending Round. Failure in the delivery of plans and deployment of funds, could lead to the non-achievement of a number of national conditions and performance thresholds, leading to elements of the fund being withheld. The revised MTFS has been modelled on the assumption of these funds; with the potential for adverse repercussions on other services if funds are reduced/not received.	<ul style="list-style-type: none"><li>• Uncoordinated working leading to inefficiencies and a reduction in the quality of integrated care to end users</li><li>• Funding subject to national performance assessment with "payment by results" for at least one metric</li><li>• To access full allocation of the BCF by 2015/16, local government and NHS partners must ensure: a Better Care Fund Plan is developed and approved within a national timescale; Other national conditions are met; Achievement of the required performance level/progress against a combination of national and locally agreed measures by October 2015</li></ul>	<u>Service Delivery</u> <ul style="list-style-type: none"><li>• Failure to meet Health and Social Care Integration objectives which are a key priority for both LCC and NHS</li><li>• Increased dependency on other health services directly impacting LCC budgetary pressures</li></ul> <u>People</u> <ul style="list-style-type: none"><li>• Limited early intervention or prevention due less planning 'around the individual ' leading to higher costs of care within the system.</li></ul> <u>Reputation</u> <ul style="list-style-type: none"><li>• Loss of trust in partnership working. lack of public confidence in integrated care solutions, commissioners viewed as uncoordinated/fragmented/wasting public resources</li></ul> <u>Financial</u> <ul style="list-style-type: none"><li>• If the plan does not deliver against metrics, some of the funding could be withheld (up to £10m)</li><li>•A proportion of the fund (£16m of £38m) is allocated to the protection of Social Care expenditure so a loss of income into the fund could impact on this allocation. Conversely delays and policy changes affecting how BCf plans are to be developed and delivered may affect the ability of the fund to be allocated, leading to underspends with the BCF plan.</li></ul>	Cheryl Davenport / Mick Connell	<ul style="list-style-type: none"><li>• Following approval, the County Council, the two County Clinical Commissioning Groups (CCGs) and the Health and Wellbeing Board finalised and submitted the BCF Plan to NHS England on 4th April 2014.</li><li>•A new Integration Executive has been established and will oversee delivery of the BCF Plan and the associated pooled budget and has been meeting monthly since March 2014.</li><li>•An initial BCF programme plan, performance dashboard and risk register has been developed showing the milestones partners need to achieve within the BCF Plan.</li><li>• Due to changes in national arrangements for BCF plans all areas are required to resubmit their plans by the middle of September - this will be confirmed in national guidance which is due on July 25, 2014.</li><li>• In the meantime delivery continues through the production and approval of individual business cases for key elements of the BCF including for local area coordination, frail older people, help to live at home and the new housing offer.</li></ul>	5	3	[R] 15	<ul style="list-style-type: none"><li>•Continue to refine plans pending further guidance expected 25 July 2014.</li><li>• The BCF Plan is an important element of the overall strategy to transform health and care services across Leicester, Leicestershire and Rutland over next 5 years - The directional 5 year strategy was published for review and discussion with all local partners at the end of June and is expected to be finalised at the end of September 2014.</li></ul>	5	3	[R] 15
All	5	LCC and partners do not have the capacity to meet expected increase in demand caused by the Welfare Reform Act	<ul style="list-style-type: none"><li>•Decreased income</li><li>•Continual economic climate</li><li>•High unemployment/Reduction in wage increases</li><li>•Changes in the benefit system</li><li>•Introduction of Universal Credit transfers responsibility to vulnerable people</li><li>•Inadequate information for business cases jeopardising robust decision making</li><li>•More demand for advice services</li><li>•No central funding for Local Welfare Provision post April 2015</li></ul>	<u>Service Delivery</u> <ul style="list-style-type: none"><li>•Service users losing support/income leading to a rise in number of people needing support from LCC and other local agencies</li></ul> <u>People</u> <ul style="list-style-type: none"><li>•Families less able to maintain independence</li><li>•Difficulty in identifying and implementing effective preventative measures</li><li>•'Hard to reach' groups slip through the net</li></ul> <u>Reputation</u> <ul style="list-style-type: none"><li>•Cases of hardship / lack of support in media</li><li>•Potential inspection</li><li>•Public confused as to which Agency has responsibility</li></ul> <u>Financial</u> <ul style="list-style-type: none"><li>•A&amp;C debt increases</li><li>•Demand led budgets under more pressure</li><li>•Risk of litigation / judicial review</li></ul>	Mick Connell / Sandy McMillan / Tom Purnell	<ul style="list-style-type: none"><li>•Social Fund claims are lower due to more focused eligibility criteria</li><li>•A&amp;C finance team monitoring impact of benefit changes on departmental income and debt recovery</li><li>•Debt strategy plan approved and being implemented</li><li>•Information booklet on major WRA changes developed and circulated to all A&amp;C staff and shared with CYPS</li><li>•LCC agreed contribution towards the districts hardship funds to assist people in financial difficulty</li><li>•Additional contingency help for non collection of council tax</li></ul>	5	5	[R] 25	<ul style="list-style-type: none"><li>•Options to mitigate loss of Local Welfare Fund being explored</li><li>•Maintain awareness of legislative changes and timing of WRA roll-out</li></ul>	5	4	[R] 20

						Current Risk Score				Residual Risk			
Departme nt	Risk #	Risk	Causes (s)	Consequences (s)	Risk Owner	List of current controls	Impact	Likelihood	Risk Score	Further Actions / Additional Controls	Residual Impact	Residual Likelihood	Residual Risk Score
PH	6	Prepare for transition of Health Visiting to LA's	<div><div></div><div>• Preparedness of new authorised bodies including LCC to commission Health Visiting services from October 2015.</div><div>• Insufficient funding to comply to National Service Specification.</div><div>• Ability to retain and continue to recruit staff to sustain the Call to Action levels after transition.</div><div>• Potentially the Call to Action target for numbers of Health Visitors will be missed by the end of March 2015 deadline</div></div>	<div><div>Service Delivery</div><div>• Negative impact on children &amp; families &amp; inability to deliver the Healthy Child Programme</div></div> <div><div>People</div><div>• Vulnerable Families at risk because service provision is inadequate with negative health and safeguarding outcomes</div></div> <div><div>Reputation</div><div>• Negative stories in press</div><div>• Key partners impacted - in particular primary care and children's social care</div></div> <div><div>Financial</div><div>• Disproportionate allocation of finances for commissioning of the contract</div><div>• Potential Loss of Future finance if service not delivered adequately</div></div>	Mike Sandys /Rob Howard	<div>• The Health Visiting Assurance Board will become a HV Transition Board from April 2014 to ensure the smooth transition of responsibility from NHS England to LCC.</div> <div>• The Board will continue to monitor progress towards the Call to Action targets.</div>	5	4	20	<div>• Improved performance management.</div> <div>• Improved Monitoring of progress towards Call to Action targets to ensure targets are met.</div>	5	3	15
CR	7	The County Council's services have a growing dependence on ICT systems and infrastructure. Hence maintaining ICT systems and having the ability to restore services quickly and effectively in the event of an outage is vital.	<div><div></div><div>• Business evolution and dependencies cause additional load on existing infrastructure, reducing resilience to failure</div><div>• Recovery plans are currently fragmented</div></div>	<div><div>Service Delivery</div><div>•Unable to deliver critical services</div><div>•Disruption to day to day operations</div><div>•Loss of key information</div><div>•Loss of self service customer facing options / Public unable to use all access channels</div></div> <div><div>People</div><div>•Alternate business continuity arrangements likely to result in backlogs of work</div></div> <div><div>Reputation</div><div>•Negative stories in press</div><div>•Key partners impacted may influence contract renewals</div></div> <div><div>Financial</div><div>•Potential penalties</div><div>•Additional costs related to internal and external recovery</div></div>	Liz Clark / Roderick O'Connor	<div>•New SAN in place that includes functions to rapidly restore services in the event of an outage</div> <div>•Resilient servers split over two sites</div> <div>• Servers have been virtualised so that they can be quickly brought back into service if there is an issue with the underlying hardware.</div> <div>•External review of existing resiliency completed and resiliency group setup to implement recommendations</div>	5	3	[R] 15	<div>•Review of current datacentres to address risks identified by the NCC report</div> <div>•Continue review of current plans to ascertain gaps, to put forward improvement proposals</div> <div>•Notification of all planned changes that may impact infrastructure</div>	4	3	[A] 12
CR	8	The responsibility to protect the confidentiality, integrity, availability and accountability of information means there is a continuing risk of failure of information security. An increase in information security incidents has resulted in the ICO requiring the Council to sign an Undertaking.	<div><div></div><div>•Increased information sharing</div><div>•More hosted technology services</div><div>•Greater emphasis on publication of data and transparency</div><div>•Greater awareness of information rights by service users</div><div>•Increased demand to open up access to personal sensitive data and information to support integration of services and development of business intelligence.</div></div>	<div><div>Service Delivery</div><div>•Diminished public trust in ability of Council to provide services</div><div>•Failure to comply with Public Service Network(PSN) Code of Connection standard would result in the Council being disconnected from PSN services, with possible impact on delivery of some vital services.</div></div> <div><div>People</div><div>•Loss of confidential information compromising service user safety</div></div> <div><div>Reputation</div><div>•Damage to LCC reputation</div></div> <div><div>Financial</div><div>•Financial penalties</div></div>	Brian Roberts / Liz Clark	<div>•Information Security and related policy in place to ensure compliance</div> <div>•PSN compliance achieved and Project Board overseeing embedding of PSN compliance into business as usual</div> <div>•Use of 2 level anti-virus software on internet and email with further control on webmail</div> <div>•Regular penetration testing and enhanced IT health check as part of PSN compliance</div>	4	4	[R] 16	<div>•Continued delivery of the Information Security programme of work</div> <div>•Sign-off refreshed Acceptable Use Policy by Members</div> <div>•A Corporate Mobile Device Management will help control the impact of potential data loss from mobile devices</div>	4	3	[A] 12

						Current Risk Score			Residual Risk				
Departme nt	Risk #	Risk	Causes (s)	Consequences (s)	Risk Owner	List of current controls	Impact	Likelihood	Risk Score	Further Actions / Additional Controls	Residual Impact	Residual Likelihood	Residual Risk Score
All	9	Failure by LCC to ascertain, understand and manage increased demand for services will restrict implementation of effective strategies, impacting council wide priorities and delivery of the Transformation Programme	<ul style="list-style-type: none"><li>•No clearly defined corporate Business Intelligence (BI) function</li><li>•Insufficient BI on customers and cost of services</li><li>•Reduced research, performance and finance support for projects</li><li>•Inadequate data quality and data sharing</li><li>•Demand influenced by unmanageable external environment</li><li>•Range of cultural, Information Management, technology and skills issues</li><li>•Incorrect predictions for growth (and decline) For e.g. Waste</li></ul>	<u>Service Delivery</u> <ul style="list-style-type: none"><li>•Inadequate information for business cases</li><li>•Jeopardise importance of robust and effective evidence based decision making</li><li>•Transformation priorities not being met</li></ul> <u>People</u> <ul style="list-style-type: none"><li>•Difficulty in identifying and implementing effective preventative measures</li><li>•Less productivity through duplication of work</li></ul> <u>Reputation</u> <ul style="list-style-type: none"><li>•Inaccurate returns to central government</li><li>•Unable to comply with increasing number of data sets required under the Transparency Agenda</li></ul> <u>Financial</u> <ul style="list-style-type: none"><li>•Risk of litigation/judicial review</li></ul>	Liz Clark / Tom Purnell	<ul style="list-style-type: none"><li>•Cross department review of BI and Data Management</li><li>•Establishment and scoping of cross-organisation Programme to focus on BI</li><li>•Business Intelligence Board established and action plan, focusing on 4 key work streams has been prepared</li></ul>	5	3	[R] 15	<ul style="list-style-type: none"><li>•Establishment of governance structures to oversee delivery of priority BI improvements</li><li>•Data &amp; BI enabler work programme is emerging. High level work packages have been developed.</li><li>Governance framework and TOM to be established</li></ul>	5	3	[R] 15
All	10	Insufficient capacity to provide Information & Technology solutions to support major change projects	<ul style="list-style-type: none"><li>•Imbalance of IT resources versus IT requirements</li><li>•Demand outweighs supply</li><li>•Loss of knowledge and lack of continuity as a result of staff turnover and/or inadequate investment in skills and competencies</li></ul>	<u>Service Delivery</u> <ul style="list-style-type: none"><li>•Departmental and corporate objectives not met or delayed</li><li>•Delays to project delivery</li></ul> <u>Financial</u> <ul style="list-style-type: none"><li>•Failure to support delivery of efficiency programme and ICT replacement projects</li></ul>	Brian Roberts / Liz Clark	<ul style="list-style-type: none"><li>•Forward planning for major projects</li><li>•Demand management for lower priority projects</li><li>•Workforce planning</li><li>•IT solutions that enable mobile and flexible working and improve access to information are being investigated and trialled.</li></ul>	4	4	[R] 16	<ul style="list-style-type: none"><li>•Additional work on IT Strategy</li><li>•Regular review of capacity versus demand</li><li>•Review of workforce plans and development of 3 month rolling plan</li><li>•Further work to assess impact of strategy and transformation activities</li></ul>	4	4	[R] 16
CE	11	Failure by Members to comply with the new Information Security Policy	Members forwarding County Council emails to personal email accounts. Members do not manage personal and sensitive information in accordance with policy	Reputational Damage to LCC Breach of Data Protection legislation which could lead to LCC being fined by Information Commisisoner	David Morgan/ Graeme Wardle	Members being informed of their responsibilities via letter from Monitoring Officer SCG and Group Leaders briefed	4	5	[R] 20	All Member breifing planned for 23rd September Automatic forwarding of emails to cease from 1st October - technical controls will be put in place	4	3	[A] 12
E&T	12	Impact of academy conversion and secondary age range conversion on home to school transport policy	<ul style="list-style-type: none"><li>•Age range changes for compulsory secondary education</li><li>•Changing academy admissions arrangements from previous LA determined catchments which conflict with long standing transport arrangements not reflected in the home to school transport policy</li></ul>	<u>People</u> <ul style="list-style-type: none"><li>•Parents do not understand eligibility and/or make school choices not fully understanding current policy</li></ul> <u>Reputation</u> <ul style="list-style-type: none"><li>•Potential for conflict / legal challenge leading to negative media</li></ul>	Phil Crossland	<ul style="list-style-type: none"><li>•Engaging with Academies about to convert, explaining risks</li><li>•Members understand risks through Scrutiny Commissioner briefings</li><li>•Cabinet and Consultation Jan-March 2014</li></ul>	5	4	[R] 20	<ul style="list-style-type: none"><li>•Further consultation on policy to minimise risk of challenge.</li><li>► Report to Cabinet 15th July and Scrutiny 11th July</li><li>► Aiming to publish policy Sept 2014 for implementation Sept 2015 (subject to approval).</li></ul>	4	4	[R] 16
E&T	13	Impact of an increase in unplanned and speculative local developments to address the shortfall in the 5 year housing supply which could have an adverse impact on the functioning of the transport network.	<ul style="list-style-type: none"><li>•National and local housing shortage</li><li>Government impetus to build new homes</li><li>•Lack of 5 year housing supply</li><li>•District level plans not in place</li><li>•Pressure on districts for early determination of planning applications</li><li>•Increased developer 'know-how'</li><li>•Shortage of expert resources</li></ul>	<u>Service Delivery</u> <ul style="list-style-type: none"><li>•Significant increase in both the number and complexity of planning applications received</li><li>•Increase in the number of appeals</li><li>•Negative impact on other core LCC strategies (LTP3)</li></ul> <u>People</u> <ul style="list-style-type: none"><li>•Undue pressure on staff as expert and specific knowledge required</li><li>•Safety issues/congestion/accidents for residents if schemes not properly planned and approved</li></ul> <u>Reputation</u> <ul style="list-style-type: none"><li>•Difficulties to maintain reputation of being a quality and fair Highways Authority</li><li>•Developments in the wrong location</li></ul> <u>Financial</u> <ul style="list-style-type: none"><li>•Increase in legal costs</li><li>•Loss of developer contribution</li><li>•Public funds needed to address impact of developers</li></ul>	Phil Crossland	<ul style="list-style-type: none"><li>•Working with district councils to help identify, prioritise and program work to establish housing plans</li><li>•Additional expertise resource recruited</li><li>•Analysing different options for the phasing, funding and delivery of transport infrastructure</li><li>•Monitoring number of applications and structuring team to ensure they can be turned around as efficiently as possible, however there is still a minimum amount of time that a transport assessment takes.</li></ul>	3	5	[R] 15	<ul style="list-style-type: none"><li>•Continue to assist districts in formulation of planning documents to predict county wide housing requirements</li><li>•Identify pinch points on transport network early to begin design work on potential schemes so that they can be later funded by developers' in appropriate circumstances</li></ul>	3	4	[A] 12

						Current Risk Score				Residual Risk			
Departme nt	Risk #	Risk	Causes (s)	Consequences (s)	Risk Owner	List of current controls	Impact	Likelihood	Risk Score	Further Actions / Additional Controls	Residual Impact	Residual Likelihood	Residual Risk Score
C&F	14	Improved outcomes and financial benefits of Supporting Leicestershire Families (SLF) are not achieved, leading to inability to financially sustain the SLF service beyond its 2015/16	•Supporting families services not effective •Savings arising from SLF not agreed •Data unavailable/immeasurable on some outcomes	<u>Service Delivery</u> •Reduction in families supported •Increase in reactive service demand  <u>People</u> •Families and individuals do not achieve their potential  <u>Reputation</u> •Loss of confidence in place based solutions  <u>Financial</u> •Related services unable to reduce budgets if demand not decreased	Lesley Hagger/Walter Mc Culloch/Jane Moore	•Data project underway to increase provision, quality and access and cost benefit work on track to report on first cohort in October 2014 •Training for workers to achieve optimum outcomes with families at earliest opportunity •Government announced a fourth year of PBR funding into 2015/16.Leicestershire has now completed phase one of PBR and pulled down additional funding into the pooled budget SLF Service is now fully up and running and merged into C&F Services Whole family working is being rolled out across a range of Services	5	4	[R] 20	•Opportunities to nationally ring fence budgets to be discussed with partners/services •Measuring outcomes to demonstrate reduced demand.Cost benefits analysis to be shared with partners to progress further conversation around future funding Leicestershire to enter PBR phase two early therefore enabling us to draw down additional money into the pooled budget	5	3	[R] 15
CE & C&F	15	Partnership relationships regarding Community Safety are not effective	Difficulties of maintaining a working relationship with the Police and Crime Commissioner	<u>Service Delivery , Reputation etc</u> *Disjointed, inconsistent and conflicting approaches in service delivery * Lack of stakeholder engagement in Police and Crime Plan Relationships between community safety partners breakdown	John Sinnott/ David Morgan/Jane Moore	SPB, SPB Executive and associated groups, PCC engagement in Leicestershire Community Safety Strategy Board, Police and Crime Panel	3	5	[R] 15	LCC contribution to review of SPB	3	5	[R] 15
E & T	16	Insufficient funding for transport schemes to deliver economic growth	► Changes to local and national funding streams (i.e. SEP) ► Lack of available match funding	Service Delivery, People and Reputation ► A transport system that does not support population and economic growth. Financial ► Major impact on funding sources	Phil Crossland	► Fed into MTFS / LLEP / SEP processes	5	4	[R] 20	► Provide resources to work up business cases for transport schemes so we can influence future spending programmes. ► Engage with centre and LLEP to develop more coherent working relationships ► Working with Housing Planning and Infrastructure, Leicester and Leicestershire Transport Advisory Group and Leicester City to increase the prominence of transport investment in delivery of economic benefits. ► Understand future DfT funding models in order to optimise opportunities available ► Continue to develop future plan ► Development of Enabling growth action plan	5	3	[R] 15



							Current Risk Score				Residual Risk		
Departme nt	Risk #	Risk	Causes (s)	Consequences (s)	Risk Owner	List of current controls	Impact	Likelihood	Risk Score	Further Actions / Additional Controls	Residual Impact	Residual Likelihood	Residual Risk Score
All	17	The ability of LCC to effectively contract manage devolved services as a result of an increasing amount of expenditure through new service delivery models (E.g. outsourcing / externally commissioned)	•Loss of direct control •Robustness of supply chain - For e.g., Liquidation of insurer MMI •Reduced funding and resources •Staff turnover leading to lack of continuity •Insufficient investment in contract management skills and competencies	<u>Service Delivery</u> •Business disruption due to cost and time to re-tender the contract •Standards/quality not met •Relationships with providers/suppliers deteriorate  <u>People</u> •Additional workload where disputes arise  <u>Reputation</u> •Customer complaints  <u>Financial</u> •VfM/Efficiencies not achieved •Increased costs as LCC has to pick up the service again •Unfunded financial exposure (MMI)	Brian Roberts / Gordon McFarlane	•The Corporate Commissioning & Contracts Board (CCB) is monitoring the performance of the Authority's 23 'top' contracts on a quarterly basis to ensure that a robust approach is taken to managing performance. •Departmental and Corporate CCB ensure that sufficient consideration is given to contract and relationship management; and to managing liabilities at the outset of the procurement.	5	3	[R] 15	•Supplier continuity (based on plans for business critical services) being piloted. Contract Management Toolkit to be developed as part of the Effective Commissioning Enabler (Transformation Programme) •Roll out of e-tendering to help make contract KPI's and management more visible	4	3	[A] 12
A&C	18	The County Council transferred nine Elderly Persons Homes (EPH's) as going concerns to Leicestershire County Care Ltd (LCCL) in September 2012. The County Council is awaiting full payment of the capital sum for the transfer.	LCCL has been unable to pay the full balance due under the full deferred payment by March 2014.	<u>Service Delivery</u> • Adverse effect on smooth running of the EPH's  <u>People</u> • Disruption and anxiety to residents  <u>Reputation</u> • Negative media concerning treatment of elderly persons  <u>Financial</u> • £1.72m outstanding debt	Mick Connell / Sandy McMillan	• New agreement in place with greater restrictions and guarantees •LCC working closely with LCCL to ensure care priorities met and maintain high quality services • LCC officer responsible for compliance • LCCL made regular and timely payment of monthly instalments • LCC diligently considering various options: current / contingency •Cabinet approval of options presented (Feb)	4	3	[A] 12	• Officers continue to work closely with LCCL to finalise settlement of the account	4	3	[A] 12

**Department**

A&C = Adults & Communities

CE = Chief Executives

CR = Corporate Resources

C&F = Children and Families

E&T = Environment and Transport

PH = Public Health

All = Consolidated risk



**CORPORATE GOVERNANCE COMMITTEE**  
**23 SEPTEMBER 2014**

**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 2013 and 30 June 2014;
  - (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 8 (Annual Reporting) of the Council'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 contract where this has not been provided for in the contract, and proposed revisions to these Rules and/or changes required to accommodate the requirements of United Kingdom (UK) and European Union (EU) procurement law, as may be necessary from time to time.
3. Following consideration by the Committee, the proposed revisions to the Contract Procedures Rules will be submitted to County Council at its meeting on 3 December 2014 for approval.

**Approved Exceptions to the Rules**

4. Between 1 July 2013 and 30 June 2014, 27 approved exceptions, which are allowed for under Rule 6, have been recorded in the Exceptions Logs maintained by Commercial and Procurement Services and Chief Officers. These have been consolidated and are detailed in Appendix A to this report

(attached). In the previous annual report to this Committee for the period 1 July 2012 to 30 June 2013 there were 34 exceptions with a total contract value of £2.47m.

5. The aggregate value of these 27 exceptions (£1.26m) represents less than 1% of the Council's annual procurement expenditure of £350m. All but one of these 36 exceptions was below the EU threshold of £173,934, over which the Public Contracts Regulations 2006 must be complied with. The Regulations set out strict rules for conducting procurement exercises.
6. Among the reasons for these approved 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 urgency of the requirements.
7. The one approved exception over the Public Contracts Regulations 2006 threshold of £173,934 was for 'Treatment of Wood Waste' (Total Value £270,000). Due to guidance issued by the Environment Agency in June 2013 it became necessary to place an urgent order for the treatment of waste wood. Soon after putting this interim measure in place, the Council commenced an EU compliant procurement process in November 2013 to let a contract which complied with the Environment Agency guidelines.

#### **Approved Contract Extensions where no provision in the Contract**

8. During the same 12 month period, in compliance with Rule 31(iii) and (iv), there were seven approved contract extensions where there was no provision within the original contract (see Appendix A). The total value of these seven extended contracts was £4.70m. Five of these extensions involved contracts whose value was above the EU threshold of £173,934. The combined value of these contracts was £4.50m, four of the contracts (£3.13m) fall within the non-priority services category (Part B services) which are not caught by the full regime of EU procurement rules. The main reasons for extending these contracts included:
  - a. reviewing, consultation and reconfiguring services before re-tendering of the services;
  - b. reviewing of services to align with new legislation (e.g. The Care Act 2014) and integration of social and health care services (via the Better Care Fund).
9. The one contract falling within the priority services category (Part A services) involved a bus services contract jointly funded by Leicestershire County Council and Leicester City Council. The reason for this extension was to allow for the



service review to be completed and recommendations from the review to be incorporated into the new bus service contract.

### **Actions Taken to Further Increase Compliance**

10. In order to continue to maximise compliance with the Rules, the Council is introducing electronic tendering which provides a benefit of ensuring that the tendering process is more consistent, efficient, transparent and compliant. E-tendering will enable straightforward enforcement of processes and workflows. The tender procedures and policies will be configured into the electronic tendering system so that all procuring officers can only operate within the County Council's approved processes.
11. The use of Departmental Contract Procedure Exceptions Logs to record exception/extension approvals given by each Chief Officer continues to give visibility of approved exceptions to the Rules, particularly lower value/risk contracts.
12. The Corporate Management Team also reviews, on a quarterly basis, approved exceptions and their number as part of corporate performance monitoring.
13. During the reporting year two former employees of the Council were found guilty in Leicester Crown Court of offences of fraud. To prevent re-occurrence, action was taken to improve compliance with the Rules by creating a 'procurement hub' in the service area affected and also security to the affected site was improved.

### **Use of Local Suppliers**

14. Last year a revision made to the Rules was to consider the benefits of including a local supplier in an invitation to quote, where appropriate for contracts valued between £1k and £20k. The Council's supply base currently includes 2,912 local suppliers. Further, the Council has made an undertaking to work with local Small to Medium Enterprises (SMEs) under the Federation of Small Businesses pledge.

### **Proposed Revisions to the Rules**

15. In February 2014, the EU parliament passed a new set of procurement directives to be enacted into law by member states within 2 years. It is expected that the EU Directive 2014/24 on public procurement when passed into UK law will introduce substantial changes to the practice of public procurement. For this reason a comprehensive review of the Council's Contract Procedure Rules will be conducted after the new law is passed.
16. In the meantime, a few minor changes to the operation of the Contract Procedure Rules are being recommended to clarify their meaning and to facilitate the use of an e-tendering system. These minor revisions to the Rules (see Appendix B) are supported by the County Solicitor and the Chief Financial Officer (i.e. the Assistant Director of Corporate Resources (Strategic Finance

and Property) and will be presented to the County Council for approval on 3 December 2014 (subject to this Committee's agreement).

17. Should the County Council approve the draft revised Contract Procedure Rules on 3 December 2014, they will be published on the Council's intranet and internet sites (the revision highlighted on the home page) and communicated to all relevant managers and staff within the Council, including via newsletters and presentations.

### **Recommendations**

18. It is recommended that:

- (a) The contents of this report on the operation of the Contract Procedure Rules between July 2013 and June 2014 be noted;
- (b) The County Council be recommended to approve the proposed amendments to the Contract Procedure Rules, as set out in Appendix B to this report;
- (c) the proposal to conduct a substantial review of the Rules in early 2015 be noted.

### **Equal Opportunities Implications**

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

### **Background Papers**

The Constitution of Leicestershire County Council

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

None

### **Officers to Contact**

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### **Appendices**

- Appendix A - Contract Procedure Rules Exceptions & Requested Contract Extensions (2013-14).
- Appendix B - Proposed Amendments to the Contract Procedure Rules.

	Ref No.	Contract Title	Contract Description (if required)	Total Contract Value (£)	No. of Contracts Affected	Approval Type	Rationale	Category Group	Department	Supplier(s)
Exceptions										
CY	2	Provision of Playschemes etc for Disabled Children.	Short breaks for disabled children (after school, weekend and holiday provision)	£19,859	1	Exception -Rule 6(b)(i)	The schemes were funded under a "grant funding" arrangement, following procurement and legal advice it was agreed that they should be treated as contracts therefore for the purposes of continuity of service the arrangements have been converted into contracts via direct awards. Tender exercises to be conducted for subsequent awards.	Social Care	Children & Family Services	Community Based Groups - Core Children's Services
CY	3	Provision of Playschemes etc for Disabled Children.	Short breaks for disabled children (after school, weekend and holiday provision)	£73,600	1	Exception -Rule 6(b)(i)	The schemes were funded under a "grant funding" arrangement, following procurement and legal advice it was agreed that they should be treated as contracts therefore for the purposes of continuity of service the arrangements have been converted into contracts via direct awards. Tender exercises to be conducted for subsequent awards.	Social Care	Children & Family Services	Community Based Groups - Glebe House
CY	4	Provision of Playschemes etc for Disabled Children.	Short breaks for disabled children (after school, weekend and holiday provision)	£36,520	1	Exception -Rule 6(b)(i)	The schemes were funded under a "grant funding" arrangement, following procurement and legal advice it was agreed that they should be treated as contracts therefore for the purposes of continuity of service the arrangements have been converted into contracts via direct awards. Tender exercises to be conducted for subsequent awards.	Social Care	Children & Family Services	Community Based Groups - Melton Mencap
CY	5	Provision of Playschemes etc for Disabled Children.	Short breaks for disabled children (after school, weekend and holiday provision)	£56,000	1	Exception -Rule 6(b)(i)	The schemes were funded under a "grant funding" arrangement, following procurement and legal advice it was agreed that they should be treated as contracts therefore for the purposes of continuity of service the arrangements have been converted into contracts via direct awards. Tender exercises to be conducted for subsequent awards.	Social Care	Children & Family Services	Community Based Groups - Hinckley SNIPS
CY	6	Community Based Groups - Papworth Trust	Short breaks for disabled children (after school, weekend and holiday provision)	£36,545	1	Exception -Rule 6(b)(i)	The schemes were funded under a "grant funding" arrangement, following procurement and legal advice it was agreed that they should be treated as contracts therefore for the purposes of continuity of service the arrangements have been converted into contracts via direct awards. Tender exercises to be conducted for subsequent awards.	Social Care	Children & Family Services	Community Based Groups - Papworth Trust
CY	7	SEN Consultancy / Project	SEN Consultancy / Project	£19,500	1	Exception -Rule 6(b)(i)	Use of a subject matter expert.	Education Services	Children & Family Services	Donald Rae
CY	8	Provision of the In Care Support Programme for Attendance (Telephone based)	Provision of the In Care Support Programme for Attendance (Telephone based)	£75,315	1	Exception -Rule 6(b)(i)	Specialist support service provision.	Education Services	Children & Family Services	Welfare Call (LAC) Ltd
CY	9	Children in Care Apprenticeship Scheme	To build on the Pilot (CY-5) by providing additional resource and support for the 5 apprenticeship placements	£25,533	1	Exception -Rule 6(b)(i)	Contract awarded in order to build upon the work experience undertaken.	Social Care	Children & Family Services	Flying Fish
ETD	1	Snow ploughing contracts	Farmer snow ploughing contract arrangement	£30,000	<40	Exception -Rule 6(b)(i)	Configuring arrangements with farmers for this seasonal service does not fit under any other type of contract arrangement	Building & Civil Engineering	Environment & Transport	Various
ETD	3	Refurbishment of compaction equipment	Refurbishment of compaction equipment at the Council's civic amenity sites	< £100,000	1	Exception -Rule 6(b)(i)	Existing subcontractor to EWC Ltd, unable to provide service direct, awarded to Paction Limited for 10 month period to allow re-tendering	Waste Management	Environment & Transport	Paction Ltd
ETD	4	Servicing Maintenance and Monitoring of CCTV Equipment	Maintenance of CCTV equipment at the Council's civic amenity sites	< £100,000	1	Exception -Rule 6(b)(i)	Existing subcontractor to EWC Ltd, unable to provide service direct, awarded to V20 on an interim basis to allow for a re-tender exercise.	Waste Management	Environment & Transport	V20 Security Ltd
ETD	6	Treatment of Wood Waste	<a href="#">Treatment of wood waste by Sita UK Ltd</a>	£270,000	1	Exception -Rule 6(b)(ii)	New contract placed following changes on how to treat wood waste by the Environment Agency	Waste Management	Environment & Transport	SITA
ETD	7	Purchase of food waste containers	Purchase of food waste containers from Sellers Engineering	£10,000	1	Exception -Rule 6(b)(i)	Single source service provider of bespoke food waste containers	Waste Management	Environment & Transport	Sellers Engineering
PH	1	Underage & Ellicit Tobacco Evaluation	Underage & Ellicit Tobacco Evaluation	£10,000	1	Exception -Rule 6(b)(i)	Use of a subject matter expert.	Healthcare Services	Public Health	MacGregor Consulting
PH	2	Health Checks Audit	Health Checks Audit	£11,000	1	Exception -Rule 6(b)(i)	Due to the urgency of the requirement and given that GEM Commissioning Support Unit (CSU) has existing structures for data collection and the existing relationships with GP it is recommended that the contract is award to GEM CSU.	Healthcare Services	Public Health	GEM Commissioning Support Unit
PH	3	Provision of Cambridgeshire PSHE Drug and Alcohol Themeset (Secondary) to Leicestershire Couny Council	Understanding and Managing Risk Programme	£10,000	1	Exception -Rule 6(b)(i)	Single source supplier with proprietary material	Healthcare Services	Public Health	Cambridgeshire County council
PH	4	Guidance and Support for Leicestershire Schools to update SRE Policies	Guidance and Support for Leicestershire Schools to update SRE Policies	£15,475	1	Exception -Rule 6(b)(i)	Use of a subject matter expert.	Healthcare Services	Public Health	National Childrens Bureau
PH	5	Proposal for Children and Young People SHINT sites	Proposal for Children and Young People SHINT sites	£50,000	1	Exception -Rule 6(b)(i)	The delivery of the service is part of the School Nursing Service to promote, educate, and engage around key public health messages.	Healthcare Services	Public Health	Leicestershire Partnership NHS
CR	1	Award of maintenance and support contract for proprietary software	Provision of OPA CRM connector support services to ERPaaS Ltd	£130,000	1	Exception -Rule 6(a)(i)	The software is proprietary, solely owned by ERPaaS, and not licensed to any other business to resell or provide support and maintenance services.	ICT	Corporate Resources	ERPaaS Limited
CR	2	Consultancy Advice	Consultancy services on the cost saving initiative.	£50,000	1	Exception -Rule 6(b)(i)	Contract not advertised due to the urgent requirement but three quotes were obtained.	Consultancy and Professional Services	Corporate Resources	Ernst and Young
CR	5	LfHP 'Negotiated Leadership' sessions	Commissioning of Professor Grint for Leading for High Performance (LfHP) programme for an additional 4 days' work	£10,000	1	Exception -Rule 6(b)(i)	Subject matter expert with proprietary training material	Consultancy and Professional Services	Corporate Resources	Keith Grint
CR	8	Mobile Device Management (MDM)	To award the contract for the provision of an MDM solution to Satisnet Ltd, for the Airwatch product	£14,300	1	Exception -Rule 6(b)(i)	Contract awarded in order to achieve the Public Service Network Code of Connection compliance.	ICT	Corporate Resources	Satisnet Limited
AC	2	Domciliary Care	Provision of Domciliary Care	<£100,000	9	Exception -Rule 6(b)(i)	Exception granted pending revision of the Help to Live at Home Project	Social Care	Adults & Communities	BM Care Management Solutions; Harmony Care and Support Ltd; County Court Care Passion Care Ltd; Community Integrated Care, Domiciliary Care, D&H Community Support, NIA Centre, Provision Care
AC	6	Caremark (Hinckley, Bosworthand Blaby)	Community Life Choices/ Supported Living	£19,700		Exception	Exception granted pending revision of the Help to Live at Home Project	Social Care	Adults & Communities	Caremark (Hinckley, Bosthworth and Blaby)
AC	8	First Choice Care Agency	Provision of domiciliary care services	£28,070		Exception	To provide home based support to new service users across Leicestershire. To increase capacity in the domiciliary care market across Leicestershire.To prevent admissions to residential care and facilitate hospital discharge.To support the in-house domiciliary care service to provide all re-ablement services.	Social Care	Adults & Communities	First Choice Care Agency

AC	9	Home Instead Senior Care (Derby)	Provision of domiciliary care services	£6,292		Exception	To provide home based support to new service users across Leicestershire. To increase capacity in the domiciliary care market across Leicestershire.To prevent admissions to residential care and facilitate hospital discharge.To support the in-house domiciliary care service to provide all re-ablement services.	Social Care	Adults & Communities	Home Instead Senior Care (Derby)
AC	18	Bibliotheca – Library Self-Service Kiosks	Contract for the provision of self-service kiosks in the 16 major LCC libraries for a further year to July 2015	£30,000	1	Exception	To ensure compliance to the Public Service Network obligations.	Miscellaneous	Adults & Communities	
Contract Extensions										
CR	9	Park and Ride contract extension	<a href="#">Extension of Park and Ride contract with Roberts Coaches</a>	£1,375,000	1	Contract Extension - Rule 31(iv)	Contract extended to allow for the service review to be completed so that the recommendations from the review can be incorporated into the new bus service contract for the service operation.	Passenger Transport	Environment & Transport	Roberts Coaches
CR	11	Modern Gov - Committee Management System	Extension to the committee management system contract for three years	£115,000	1	Contract Extension - Rule 31(iv)	The contract continues to provide VFM	ICT	Chief Executives	Moderngov
CR	13	Vista Contract Extension	Extension to the existing contract from April - July 2014	£218,288	1	Contract Extension - Rule 31(iv)	Extension requested to allow a complete review of the services and a re-tender exercise to be conducted.	Social Care	Adults & Communities	VISTA
CR	14	Therapeutic Social Work Services - Family Action	To deliver therapeutic services to children and young people aged 5 to 18 years who are in receipt of a social care service or defined as a child in need	£1,938,750	1	Contract Extension - Rule 31(iv)	Extension requested to allow for review, consultation, and reconfiguring the service before re-tendering of the service.	Social Care	Children and Family Services	Family Action
CR	15	Housing 21	Extension until 31st March 2015	£801,919	1	Contract Extension - Rule 31(iv)	Extension requested to allow for review of services to align with the BetterCare Fund and Care Bill	Social Care	Adults & Communities	Housing 21
AC	4	Studio MB	Update Bosworth Battlefield Design Works	£80,000	1	Contract Extension - Rule 31(iv)	Contract extended to cover additional works.	Design, Printing & Marketing Services	Adults & Communities	Studio MB
AC	5	Carers Support	Advice and Information - To support the carers of people suffering from dementia and improve the quality of life for people suffering from dementia.	£175,248	1	Contract Extension - Rule 31(iv)	To extend the contract to allow for service review.	Social Care	Adults & Communities	Alzheimer's Society

**Appendix B - Proposed Amendments to the Contract Procedure Rules (2013-14)**

	Rule	Proposed Amendment	Rationale	Current Wording
1	Rule 6 -Exceptions	<b>f) residential placements sought for an individual under the Shared Lives scheme [or any equivalent scheme]</b>	New Rule added to allow exceptions to the rules under a Shared Lives Scheme	New Rule- Rule 6(a)(iv)(f)
2	Rule 11- Procurement Exercise Process	Procurement Exercise Process (a) Based on the Estimated Value, as identified in Rule 10, Table 1 below makes provision for the minimum requirements for the subsequent Procurement Exercise. (b) All contracts with an Estimated Value of £100,000 or more must be referred to ESPO subject to any general exceptions agreed with ESPO prior to the commencement of the Procurement Exercise by the Procuring Officer unless the Procuring Officer acting on advice of the Category Manager considers that the Council can better comply with its duty of Best Value by not using ESPO. All such cases must be confirmed in writing to the Director of Corporate Resources. Table 1: Minimum requirements for a Procurement Exercise <b>(for exceptions see Rule 6 )</b> : [...]	Rule amended to improve readability and to make clear that the Exception Rule 6 applies to all derogations from the rules. Also all reference to 'Rule 5' in Table 1 has been amended to Rule 6	<b>(b) All contracts with an Estimated Value of £100,000 or more must be referred to ESPO subject to any general exceptions agreed with ESPO prior to the commencement of the Procurement Exercise by the Procuring Officer unless the Procuring Officer acting on advice of the Category Manager considers that the Council can better comply with its duty of Best Value by not using ESPO. All such cases must be confirmed in writing to the Director of Corporate Resources.</b> Table 1: Minimum requirements for a Procurement Exercise (for exceptions see Rule 5):[...]
3	Rule 19 -Irregular Tenders	(c )Tenders <b>other than E-Tenders</b> where the Estimated Value is £100,000 or more are not valid unless they are received in a plain sealed envelope or parcel addressed to the Chief Executive <b>he envelope or package must bear the word “Tender” followed by the subject to which it relates.</b> <b>(d) E-Tenders must be submitted in accordance with the requirements of the electronic tendering process used.</b> (e) Where a Tender has been received which is an Irregular Tender in that it does not fully comply with the instructions given in the Invitation to Tender and/or because it is received after the appointed time for receipt or does not comply with Rules 19(b) <b>or</b> 19(c), the provisions of Rules 19(f) and 19(g) apply. (f) A Tender <b>other than an E-Tender</b> which is received after the closing date and time may opened and evaluated in accordance with Rule 20 if there is clear evidence of it having:- [...]	Rule 19 has been amended to take account of the introduction of electronic tendering and to ensure that procurements conducted via an electronic tendering system are regulated in the same manner as the paper tenders.	<b>) A Tender is not valid unless it has been delivered to the place appointed in accordance with Rule 18 and not later than the appointed day and hour.</b> <b>(c) Tenders where the Estimated Value is £100,000 or more are not valid unless they are received in a plain sealed envelope or parcel addressed to the Chief Executive. The envelope or package must bear the word “Tender” followed by the subject to which it relates.</b> <b>(d) Where a Tender has been received which is an Irregular Tender in that it does not fully comply with the instructions given in the Invitation to Tender and/or because it is received after the appointed time for receipt or does not comply with Rules 19(b) and 19(c), the provisions of Rules 19(e) and 19(f) apply.</b> <b>(e) A Tender received after the closing date and time may be opened and evaluated in accordance with Rule 20 if there is clear evidence of it having:-[...]</b>
3	Rule 20 -Receipt and Opening of Tenders	(a) Rule 20 <b>(b) to (f)</b> apply <b>only</b> to Tenders where the Estimated Value is £100,000 or more <b>and the Tender is not an E-Tender. Rule 20 (g) applies to E-Tenders only</b> (b) On receipt, envelopes containing Tenders must be date and time stamped by the Chief Executive and shall remain in his custody until they are opened. (c) The Chief Executive must keep a record of all Tenders received. (d) Tenders must be opened at one time in the presence of not less than two Officers one of whom is not involved in the Procurement Exercise and who is designated by the Chief Executive. Each Officer must initial each Tender once opened which must also be date stamped. (e) Particulars of all Tenders opened must be entered by the Chief Executive upon the record which must be signed by the Officers present at the opening, together with a note of all Irregular Tenders. (f) The Chief Executive must forthwith send a copy of the record to the appropriate Procuring Officer (with the Tenders) and must retain a copy himself. <b>(g) E-Tenders must be opened in accordance with the requirements of the electronic tendering process used.</b>	Rule 20 has been amended to take account of the introduction of electronic tendering and to ensure that procurements conducted via an electronic tendering system are regulated in the same manner as the paper tenders.	<b>Receipt and Opening of Tenders</b> <b>(a) Rule 20 applies to Tenders where the Estimated Value is £100,000 or more, except where using an electronic tendering system that does not allow Tenders to be accessed until the deadline for Tender submissions has passed, and where Rule 9(g) has been followed.</b> <b>(b) On receipt, envelopes containing Tenders must be date and time stamped by the Chief Executive and shall remain in his custody until they are opened. The Chief Executive must keep a record of all Tenders received.</b> <b>(c) Tenders must be opened at one time in the presence of not less than two Officers one of whom is not involved in the Procurement Exercise and who is designated by the Chief Executive. Each Officer must initial each Tender once opened which must also be date stamped.</b> <b>(d) Particulars of all Tenders opened must be entered by the Chief Executive upon the record which must be signed by the Officers present at the opening, together with a note of all Irregular Tenders.</b> <b>(e) The Chief Executive must forthwith send a copy of the record to the appropriate Procuring Officer (with the Tenders) and must retain a copy himself.</b>
4	Rule 30 -Contract Variations	In the case of a contract which was originally approved by the Executive and where any variations are considered significant by the Director of Corporate Resources <b>or the County Solicitor in consultation with the appropriate Category Manager</b> then <b>authority must be gained from</b> the Executive. <b>In all other circumstance the following applies</b>  30 (a) Prior to any variation being agreed <b>which would result in an increase in the Total Value of the contract</b> the Procuring Officer must ensure that sufficient additional budget provision has been approved by the budget holder.  30 (b) If the Total Value of the contract is under £100,000, <b>including the planned variation</b> the Appropriate Chief Officer <b>in consultation with the appropriate Category Manager</b> shall be authorised to vary the contract.  30 (c) In the case of a contract with a Total Value of £100,000 or more: i) for variation(s) that would increase or decrease the Total Value of the contract by 10% or more, the Appropriate Chief Officer <b>in consultation with the appropriate Category Manager and the County Solicitor</b> 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.  (ii) <b>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.</b>  <b>30 (d) All contract variations must be within the scope of the original contract.</b>	Rule 30 has been amended so that it follows the same format as Rule 31	<b>Contract Variations</b> <b>(a) Prior to any variation being agreed which would result in an increase in the Total Value of the contract the Procuring Officer must ensure that sufficient additional budget provision has been approved by the budget holder.</b> <b>(b) If the Total Value of the contract is under £100,000, including the planned variation, 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.</b>  <b>(c) In the case of a contract with a Total Value of £100,000 or more:</b> <b>(i) for any 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 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;</b> <b>(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.</b>
5	Schedule 1 -Interpretation "Category Manager"	"Category Manager" means a <b>Commercial Specialist or other</b> Officer authorised by the Director of Corporate Resources to manage the procurement of a category or categories of goods, services and/or works. Where there is no Category Manager for the goods, services and/or works being procured the Head of Procurement shall adopt this role. .	Definition of Category Manager amended following the restructure of the Corporate Procurement Unit into a Commercial and Procurement Service, the amendment therefore takes account of the change in the officers designation but at the same time recognising the category management approach.	<b>"Category Manager" means the Officer authorised by the Director of Corporate Resources to manage the procurement of a category or categories of goods, services and/or works. Where there is no Category Manager for the goods, services and/or works being procured the Head of Procurement shall adopt this role.</b>
6	Schedule 1 -Interpretation "E tender"	<b>"E-Tender" means a Tender that has been submitted using an electronic tendering system that complies with Rule 5 (g).</b>	The term has been introduced to take account of electronic tendering.	<b>New definition</b>

7	Schedule 1 -Interpretation "Tender"	“Tender” means the formal offer from a Tenderer, which is capable of acceptance by the Council, which is a response to an Invitation to Tender. It shall include all documents comprising the submission including pricing, technical specification and method statements as well as information about the Tenderer. A written Quote or Quotation is also a Tender. <u>The term “Tender” also includes an E-Tender except where the context implies otherwise</u>	The amendment has been made to take account of electronic tendering.	“Tender” means the formal offer from a Tenderer, which is capable of acceptance by the Council, which is a response to an Invitation to Tender. It shall include all documents comprising the submission including pricing, technical specification and method statements as well as information about the Tenderer. A written Quote or Quotation is also a Tender.
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**CORPORATE GOVERNANCE COMMITTEE**  
**23 SEPTEMBER 2014**

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

**OMBUDSMAN ANNUAL REVIEW 2013/14 & CORPORATE  
COMPLAINT HANDLING**

**Purpose of Report**

1. The purpose of this report is to inform Members of the Ombudsman Annual Review letter for the Authority for 2013/14 and to provide Members with an update on improvements to the Corporate Complaints procedures and effective complaints handling.

**Background**

2. The Customer Services Strategy includes a principle that states: *"We will encourage comments and complaints to support a culture of continuous improvement"* and also refers to the need to *"put the customer at the heart of services, designing and planning all services around their needs"*
3. The role of the Corporate Governance Committee includes the promotion and maintenance of high standards within the Authority in relation to the operation of the Council's Code of Governance. It also has within its terms of reference the making of payments or providing other benefits in cases of maladministration under Section 92 of the Local Government Act 2000.
4. At its meeting on 29 November 2009 this Committee, in line with its role and responsibilities, and those of the then existing Standards Committee, agreed that reports on complaints handling should be submitted on an annual basis for members consideration following receipt of the Ombudsman's Annual Review.
5. The Local Government Ombudsman (LGO) produces an annual review letter for each Authority. This has historically contained complaint statistics as well as any specific comments on the Council's performance.
6. During 2013-14, the LGO introduced a new business model. As part of this transformation, complaint categories have been changed and are not therefore directly comparable with previous years.



7. In July 2014, the Ombudsman issued a new report which brings together a summary of data provided to each Council in England. It is intended that this will be a regular annual release moving forwards. The report also includes a data annex which shows the numbers of complaints considered and other indicators such as a percentage upheld for all Councils. Leicestershire County Council with an upheld percentage of 47% is positioned mid-range. The report is attached as Appendix B

### **Ombudsman's Annual Report for Leicestershire County Council**

8. A copy of the Annual Review for 2013/14 is attached as Appendix A to this report. A total of 80 Complaints and Enquiries were received with all having now been resolved. During 2012/13, no comparable figures were available so the nearest comparator is 2011-12 when 86 were received.
9. The Ombudsman figures do not directly correlate to the Council's own recorded figures. The Ombudsman does not provide detailed information which would allow for reconciliation of any differences. For the purposes of this report therefore the Ombudsman data is used.
10. 21 Complaints were subject to detailed investigation during the year. Of these, 10 had a finding of some fault and were upheld. It is worth noting that on 5 occasions this fault had already been recognised and rectified appropriately by the Council.
11. For the remaining 5 cases where fault was identified, in 1 case no injustice was caused. For the remaining 4 cases, the Ombudsman found some injustice caused.
12. Where a finding of fault with injustice is made, the Ombudsman may suggest a course of action to the Council which if implemented would lead the Ombudsman to close their investigation.
13. Such settlements may involve an element of compensation for a complainant where there has been a failure to provide a service, together with a payment to recognise the complainant's time and trouble in having to pursue the complaint.
14. During 2013/14, local settlements were reached in all 4 of these cases. Of these:-
  - Case 1 related to Educational Psychology and a lack of support for a child with selective mutism. The Ombudsman found maladministration around delays in implementing appropriate support, as well as inconsistent provision of support. A payment of £1,000 was recommended and accepted by the Council;
  - Case 2 related to Fostering and the removal of a child placed with a foster carer who was registered with a fostering agency. The Ombudsman found administrative fault in that the Council failed to



provide the fostering agency a copy of the foster carer's response to the County Council's concerns around performance. The Ombudsman stressed this had limited impact on the outcome and recommended that the Council forward this response to the relevant fostering agency to stand as a record disputing the Council's concerns;

- Case 3 related to Adult Social Care and specifically charges for a residential placement. The Ombudsman found fault that the Council had not formally notified the complainant in writing that charges would apply for a 3 month period. The Council agreed with the Ombudsman to waive the charges applied for this period;
  - Case 4 related to a Blue Badge mobility assessment. The Ombudsman found procedural faults with how the Council documented the outcome of the assessment. The Council agreed to run a fresh assessment and also to make some amendments to its guidance notes accompanying the application form.
15. On rare occasions where resolution is not agreed, or there is an issue of public interest, the Ombudsman will issue a Public Report. The Ombudsman raised no such reports about the County Council during 2013/14.
  16. The Council's willingness to agree settlement proposals such as those outlined above help to maintain and enhance the Authority's reputation with the Ombudsman.
  17. The sole financial settlement was approved by the County Solicitor after consultation with the Chairman of the Committee, in accordance with powers delegated by this Committee at its meeting on 26 November 2012.

### **Complaints Handling**

18. There have been a number of positive developments with the Council's complaints handling arrangements over the last 12 months. These include:
  - Linking complaint causes to the new customer service standards. This helps position the standards at the heart of the organisation and also helps departments hone in on specific areas of weakness;
  - Increased use of conciliation and mediation meetings to resolve complaints. The Customer Relations Manager provides assistance in either chairing meetings or arranging for an independent mediator to become involved where relationships with the department have become problematic;
  - The Customer Relations Manager hosts an established group of departmental business support representatives. This group have

now agreed to act as an additional audit function within departments to scrutinise and ensure that actions identified within complaints do get followed up.

19. Reports are also produced for the Scrutiny Commission which monitors and scrutinises the Authority's performance in complaint handling through a Corporate Complaints and Commendations Annual Report. This report sets out an analysis of all complaints recorded by type, department and the response times for dealing with these.
20. The 2013/14 annual report was presented to the Commission for consideration at its meeting on 4<sup>th</sup> June 2014 and this highlighted the following main themes:
  - The number of complaints ( 271) had increased by 15% compared to the previous year;
  - Of the complaints resolved within the year, 82% received a response within 10 working days and 97% received a response within 20 working days. This is almost identical performance to the previous year and can be considered a strong performance;
  - Keeping Customers Informed continues to be a key theme that requires improvement.
21. Since the Corporate Complaints Annual Report was presented to the Scrutiny Commission, there have been subsequent additional complaint decisions. These changes have been made to the report, and an amended copy can be found on the County Council's website at

[http://www.leics.gov.uk/index/help/contact\\_us/complain\\_comment.htm](http://www.leics.gov.uk/index/help/contact_us/complain_comment.htm)

### **Recommendations**

22. The Committee is recommended to:
  - (a) note the contents of this report;
  - (b) provide comment and feedback on the Ombudsman's Annual Review Letter and the complaints handling arrangements and improvements outlined in the report.

### **Equal Opportunities Implications**

None

**Background Papers**

Reports to the Corporate Governance Committee dated 29<sup>th</sup> November 2009 - 'Ombudsmen Annual Review 2008/09 and Corporate Complaints Handling'

Report to the Scrutiny Commission dated 4<sup>th</sup> June 2014 - 'Corporate Complaints and Commendations 2013/14 Annual Report'

**Circulation under the Local Issues Alert Procedures**

None.

**Officers to contact**

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Customer Relations Manager  
Tel: 0116 3056243 Email: [simon.parsons@leics.gov.uk](mailto:simon.parsons@leics.gov.uk)

David Morgan, County Solicitor  
Tel: 0116 3056007 Email: [david.morgan@leics.gov.uk](mailto:david.morgan@leics.gov.uk)

**List of Appendices**

Appendix A: The Local Government Ombudsman's Annual Review Letter dated 7 July 2014 – Leicestershire County Council – for the year ended 31 March 2014

Appendix B: Ombudsman Review of Local Government Complaints 2013-14

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7 July 2014

*By email*

Mr John Sinnott  
Chief Executive  
Leicestershire County Council

Dear Mr John Sinnott

### **Annual Review Letter 2014**

I am writing with our annual summary of statistics on the complaints made to the Local Government Ombudsman (LGO) about your authority for the year ended 31 March 2014. This is the first full year of recording complaints under our new business model so the figures will not be directly comparable to previous years. This year's statistics can be found in the table attached.

A summary of complaint statistics for every local authority in England will also be included in a new yearly report on local government complaint handling. This will be published alongside our annual review letters on 15 July. This approach is in response to feedback from councils who told us that they want to be able to compare their performance on complaints against their peers.

For the first time this year we are also sending a copy of each annual review letter to the leader of the council as well as to the chief executive. We hope this will help to support greater democratic scrutiny of local complaint handling and ensure effective local accountability of public services. In the future we will also send a copy of any published Ombudsman report to the leader of the council as well as the chief executive.

### ***Developments at the Local Government Ombudsman***

At the end of March Anne Seex retired as my fellow Local Government Ombudsman. Following an independent review of the governance of the LGO last year the Government has committed to formalising a single ombudsman structure at LGO, and to strengthen our governance, when parliamentary time allows. I welcome these changes and have begun the process of strengthening our governance by inviting the independent Chairs of our Audit and Remuneration Committees to join our board, the Commission for Administration in England. We have also recruited a further independent advisory member.

### ***Future for local accountability***

There has been much discussion in Parliament and elsewhere about the effectiveness of complaints handling in the public sector and the role of ombudsmen. I have supported the creation of a single ombudsman for all public services in England. I consider this is the best way to deliver a system of redress that is accessible for users; provides an effective and comprehensive service; and ensures that services are accountable locally.

To contribute to that debate we held a roundtable discussion with senior leaders from across the local government landscape including the Local Government Association, Care Quality Commission and SOLACE. The purpose of this forum was to discuss the challenges and opportunities that exist to strengthen local accountability of public services, particularly in an environment where those services are delivered by many different providers.

Over the summer we will be developing our corporate strategy for the next three years and considering how we can best play our part in enhancing the local accountability of public services. We will be listening to the views of a wide range of stakeholders from across local government and social care and would be pleased to hear your comments.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Jane Martin', with a horizontal line underneath.

Dr Jane Martin  
Local Government Ombudsman  
Chair, Commission for Local Administration in England

## Local authority report – Leicestershire County Council

For the period ending – 31/03/2014

For further information on interpretation of statistics click on this link to go to <http://www.lgo.org.uk/publications/annual-report/note-interpretation-statistics/>

### Complaints and enquiries received

Local authority	Adult care services	Benefits and tax	Corporate and other services	Education and children's services	Environmental services and public protection and regulation	Highways and transport	Housing	Planning and development	Total
Leicestershire CC	27	0	2	32	3	13	1	2	80

87

### Decisions made

	<u>Detailed investigations carried out</u>						
Local authority	Upheld	Not upheld	Advice given	Closed after initial enquiries	Incomplete/Invalid	Referred back for local resolution	Total
Leicestershire CC	10	11	1	19	3	36	80

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## **Review of Local Government Complaints 2013-14**



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## Local Government Ombudsman

**The Oaks, No 2  
Westwood Way  
Westwood Business Park  
Coventry  
CV4 8JB**

**Phone: 0300 061 0614  
Web: [www.lgo.org.uk](http://www.lgo.org.uk)  
Twitter: @LGOmbudsman**



“At a time of even greater choice and diversity in local public service provision, public information is essential to support the decisions people make.”

It is important that the LGO is an open and transparent organisation and provides assurance to the public about the work we do and how we spend public money. Local authority complaints make up the bulk of our work. Our unique role is to remedy personal injustice caused by maladministration or service failure by conducting independent and impartial investigations. The recommendations we make affect many more people because we often ask for changes to policy and practice which improve local complaint handling, public administration and service delivery. We regard this as an important part of our role to enhance local accountability to people who use services, many of whom rely on them for their day to day well-being.

At a time of even greater choice and diversity in local public service provision, public information is essential to support the decisions people make. Since April 2013 we have published the decision statements for all our cases on our website. For the first time, this report brings together in one place a summary of data we provide to each council in England in an annual review of complaints in their area. It supplements the LGO Annual Report and Accounts which gives more information about our performance, and follows the first annual review of social care complaints published in May this year.

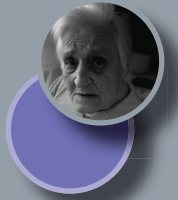
Complaints processes should be responsive to the public. It is important that people know where to complain, how to complain and are satisfied with remedies proposed. Positioned at the apex

of the local complaints system, we want to continue to work with local authorities in support of excellent local complaint handling to put things right as soon as possible. We also want to ensure that the journey for complainants through local procedures to the LGO is as effective as possible. In an increasingly complex delivery environment where the council is more likely to commission than provide a service, we know that journey can be complicated and confusing. To prompt our thinking on this we have included some results from our customer satisfaction research carried out recently, which raises questions about where improvements can be made.

The report includes examples from some of our cases. They are only illustrative of the many matters we deal with, but they give a flavour of how we can help individuals who have experienced problems, and indicate the sort of changes and improvements we can bring about.

I hope this report will help officers and councillors, as well as all those who provide public services locally, to reflect on how they handle and learn from complaints. I hope it will also help all those who use local public services understand better how to raise concerns to good effect.

**Dr Jane Martin**  
**Local Government Ombudsman**



# Introduction

The data within this report refers to the complaints and enquiries we received, and the decisions we made, about English local authorities in the business year April 2013 – March 2014.

This is the first time we have combined our usual practice of writing to councils to report back the annual complaint statistics for their authority, with a report that looks at the state of local government complaints as a whole. This report will become an annual publication, intended to be a tool for those involved in complaint handling, policy making and local scrutiny to analyse trends in complaints about local public services.

We want to give open and transparent access to our data on complaints. We also want to help councils to view their statistics in the context of other local authorities. This is a common request we receive, so with this report we are publishing all of the data in one place. We know that councils have their own unique demographic make-up, so for those wanting to identify similar comparable authorities, we would refer them to the [CIPFA Nearest Neighbour model](#).

In the final section, we provide questions for local councillors to help them assess how their authority responds to, and learns from, complaints.



## Complaint numbers & trends 2013-14

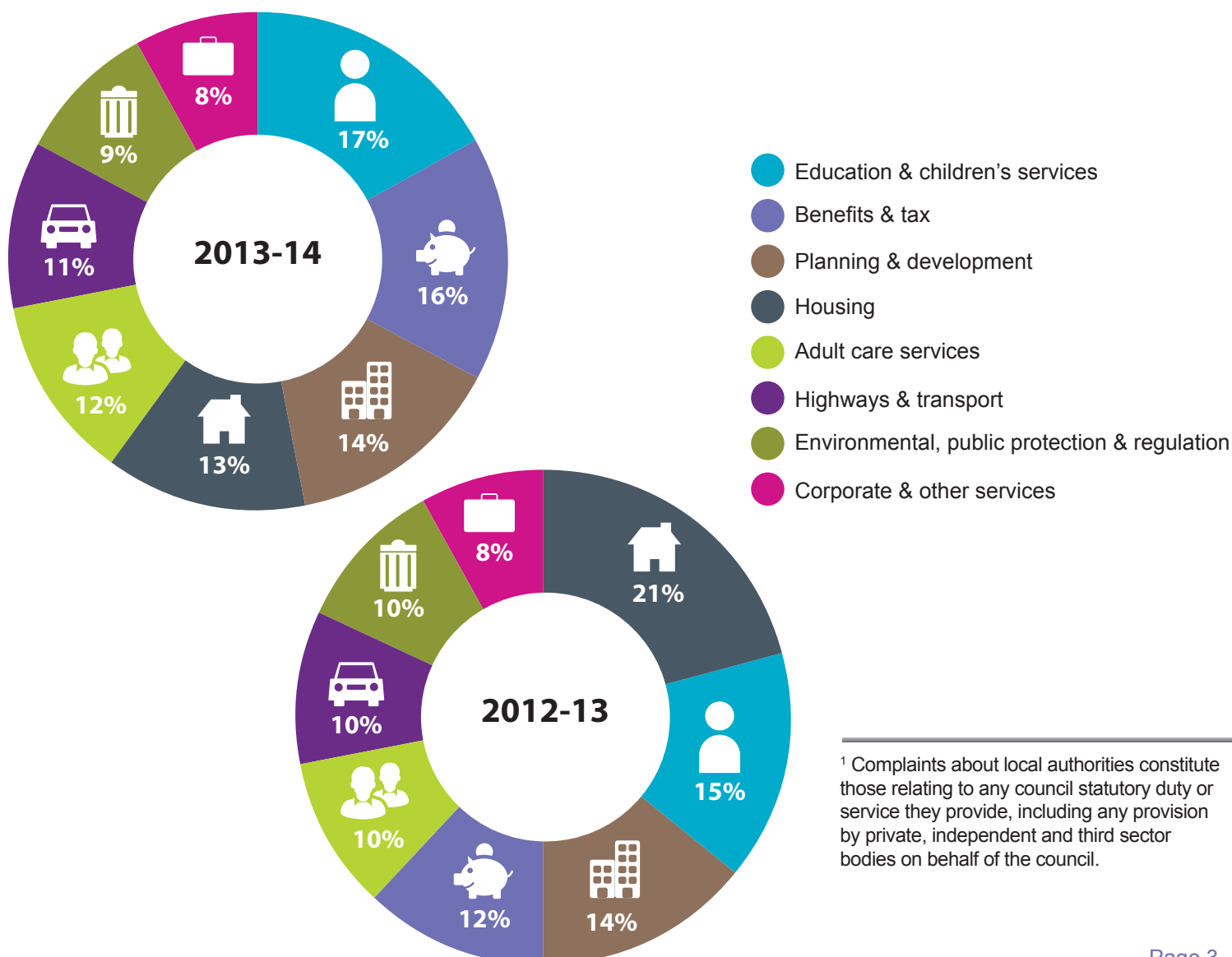
In 2013-14 the LGO registered a total of **20,306** new complaints and enquiries, an increase from 20,186 in the previous year.

While the bulk of our work is about councils, our jurisdiction includes all registered social care providers. For complaints and enquiries solely about local authorities<sup>1</sup> we registered **18,436** new cases, which is a similar level to the previous year's total of 18,940.

However, the broadly static total number of complaints this year accommodated a **39% decrease in housing complaints** – meaning that, in real terms, complaints and enquiries about other council services increased. The expected reduction in housing complaints was because all new complaints about councils' role as social landlords became the responsibility of the Housing Ombudsman Service in April 2013.

Complaints about benefits and tax, and adult social care, were the two areas of work that saw the biggest percentage increase on last year. They were also the two areas in which we are more likely to find fault in a detailed investigation.

The graphics below show the breakdown of complaints and enquiries received in the different areas of our work over the last two years.





# Complaint numbers & trends 2013-14

## Benefits & tax

Complaints and enquiries about **benefits and tax increased by 26%** on the previous year, and had our highest **uphold rate of 49%**.

We recognise that there have been changes to legislation affecting benefits and tax during the year but we have no evidence to indicate whether or not there is a link between these changes and the increase in complaints.

We help people get redress on a range of areas but one of the most common types of complaint we receive is around council tax. We also look at issues with housing benefit, council tax support and debt recovery, including the actions of bailiffs.

Some people who complain to us about benefits and tax rely on these council services for their everyday wellbeing, therefore failures to administer properly can have an acute impact on their lives. Some of these services comprise of 'crisis funds' designed to support those in particular need. A common fault we see from councils is a failure to consider whether the person complaining may be in a vulnerable situation.

Some of the other regular issues we find are:

- > not notifying people of their appeal rights
- > administrative errors around payments
- > not exercising discretion or taking a fixed view
- > a failure to follow policies.

The nature of complaints about benefits and tax means that a remedy will usually include a recommendation for a financial payment, which could include the waiving of debts or a refund. If we find a systemic problem we will suggest the council reviews its procedures to ensure others are not adversely affected.

## Council tax discretion

Bernard bought an empty property and was renovating it. He originally received an exemption covering empty homes undergoing renovation, and did not pay council tax.

The Local Government Finance Act then allowed the council to impose a premium on owners of properties empty for more than two years. Bernard later became liable for 150 per cent council tax.

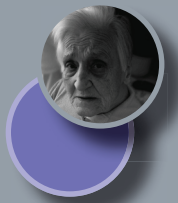
Bernard contacted the council to ask if it could reduce the amount he was paying because of his personal circumstances, but officers wrongly told him that that the council had no discretion to reduce it on an individual basis.

During our investigation the council told us that it does in fact have a scheme offering discretionary reductions, but said that Bernard would not qualify. The council decided in advance that it would automatically refuse an individual application where they do not fall into a set class of criteria, thereby fettering its own discretion.

The council has agreed to invite Bernard to make an application for a discretionary reduction in his council tax bill and consider it from the date at which he first asked the council for help.

We have asked the council to make a decision within two months and provide Bernard with the reasons for its decision in writing, so that he has the option to appeal to the Valuation Tribunal if his application is unsuccessful.





# Complaint numbers & trends 2013-14

## Social care

Complaints and enquiries about **adult social care increased by 16%** and we **upheld 48%** of complaints after detailed investigations. As the Social Care Ombudsman we provide a route for redress for all care complaints – both publicly and privately funded – and our recently published review of social care complaints for 2013<sup>2</sup> highlighted it as one of our fastest growing areas of our work.

The three areas most complained about last year were assessment and care planning; fees, grants and payments; and residential care.

Assessing and planning for care is one of the most fundamental local authority duties. Often we find fault within the assessment process when all the facts have not been taken into account, or a person's individual needs are not placed at the heart of the process, resulting in care packages that do not meet people's needs.

People not being given clear and comprehensive information is a common fault around the charging of care, as well as so called 'top-up fees' being sought when the person's care should be fully covered by public funding.

Complaints about residential care often come from family members because the person receiving care is unable to complain. A common issue is the failure to monitor properly and record the condition of people, and the care provided, which leaves family members uncertain that loved ones are properly cared for in their absence.

It is difficult to put a price on the cost of missed or inadequate care, but in remedying a situation we can recommend a financial payment.

This can be an amount to recognise how the injustice has affected the person, or when somebody has lost out financially we can recommend that costs are waived or refunded. Where poor planning and care assessments have taken place we will usually recommend a fresh assessment is carried out. We will always seek to ensure that the same mistakes do not happen again, and where appropriate we will recommend councils carry out reviews of policies and procedures, and undertake staff training.

### Ignoring the evidence

Peter has autism, epilepsy and moderate learning disabilities. He lives at home with his mother. After his NHS funding was withdrawn the council assessed his needs but failed to comply with its legal duty to agree an aftercare plan.

Care professionals raised concerns that the care package offered would not meet Peter's needs but our investigation showed that the council failed to take into account all the relevant evidence. As a result Peter and his mother were left without the support they needed and Peter was unable to access respite. Their frustration was further increased when the council's response to the complaint contained inaccurate information.

We recommended that the council reassess and expedite the process of identifying Peter's needs so a care package could be agreed. We also recommended that they apologise for the way they carried out the original assessment and for how they responded to the complaint. We also recommended a financial remedy.

<sup>2</sup> Our [Review of Adult Social Care Complaints](#) covered the 2013 calendar year and published for the first time our statistics for social care complaints about private care providers as well as local authorities.



## Complaint numbers & trends 2013-14

**18,436** registered local authority complaints & enquiries



Housing  
down 39%



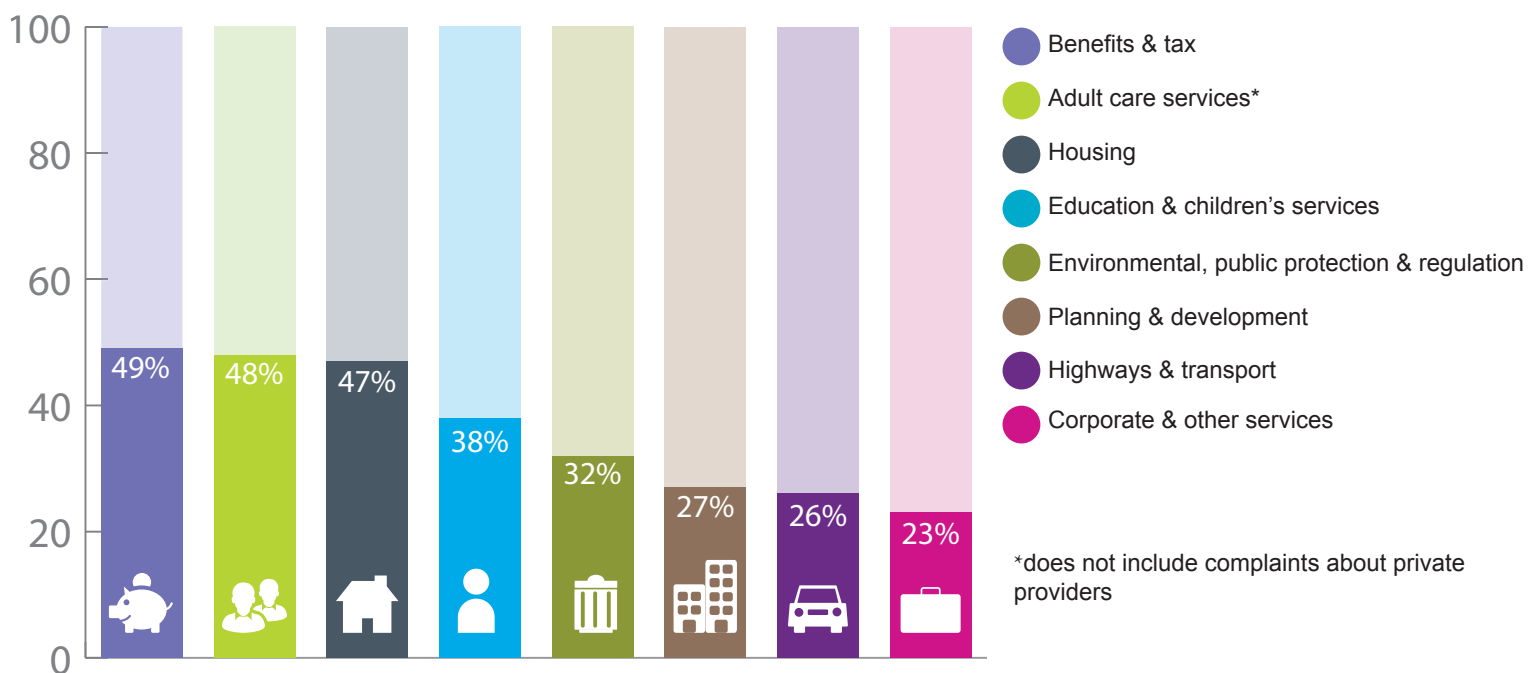
Adult care services  
up 16%



Benefits & tax  
up 26%

### Complaints upheld

For the first time this year we have started to record complaint outcomes in a simpler way to show whether or not we have upheld a complaint. This year we **upheld 46%** of all complaints we investigated in detail. Below are the percentages by complaint type.







# The complainant's journey

The people in the best position to hold service providers to account are those who use the service. Complainants tell us they want their complaints considered as quickly as possible by somebody who has the authority to put things right, and they want authorities to take responsibility when things have gone wrong. This demonstrates the need for councils to have an effective complaint handling service – one which is simple to access and provides a timely and consistent service.

Our role is to offer the assurance of an independent and consistent view when complaints cannot be resolved locally, and use our powers to ensure injustices are remedied. But referral to the ombudsman should be the last resort, once local routes to redress have been exhausted. We want to support councils to have the best possible front-line complaints service, which we do by sharing information and best practice.

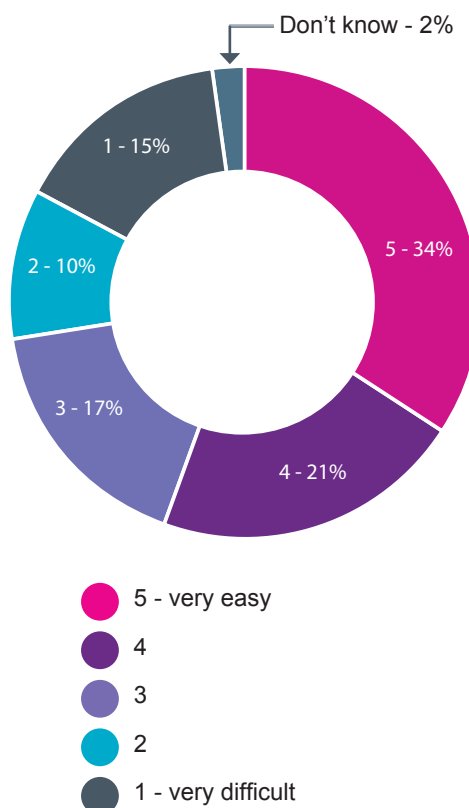
During the year we carried out independent customer satisfaction<sup>3</sup> research about our service. The results also provided insight into the local authority complaints system as a whole, which may help councils better understand the customer experience of the system. They pose some questions about whether the local government complaints system is operating as effectively as it could be.

## Accessibility

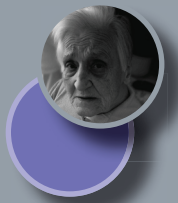
We know that the complaint system can feel more like a maze for people seeking to raise a complaint. Our research focused on the key access points when complainants navigate their way through local procedures to the Ombudsman. The figures below indicate where improvements could be made.

People were asked to say, on a scale of 1 to 5, how easy it was **to find information on how to make a complaint about their authority**. It is positive that over 50% of people rated it near the easy end of the scale. However, a quarter of people also rated it as difficult. The system should work as effectively as possible so that people can easily raise complaints locally and embark on a simple route to redress as soon as possible. Clear information about local procedures will also help to avoid people coming to the Ombudsman only to be referred back to the council.

### How easy was it to find information on how to make a complaint about your authority?



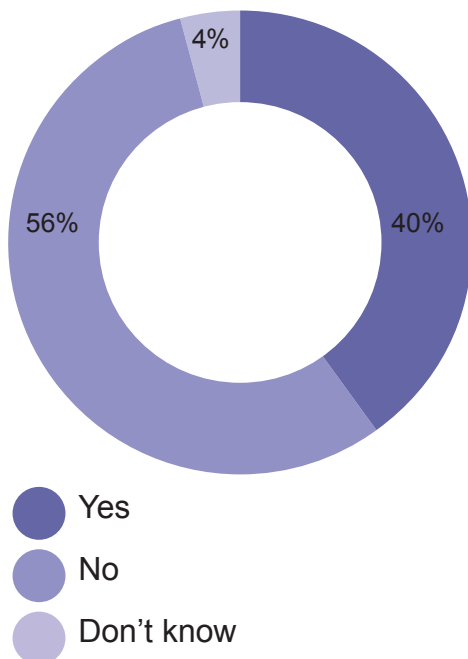
<sup>3</sup> Our research involved an independent research company carrying out more than 800 telephone interviews with people who had ongoing cases with us. The aim was to gain a better understanding of the customer satisfaction of our service, independent of the complaint outcome. Those surveyed were a random selection from our whole caseload, so will include a small percentage of people who had a non-local authority related complaint, for example regarding a private care home. The research in full will be available on our website.



# The complainant's journey

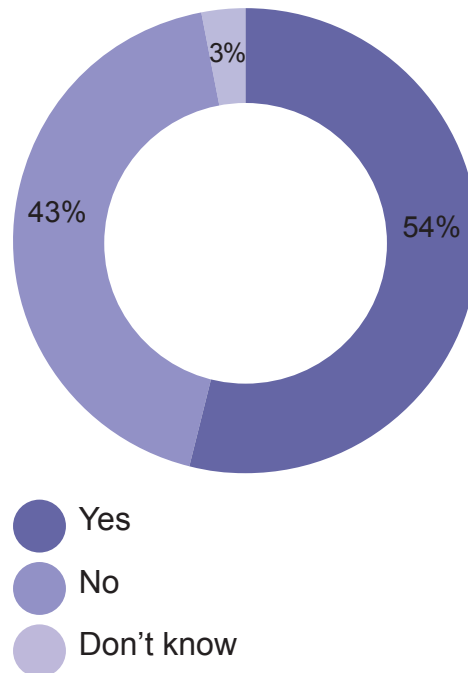
**56% of people did not recall being made aware of their local authority's complaint handling procedures.** All councils have published complaints procedures, but this would indicate that the majority of people who complain do not feel engaged with them. Councils may want to reflect on whether there are better ways to ensure complainants understand what they can expect from their local complaints service.

**Were you made aware of the local authority's complaint handling procedures?**



**43% of people were not advised that they could refer their complaint to the Local Government Ombudsman.** It is not a statutory requirement for councils to signpost to the ombudsman. These results indicate that many councils do follow this good practice, but despite this, not enough people are being advised of their right to access redress.

**Were you advised that you could refer your complaint to the Local Government Ombudsman?**



Councils increasingly deliver their services through a mix of public, private and third-sector parties, and personal choice is increasingly part of the mix for consumers. Whilst councils have a good track record historically of signposting people to the ombudsman, the companies who work for them may be less familiar with the LGO, and not as effective in providing an accessible complaints service. In this multi-agency environment, councils may want to ask whether their contracted companies are responding to complaints effectively, and whether they ensure that accountability is retained through the commissioning and contracting process.

## Timeliness

The research also indicates that some complaints are taking a long time to be resolved locally before people come to us for an independent view.

The research showed that 62% of people had been **trying to resolve their problem locally** for at least six months, including more than a third (36%) who had been trying for over a year. **The average time that somebody tried to resolve their complaint before approaching us was nine months.**

We recognise that some complaints can be complex and require detailed investigation locally, and we know there are some statutory processes, such as for children's social care, which require a longer timescale, but we advise that most complaints should take no longer than 12 weeks to be resolved. This is a reasonable time for a council to consider a complaint and come to a final response. It is also good practice to have published complaint procedures that include time targets for specific stages, which are well publicised. In the rare cases that warrant further time, this should be communicated to the complainant as soon as it is known.

Sometimes people complain to us before they've given the council the full opportunity to resolve the matter. When this happens, we refer people back to the council and advise how we can help if, after exhausting the local process, they remain dissatisfied. If a complaint comes back to us following this scenario we class it as a re-submitted complaint.

This year we made decisions on 1,387 cases that were re-submitted to us. We found some form of fault in 292 of these, which is **more than a fifth** (21%) of the total amount of re-submitted cases. In these instances, it could indicate a missed opportunity for local authorities to resolve the complaint before they were referred to us.

# Better services for people: sharing the lessons from complaints



The thousands of complaints and enquiries we deal with each year place us in a unique position to draw on these experiences to shape wider service improvements.

In April 2013 we started to publish all of our decision statements, unless where to do so would have compromised the anonymity of the person complaining. This brings greater transparency to our decision making, whilst providing an important resource to inform local scrutiny and service improvement.

For some complaints we highlight a wider public interest by releasing a detailed investigation report. We published 58 of these this year.

We also published new [Guidance on Remedies](#). Produced primarily for our own staff, we also made this publicly available so complaint handlers can understand our approach to remedies, and use it as a resource when suggesting suitable remedies locally.

## Making complaints count

As well as helping individuals achieve redress, our investigations can have a wider outcome for the public. Sometimes we uncover systemic fault, and a single investigation can recommend remedies that right the wrongs for many people in similar situations to the person complaining.

### Justice for hundreds of foster carers

More than 340 foster carers were given the right support that they had been denied, following a single investigation.

Fiona was asked by the council, and agreed to care for her nephew after his parents became unable to care for him. Left struggling to cope, she complained to us that she was not receiving the correct amount of financial support from the council.

Upon investigation, it was discovered that a council-wide approach meant that more than 340 other 'family and friends' carers were also missing out on payments to which they were entitled. A whole group of people who provide such a critical support system for children who can no longer live with their parents were being mistreated.

The council not only agreed to increase Fiona's payments, and backdate that which she had missed out, but it also agreed to pay all those carers receiving special guardianship allowance the correct rate, and to pay all its foster carers at least the Government's national minimum fostering allowance rate.

The case led to us producing an in-depth report calling for equality for carers who look after the children of family and close friends. It encouraged other authorities to look again at their own processes and procedures to ensure that other carers across the country were not being disadvantaged in the same way.

# Better services for people: sharing the lessons from complaints



## Elderly tenants reimbursed

Trudie lives in council-managed sheltered accommodation for people over the age of 60 and was worried that she was paying too much for her water. Her bill was nearly double the local water authority's Assessed Household Charge of £175.

The council said it had charged her for water use in accordance with its policy. But, during our investigation, the council identified that it had been charging all the residents far more than it had paid the water company, which was not in accordance with the Water Resale Order.

In total, the council had overcharged tenants by more than £38,000 over the space of five years.

The council has since written to Trudie to apologise and tell her and nearly 60 elderly neighbours that they are owed money and that they will be reimbursed that which they had been overcharged. It also agreed to carry out a review of how it charges tenants for water across the authority.

## Driving service improvement

Many people say to us that a major motivation for complaining is for somebody to take responsibility for what has happened and to ensure that mistakes that have afflicted them do not happen to others. We will often ask for an apology and our investigations always seek to inform and drive service improvement, with councils agreeing to carry out reviews, policy changes or training to ensure faults are not repeated.

## Care charging policy revoked

Jenny agreed to have home care after a stay in hospital and for the first six weeks this was free.

A review of Jenny's care was carried out and her social worker recommended that she needed a long-term care package. The county council then applied a weekly charge before completing its financial assessment.

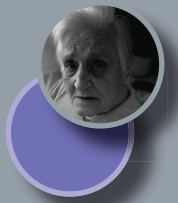
Guidance from the Department of Health says that councils should not apply charges retrospectively, and should not charge before a financial assessment is carried out and the customer informed.

Our investigation found that the council's provisional charging policy, which had been in effect for 18 months, did not comply with statutory guidance.

We recommended that the council reconsider the policy, waive Jenny's provisional charge and make a payment of £200 to her son for the time and trouble in having to bring the complaint to us.

With other older people potentially affected by the policy, we recommended, and the council agreed, to identify who they were and make arrangements to repay any charges due to them.

# Better services for people: sharing the lessons from complaints



## Putting things right

In deciding upon remedial action or a payment to acknowledge an injustice, we will take into account the unique circumstances of each case. We can suggest remedies that are a creative way of replacing something that was missed as a result of the fault – for example a contribution towards a child's education fund – or takes into account other people that were affected.

### Village gets respite from noise

An investigation helped a village community get respite from years of excessive noise, and the community centre receive support.

A group of residents complained about the noise from a nearby racetrack, and said that their local council had not been enforcing the historic restrictions that were part of its planning approval.

The villagers had been affected for a number of years and said that the council was slow to act in enforcing the issues. It left them feeling like they were trapped in their homes, unable to spend time in their gardens.

As part of the remedy, the council instructed a barrister to provide legal advice on the contents of a new notice to be served on the new track operators.

The LGO also recommended that the council consider outstanding queries about the impact alterations to the track had made on noise levels. One couple received £2,500 and the council paid £5,000 to a second couple as a contribution towards legal fees they had incurred.

The council also made a £1,000 donation to the village schoolroom committee for the benefit of other residents who were also involved in the complaint.

## Supporting local complaints procedures

Sharing the learning from complaints is an important part of encouraging good local complaints handling and service improvement. Using our experience of complaint handling, we offer advice and training to councils to help them deal with complaints more effectively.

This year we provided 45 training courses to more than 750 council staff involved in complaint handling. The feedback from attendees after the courses showed that:

- > 45% more people know how to use complaints to drive service level improvements
- > 89% more people feel confident about dealing with complaints



# Local scrutiny & accountability: a key role for councillors



During 2013 the Local Government Information Unit (LGIU) published a report, following a survey of over 400 local government senior officers and elected members, into how we could use our complaints data to enhance local accountability. It found that more than 75% of respondents wanted us to provide more access to detailed information about local government complaints.

We are fully committed to support local scrutiny and the representative role of councillors. They have a democratic mandate to scrutinise the way services are delivered and hold those services to account, and we believe they can use complaints as an important tool to support that process.

We started publishing all of our decision statements online on new complaints after 1 April 2013 – becoming the first UK public sector ombudsman to do so.

This year we have also sent to every council leader a copy of the annual letter we present to council chief executives. These letters provide our complaint statistics about their authority and feed back any particular issues of concern.

## Questions for elected members and scrutiny committees

Members may wish to consider the following questions to assess whether their council is responding to and learning from complaints.

Does your council:

- > regularly report its experience and learning from complaints to elected members?
- > provide open access to complaints data for councillors and the public?
- > actively seek feedback from service users on its complaints handling?
- > clearly display information about its complaints process online and in all service delivery settings?
- > advise complainants of their right to access the ombudsman, and provide the correct contact information?
- > ensure providers of services also respond to complaints raised and learn from them through commissioning and contracting?



# About the ombudsman

Since 1974 the Local Government Ombudsman has independently and impartially investigated complaints about councils and other bodies within our jurisdiction. Our services are free of charge. If we find something wrong, we can ask the council to take action to put it right. What we ask the council to do will depend on the particular complaint, how serious the fault was and how the complainant was affected. We have no legal power to force councils to follow our recommendations, but they almost always do. Some of the things we might ask a council to do are:

- > apologise for the fault and the injustice caused
- > take action to put things right as soon as possible
- > pay a financial remedy to acknowledge the impact of the injustice caused, such as distress
- > improve procedures so similar problems do not happen again

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**CORPORATE GOVERNANCE COMMITTEE**  
**23 SEPTEMBER 2014**

**REPORT OF THE COUNTY SOLICITOR AND DIRECTOR OF**  
**CORPORATE RESOURCES**

**WHISTLEBLOWING POLICY**

**Purpose of Report**

1. The purpose of this report is to seek the views of the Committee on the proposed Whistleblowing Policy attached as Appendix A.

**Background**

2. On 12 May 2014, the Committee considered a revised Employee Code of Conduct; that Code was also considered by the Employment Committee on 12 June and agreed by the County Council at its meeting on 2 July.
3. A number of policies are being developed to contribute to achieving compliance with the principles in that Code of selflessness, integrity, objectivity and openness. Those policies are also intended to reduce the risk of bribery, corruption or bias. To that end, Human Resources policies on Gifts and Hospitality and Declarations of Interests have been reported to the Employment Committee and considered by Members through that process. The development of an appropriate and up to date Whistleblowing Policy is seen as an equally important step and fits with other initiatives such as the development of an anti-money laundering policy for the authority.
4. The Corporate Governance Committee has specific responsibility for advising on whistleblowing policies and procedures.

**Whistleblowing Policy and Procedure**

5. Currently the Whistleblowing Procedure is to be found at Appendix 3 of Part 5B of the Constitution, a document which, it appears, is not well known to the majority of employees. Whilst fit for purpose at the time it was introduced, revision of the policy does give an opportunity to ensure that it is up to date and meets more recent requirements. The Employee Code of Conduct will become part of the Contract of Employment for staff and be available to staff in electronic form. The Code provides a link to the Whistleblowing Policy which should help to ensure greater staff awareness.

6. The policy has been revised to ensure that it complies with:-
  - (i) Recommendations of the Committee on Standards in Public Life;
  - (ii) A publicly available specification which has been developed by Public Concern at Work (PCaW) in collaboration with the British Standards Institution;
  - (iii) Further advice from PCaW.
  
7. The revised Policy does comply with expectations that it should:-
  - (i) Distinguish Whistleblowing processes from grievances;
  - (ii) Give employees the option to raise a concern outside of line management;
  - (iii) Provide access to an independent helpline offering confidential advice (a major change from current policy);
  - (iv) Offer employees a right to confidentiality;
  - (v) Explain when and how a concern may safely be raised outside the organisation;
  - (vi) Provide that it is a disciplinary matter to victimise a bona fide whistleblower and to make an allegation which is intentionally false or malicious.
  
8. The major change of providing access to an independent helpline rather than simply advising employees of the existence of various external regulatory bodies will be effected through the Council entering into a three year contractual arrangement with PCaW. This organisation is considered to be the leading authority on whistleblowing arrangements and the basic package, at a cost of £1,600 p.a., will include the following elements:-
  - Whistleblowing advice line, providing safe and confidential advice to staff should they find themselves in a dilemma about what to do if they witness wrongdoing in the workplace. The advice line is staffed by trained legal professionals;
  - Compliance toolkit and promotional material that can be personalised;
  - A free phone enabling PCaW to track and report annually on the total number of calls received from County Council staff, even where they do not self identify;
  - Access to one hour of specialist advice, which could consist of a training event or materials.
  
9. The other major change is to institute a system of reporting and recording to a central log. At present there is no system of central reporting on Whistleblowing complaints. It may be that not all whistleblowing issues can or should be recorded centrally, as the principle of resolving complaints as close to source as possible should apply to this as to other complaints procedures. However, a system of reporting to a central point and recording complaints should be instituted. It is intended that the Monitoring Officer should have responsibility for the operation of the system and the cases concerning financial issues should then, as appropriate, be passed on to the Chief Financial Officer.

10. The proposed new Whistleblowing Policy is attached as Appendix A and Members' views on this are welcomed.

### **Implementation**

11. Work is being undertaken on the production of appropriate induction and training packages and effective communication to staff to ensure awareness. It is intended that the Policy will be launched as part of the introduction of the new Officer Code of Conduct in the autumn of 2014.

### **Recommendations**

12. The Committee is asked to:-
- (a) comment on the proposed Whistleblowing Policy; and
  - (b) subject to those comments, to agree to the adoption of the Policy and its implementation.

### **Background Papers**

Report to the Corporate Governance Committee on 12 May 2014 – 'Employee Code of Conduct'

Report to the Employment Committee on 12 June 2014 – 'Employee Code of Conduct'

Report to County Council on 2 July 2014 – 'Employee Code of Conduct'

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

None.

### **Equality and Human Rights Implications**

None.

### **Officer to Contact**

David Morgan, County Solicitor  
Tel: 0116 305 6007 E-mail: [david.morgan@leics.gov.uk](mailto:david.morgan@leics.gov.uk)

### **Appendices**

Appendix A - Revised Whistleblowing Policy

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## APPENDIX A

### DRAFT

### **REVISED WHISTLEBLOWING POLICY & PROCEDURES FOR STAFF (EXCLUDING SCHOOLS AND MEMBERS)**

#### **Who should use this policy?**

This policy applies to all those who work for Leicestershire County Council: whether full time or part-time, self-employed, employed through an agency or as a volunteer.

If you are unsure whether to use this policy or you want confidential advice at any stage, you may contact the independent whistleblowing charity Public Concern at Work on 0207 (to be confirmed) or by email at [helpline@pcaw.co.uk](mailto:helpline@pcaw.co.uk)

This service is available to all employees of the Council (excluding schools) and allows you the opportunity to speak freely about your concerns, discuss all related issues and receive practical, constructive advice.

#### **Introduction**

All of us, at one time or another has had concerns about what is happening at work and usually, these are easily resolved. However it can be difficult to know what to do when a concern feels more serious because it may relate to illegal, improper or unethical conduct and could threaten service users, colleagues, public or the Council itself.

The Council is committed to running the organisation in the best way possible and to do so we need your help. Experience shows that staff are often the first to realise that there may be something seriously wrong or often have worries or suspicions and could, by reporting their concerns help put things right and stop potential wrongdoing.

We have introduced this policy to reassure you that it is safe and acceptable to speak up and to enable you to raise any concerns you may have at an early stage, and in the right way.

#### **What is Whistleblowing?**

Whistleblowing is the formal raising of concerns that are in the public interest. A whistleblower is generally a term used for a person who works for an organisation and raises a concern about a danger or illegality that has a public

interest aspect to it, usually because it threatens others (service users, colleagues, public).

Examples of concerns that may be in the public interest (this list is not exhaustive):

- Criminal offences (Fraud, Corruption, Bribery etc.);
- Failure to comply with legal obligations;
- Actions which endanger the health or safety of any individual;
- Actions which may cause damage to the environment;
- Actions which are intended to conceal any of the above.

This policy provides you with a framework for raising concerns, which you believe are in the public interest.

### **PIDA**

The Public Interest Disclosure Act 1998 (PIDA) protects individuals who make certain disclosures of information in the public interest and provides that employers should not victimise any worker who blows the whistle in one of the ways set out in the legislation. This policy complies with PIDA.

### **Scope**

This Policy is intended to cover concerns that fall outside the scope of other existing Council procedures, for example; complaints procedures, safeguarding reporting and employment policies and procedures.

If something is troubling you, which you think we should know about or look into, please use this policy and the procedures below. If, however, you wish to make a complaint about your employment or how you have been treated, please use existing employment (HR) policies and procedures (For example, grievance policy, which you can obtain from your manager or CIS).

Whistleblowing arrangements are not intended to give you a further opportunity to pursue a grievance once other relevant employment procedures have been exhausted.

You should only consider raising concerns through Whistleblowing arrangements if:

- You have genuine reasons why you cannot use the above policies and procedures; OR
- You have reason to believe that these policies are failing or are not being properly applied; AND in any case;
- There is a public interest aspect.

## **Our commitment to you**

### **Your safety**

We recognise that you may be worried about formally raising a concern for a number of reasons:

- Fear of reprisal or victimisation (e.g. loss of job);
- Too much to lose (reputation, damage to career etc.);
- Feelings of disloyalty;
- Worries about who may be involved;
- Concerns that there is no proof, only suspicions;
- Fear of repercussions if there is no evidence or you are proved wrong;

The Corporate Management Team, Chief Executive and staff unions are committed to this policy. If you raise a genuine concern under this policy, you will not be at risk of losing your job or suffering any reprisal such as harassment, victimisation or bullying. Provided you are acting honestly, it does not matter if you are mistaken or if there is an innocent explanation for your concerns.

If you do experience problems, we will treat any reprisals as a disciplinary matter. But please note, that the above assurance is not extended to those who maliciously raise a concern that they know is untrue. Malicious reporting of this nature is a misuse of this policy and will be treated very seriously.

### **Your confidence**

We would like to assure you that if you raise a concern:

- 'Openly' - we will protect you from reprisal;
- 'Confidentially' – we will protect you from reprisal and will not disclose your identity, without your consent, unless required by law.

As mentioned we will endeavour to protect your identity wherever possible; however, you must understand that there may be circumstances where this is not feasible. For example, if you are an essential witness and further investigation would be prevented without revealing your identity or the concern could only have come from one service. Should this situation arise, we will discuss directly with you, whether and how the matter can best proceed.

If you raise a concern 'anonymously', we will NOT be able to protect your position and you should not assume we can provide the assurances we offer in the same way, if you report a concern in this manner and your identity later becomes known.

If you are already the subject of disciplinary procedures or redundancy procedures for other reasons, whistleblowing will not halt these procedures - but

every effort will be made by the investigating officer(s) to ensure that the issues are not inter-related or connected in any way.

### **How to raise a concern**

We hope that the assurances above allow you to raise your concern internally and openly with us. If you want to raise the matter in confidence, please say so at the outset so that appropriate arrangements can be made. You may also choose not to identify yourself at any stage, to anyone, but we do not encourage anonymous reporting as the concerns are more difficult to investigate and so may be dismissed as being without any foundation.

We trust that you will:

- I. Raise concerns at an early stage i.e. when you have reasonable suspicion;
- II. NOT wait and investigate yourself, OR wait to prove that your concern is well founded.

If you are unsure about raising a concern at any stage, you can get independent advice from Public Concern at Work (PCaW)

### **Step one**

The seriousness of the issue may influence who you decide to raise it with, but we hope that in the first instance, you raise it with your immediate line manager. If this is not practical (for whatever reason), please raise the concern with another senior officer (Head of Service) or Director (Chief Officer)

This may be done verbally or in writing and we do ask that you explain as fully as you can the information or circumstances that gave rise to your concern, including background and history giving names, dates and places where possible. If you have any personal interest in the matter, we do ask that you tell us at this stage.

### **Step two**

If you feel unable to raise the matter with any of the above (for whatever reason) please raise the concern with either of the following designated officers:

- County Solicitor & Monitoring Officer: Telephone (0116) 305 6007
- Chief Financial Officer: Telephone (0116) 305 7830

These people have been given special responsibility in dealing with whistleblowing concerns. If these individuals are unable to speak with you immediately, contact secretariat on 56001 or 57372 who will arrange an appointment for you.



**Step three**

If these channels have been followed and you still have concerns, or you feel that the matter is so serious that you cannot discuss it with any of the above, you can properly report a concern to an outside body. In fact, we would rather you raised a matter with the appropriate regulator –such as the Care Quality Commission, Ofsted, your professional regulator, the Audit Commission – than not at all. PCaW will be able to advise you on such an option if you wish.

**How we will handle the matter**

Once you have told us of your concern, we will assess it and consider what further action may be needed. Initial enquiries will be made to decide whether an investigation is appropriate and, if so, what form it should take – these will be made confidentially. We will tell you who will be handling the matter, how you can contact them, and what further assistance we may need from you. If we think your concern falls more properly within our existing complaint or employment policies and procedures, we will let you know.

Our further response will depend on the nature of the concern and may be:

- Advice only;
- Resolved by agreed action without the need for investigation;
- Investigated internally;
- Referred to the relevant safeguarding team;
- Referred to the Police;
- Referred to the external auditor;
- The subject of an independent inquiry

Whenever possible, we will give you feedback on the outcome of any investigation. Please note, however, that we may not be able to tell you about the precise actions we take where this would infringe a duty of confidence we owe to another person. While we cannot guarantee that we will respond to all matters in the way that you might wish, we will strive to handle the matter fairly and properly. By using this policy, you will help us to achieve this.

**Responsible Officer**

The Monitoring Officer (County Solicitor) has overall responsibility for the maintenance and operation of this Whistleblowing Policy. This officer maintains a record of concerns raised and the outcomes (but in a form which does not endanger employee confidentiality) and will report as necessary to the Corporate Governance Committee.

**Managers receiving the whistleblowing concern**

Guidance on what managers should do if they receive a concern are contained in Appendix 1.

## APPENDIX 1

**DRAFT****REVISED WHISTLEBLOWING PROCEDURES MANAGERS  
RECEIVING A CONCERN**

These procedures should be used in conjunction with the Whistleblowing Policy

**1 - Managers receiving the whistleblowing concern**

It is important that managers listen carefully to the concern being raised and avoid pre-judging the issue. If unable to do this, the employee should be encouraged to raise the concern with someone more senior or a designated officer.

**2 - Using the 'whistleblowing e-form/checklist', managers need to establish and note:**

Draft E-form  
checklist.doc

**3 – What happens next?****Step 1 – Explain to the employee what will happen next**

- Now that we have listened to and recorded your concern, we will assess it and consider what further action may be needed;
- Initial enquiries will be made to decide whether an investigation is appropriate and, if so, what form it should take – but you will not be involved in this process;
- We will tell you who will be handling the matter, how you can contact them, and what further assistance we may need from you.
- If we think your concern falls more properly within our existing complaint or employment policies and procedures, we will let you know.
- We will tell you who will be handling the matter, how you can contact them, and what further assistance we may need from you.

**Step 2 – Record the concern**

The manager receiving the concern must enter a record on the whistleblowing central log via the e-form. This central log is held by Chief Executives Secretariat and will be routinely reviewed by the County Solicitor.

### Step 3 – Assess if investigation is needed

Managers should consider the information in the context of what they know about the particular area or activity and the information the employee provides. The first issue to be decided is whether the concern is best dealt with under the Whistleblowing Policy or some other existing policy/procedures. When considering this, the following advice will help:

- Whistleblowing presupposes there is an outside agency (regulator, media or police) which would have a legitimate interest to investigate the underlying public interest concern;
- A 'whistleblower' is best viewed as a witness who is putting the organisation on notice of the risk, rather than as a complainant seeking to dictate to the organisation how it responds;
- Whistleblowing is an aspect of good citizenship in that the employee is speaking up for and on behalf of people who are at risk but are usually unaware of it and so are unable to do anything to protect themselves;
- Whistleblowing is about serious matters of public concern (examples are given in the policy); it is not about whether the whistleblower agrees with the approach or ethos of the service. Thus, a complaint that the service is not sufficiently helpful or is not engaging with the community effectively is not a whistleblowing concern.

Concerns or allegations which fall within the scope of specific existing procedures (HR, Safeguarding etc) will normally be referred for consideration under those procedures.

### Step 4 – Assess if anyone else should be involved

Depending on the nature of the concern the manager may:

- Report the concern to your Chief Officer/Director
- Report the concern to a Designated Officer (Monitoring Officer or Chief Financial Officer);
- Report the concern to HR who will be able to provide any support additional assistance if required;
- Subject to taking advice from a Designated Officer, refer the matter to an external body;
- Arrange for enquires or an investigation to be undertaken and establish arrangements for the outcome of that investigation to be reported to an appropriate manager.

### **PIDA explained:**

- Step 1 – PIDA readily provides protection when an employee reasonably suspects there is wrongdoing and makes an internal disclosure
- Step 2 – Disclosures to prescribed regulators / external are protected where the employee reasonably believes that the information and allegation in it are substantially true
- Steps 3 & 4 – Wider disclosures (to MP or Media) are only protected where there is a justifiable cause for going wider and where the disclosure is reasonable

**Draft E-form / Checklist****Information required**

Department and Service Area		
Name of Manager receiving concern:		
Name of employee raising concern:		
Date:		
Has the employee requested confidentiality?	<u>Yes</u>	<u>No</u>
If above answer is yes, please explain caveat*		

\*We will not disclose your identity, without your consent, unless required by law. For example, if you are an essential witness and further investigation would be prevented without revealing your identity or the concern could only have come from one service. Should this situation arise, we will discuss directly with you, whether and how the matter can best proceed.

**Questions**

<b><u>Q1</u></b>	Please provide me with some background and history of the concern, stating where possible: <ul style="list-style-type: none"> <li>• Names;</li> <li>• Dates;</li> <li>• Places;</li> <li>• Whether the information is first hand or hearsay; and</li> <li>• If the concern on-going</li> </ul>
<b><u>Notes</u></b>	

<b><u>Q2</u></b>	When did the concern first arise and where relevant, what is prompting the decision to speak up now?
<b><u>Notes</u></b>	

<b>Q3</b>	What is alleged by the employee? What is their concern?
<b><u>Notes</u></b>	

<b>Q4</b>	Where the employee is voicing to someone other than their line manager (senior officer or designated officer), whether the employee has raised the concern with their line manager, why not and if so, with what effect
<b><u>Notes</u></b>	

<b>Q5</b>	Is the employee is anxious about reprisal?
<p><b><u>Please reassure:</u></b></p> <p>If you raise a genuine concern under this policy, you will not be at risk of losing your job or suffering any reprisal such as harassment, victimisation or bullying. Provided you are acting honestly, it does not matter if you are mistaken or if there is an innocent explanation for your concerns.</p> <p>If you do experience problems, we will treat any reprisals as a disciplinary matter. But please note, that the above assurance is not extended to those who maliciously raise a concern that they know is untrue.</p>	

<b>Q6</b>	Is there anything else relevant the employee should mention?
<b><u>Notes</u></b>	

### **Next Steps**

- Now that we have listened to and recorded your concern, we will assess it and consider what further action may be needed.
- Initial enquiries will be made to decide whether an investigation is appropriate and, if so, what form it should take – but you will not be involved in this process;
- We will tell you who will be handling the matter, how you can contact them, and what further assistance we may need from you.

- If we think your concern falls more properly within our existing complaint or employment policies and procedures, we will let you know.

### Feedback

- Whenever possible, we will give you feedback on the outcome of any investigation.
- BUT we may not be able to tell you about the precise actions we take where this would infringe a duty of confidence we owe to another person.

### Signature

<u>Manager receiving concern</u>	<u>Employee reporting concern</u>

The completed checklist should then be sent to Chief Exec's Secretariat for inclusion in the central log

**CORPORATE GOVERNANCE COMMITTEE****23 SEPTEMBER 2014****REPORT OF THE COUNTY SOLICITOR****ANNUAL REPORT ON THE OPERATION OF THE MEMBERS' CODE  
OF CONDUCT 2013/14****Purpose of Report**

1. This report fulfils the requirement for the Monitoring Officer to report to the Committee on an annual basis on the operation of Members' Code of Conduct, in accordance with the decision of the Committee on 24 September 2012. The report is intended to highlight any amendments which may be required to the relevant procedures and any emerging trends, and to report on activity since the last annual report to the Committee in September 2013.

**Member Code of Conduct: Emerging Issues**

2. When the Annual Report on the operation of Members' Code of Conduct 2012/13 was presented to the Committee on 2 September 2013, the difficulties facing members in applying relevant Codes of Conduct in the case of joint committees or committees with membership drawn from different bodies was highlighted as a consequence of the absence of a national Code of Conduct applicable to all such bodies. In the two months prior to that Committee meeting, reports on that issue had been presented to the Health and Wellbeing Board and the Police and Crime Panel. It is pleasing to note that whilst these issues remain important there have not been further major problems during the period covered by this report.
3. It is to be expected that at a time of financial stringency when the County Council has to make difficult decisions with regard to services which have an impact upon District Councils, the question of declarations of interests for members of more than one authority ("dual hatted" members) would assume greater importance; clearly these issues will also be faced by District Councils.
4. The relevant extract from the Guide to Leicestershire County Council's Members' Code of Conduct is attached as Appendix A. The underlying principle is that members of Leicestershire County Council must act in the interests of the Council, the people of Leicestershire and the people they represent (and the comparative importance of these interests has to be weighed and balanced by members).

5. Membership of another authority should not, of itself, normally prevent a member from taking part in debates, speaking and voting on an issue in discharging those responsibilities.
6. The Guide sets out examples of circumstances in which, because of their specific nature or because of the financial implications for the other authority, a member may have to declare a personal interest which might lead to bias and take no part in the proceedings.
7. In the case of dual-hatted members, the common law principles relating to bias may also come into play. A member should not, when participating in decision making at one authority allow his or her decision to be unduly influenced by membership of another authority. The interests of that other authority may be relevant and, if so, may be taken into account. However, they are secondary to the underlying principle set out above and must not influence the members' thinking to the extent of being unable to act in accordance with that principle; so, to act would be to breach common law principles and may be in breach of Principle 3 in the Code of Conduct requiring members to act with objectivity and without bias.
8. The attention of the Committee has previously been drawn to the requirements imposed upon authorities as a result of the development of the Public Services Network. A report elsewhere on the agenda draws members' attention to the inclusion in the Corporate Risk Register of potential risks to IT security arising from members' use of emails, which result from both the need to comply with the Public Services Network and the approach taken by the Information Commissioner's Office. Whilst it is acknowledged that more work needs to be done to ensure that IT systems are fit for purpose for members' use, the provision in the Members' Code that members "*Must, when using... resources of the Authority... act in accordance with the Authority's reasonable requirements*" is relevant in this context.

### **Arrangements for dealing with Member Conduct Complaints**

9. One amendment to the current Procedure for dealing with allegations of a breach of the Members' Code of Conduct is recommended. Paragraph 3 of the Procedure deals with the initial assessment of a complaint carried out by the Monitoring Officer. Paragraph 3.4 states: "*The Monitoring Officer may seek the views of one of the Independent Persons appointed by the County Council and/or consult with the Chairman of the Member Conduct Panel on any complaint received*".
10. Since the Procedures were adopted, a practice has developed of identifying a pool of members who may sit on the Member Conduct Panel with the consequence that there is no standing chairman. It is therefore recommended that the words "*and/or consult with the chairman of the Member Conduct Panel*" be deleted.
11. One option would be for the Monitoring Officer to be able to consult with the Chairman of the Corporate Governance Committee. However, the role of that



Committee is not to deal with individual complaints, but to monitor the operation of the system and to receive reports on that issue. In practice, it has not been necessary for the Monitoring Officer to make use of the provision and it is therefore recommended that the words are deleted.

### **Complaints Received under the Members' Code of Conduct**

12. Since the Corporate Governance Committee meeting on 2 September 2013, three complaints have been made under the Code of Conduct.
13. The complaints were unrelated in subject matter and against different members of the County Council. None of the complaints proceeded to a referral to the Member Conduct Panel. In one case the alleged misconduct was not corroborated and, in any event, was not of such a nature as to be subject to action under the Code. One complaint is being dealt with by means of informal resolution with the agreement of the complainant. In the third case, the Monitoring Officer was also asked to carry out a review as to whether there had been any unlawfulness or maladministration. In that case, the conclusion was that this was not the case and that there had been no breach of the Members' Code of Conduct.

### **Recommendations**

14. The Committee is asked to:
  - (a) note the actions taken by the Monitoring Officer in discharging his responsibilities under the Procedure for dealing with allegations of a breach of the Members' Code of Conduct; and
  - (b) to agree that paragraph 3.4 of Procedure for dealing with allegations of a breach of the Members' Code of Conduct be amended to read "*The Monitoring Officer may seek the views of one of the Independent Persons appointed by the County Council on any complaint received*".

### **Resource Implications**

None.

### **Equal Opportunities Implications**

None.

### **Background papers**

Guide to the Leicestershire County Council Members' Code of Conduct

Leicestershire County Council's Procedure for dealing with allegations of a breach of the Members' Code of Conduct.

Report to the Corporate Governance Committee on 24 September 2012 -  
'Arrangements for dealing with Member Conduct Complaints'

Report to the Corporate Governance Committee on 2 September 2013 – 'Annual  
Report on the operation of the Members Code of Conduct'

**Circulation under the Local Issues Alert Procedure**

None.

**Officer to Contact**

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**Relevant Impact Assessments**

None.

**Appendices**

Appendix A	-	Extract from Leicestershire County Council's Guide to the Members' Code of Conduct (relating to "dual hatted" members).
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**EXTRACT FROM THE GUIDE TO LEICESTERSHIRE  
COUNTY COUNCIL'S MEMBERS' CODE OF CONDUCT  
(RELATING TO DUAL HATTED MEMBERS).**

Re: Paragraph 4.12 of the Members' Code of Conduct – Dual-hatted members

- Membership of another public body e.g. a district council or parish council, gives rise to a Personal Interest where you are involved in discussions or decisions relating to that other public body (“dual-hatted members”). When and whether that interest becomes one which might lead to bias, with the consequence that you cannot take part in the discussion and vote, is an issue which has generated considerable debate and differences of view in different authorities. Advice on this issue is set out further below.

**Membership of another public body (“dual-hatted” members)**

- A considerable number of members of the County Council will also be members of public bodies, such as district or parish councils. Such membership does give rise to a Personal Interest, where you are involved in discussions or decisions relating to that other public body. When and whether that interest becomes one which might lead to bias, with the consequence that you cannot take part in the discussion or vote, is an issue which has generated considerable debate and differences of view in different authorities.
- The approach of the County Council has always been that members should not be prevented from taking part in discussions when they have an electoral mandate from constituents in two different authorities, but that it must be recognised that there may be exceptional circumstances where a member cannot take part in a debate at either or both authorities.
- The Code states that the provisions relating to Personal Interests which might lead to bias “shall be applied in such a manner as to recognise that this Code should not obstruct a member’s service on more than one local authority. For the avoidance of doubt, participation in discussion and decision making at one local authority will not by itself normally prevent you from taking part in discussion and decision making on the same matter at another local authority. This is on the basis that a reasonable member of the public will see no objection in principle to such service or regard it as prejudicing a member’s judgement of the public interest and will only regard a matter as giving rise to a Personal Interest which might lead to bias in exceptional circumstances.” *(See paragraph 4.12 of the Code.)*

- In those unusual circumstances where a member has to consider whether he/she can take part in a debate, the following issues will be relevant.
  - It may be helpful for members to think in terms of differentiating between the effect of what is being discussed upon those they represent and its effect upon the other body concerned.

Example - if as a member of the County Council and a District Council you are convinced of the merits of a bypass to serve the interests of those in the area that you represent, you may have to consider highways issues at the County Council and planning issues at the District Council. By reason of being “dual-hatted” you should declare a Personal Interest at each authority arising from membership of the other, but that membership would not of itself give rise to a Personal Interest which might lead to bias. If, of course, land was affected which was owned by you, your spouse or a member of your family or a close associate or friend, then the position would be different.

- If the decision of one authority is of a commercial or financial nature which affects the other authority, or concerns property of the other authority, you will have to consider whether the effect of the decision is significant for the other authority in the context of the size of the budget affected and other factors.
- There may be some occasions when the legal relationship between the two authorities on a particular matter means that a member cannot take part in a discussion. These situations are unusual and advice should be sought from the County Solicitor or the Head of Democratic Services.

Example - when one authority is considering a planning or licensing application submitted by the other authority of which you are a member. Or, a situation where a discussion takes place or a decision is made where the two public authorities of which you are a member are in legal dispute and/or where litigation is threatened or has been commenced.

- You should also bear in mind that the position may not be the same at the two authorities of which you are a member in any particular case.

Example - the financial effect of a decision at an authority with a very large budget would be very different from the financial impact of the same decision upon an authority with a comparatively much smaller budget.

#### **Key Note**

As is always the case, the decision as to whether a Personal Interest is one which might lead to bias is one for you and you alone but, as this issue in particular has caused difficulties over the years, if you are in any doubt as to whether or not your interests might lead to bias, you should seek advice from the County Solicitor or the Head of Democratic Services. If at all possible, you should raise the issue with officers prior to the meeting in question to enable officers to find out more information and, if appropriate, talk to colleagues in the other public body concerned.



**CORPORATE GOVERNANCE COMMITTEE**  
**23 SEPTEMBER 2014**

**REPORT OF THE COUNTY SOLICITOR**

**COVERT SURVEILLANCE AND REGULATION OF INVESTIGATORY  
POWERS ACT 2000 – QUARTERLY UPDATE**

**Purpose of Report**

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

**Background**

2. At its meeting on 25 November 2013, the Committee agreed to receive quarterly reports on the use of RIPA powers. The relevant RIPA Code of Practice suggests that quarterly reports should be made to members as a means of ensuring that RIPA has been used consistently and the policy remains fit for purpose. The Code specifically states that elected members should not be involved in making decisions on specific authorisations.

**Use of RIPA**

3. For the period from 1 April to 30 June 2014, authorising officers in the Chief Executive's Department received the following:
  - Five applications for directed surveillance;
  - Five applications to use a covert human intelligence source;
  - One application to obtain communications data.
4. Magistrates approved all eleven authorisations and were satisfied that the County Council's submissions met all the necessity and proportionately requirements.
5. These surveillance authorisations were required to enable the Trading Standards Service to:
  - Establish the identities of persons engaged in unfair trading practices relating to the 'doorstep selling' of beds and mattresses;
  - Undertake age restricted test purchases of alcohol and tobacco products from retailers within the County;
  - Gather evidence of unfair trading practices occurring in the vehicle servicing and repairs sector;
  - Investigate the supply of counterfeit goods including illicit tobacco.

**Recommendation**

6. The Committee is recommended to note the contents of this report and the use of RIPA powers for the period from April to June 2014.

**Equal Opportunities Implications**

None.

**Background papers**

Report to the Corporate Governance Committee on 25 November 2013 – Regulation of Investigatory Powers Act 2000 Annual Report

Report to the Cabinet on 13th December 2013– Regulation of Investigatory Powers Act 2000 (RIPA)

Covert Surveillance and the Acquisition of “Communications Data” Policy Statement

**Circulation under the local issues alert procedure**

None.

**Officer to contact**

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**CORPORATE GOVERNANCE COMMITTEE – 23 SEPTEMBER 2014****REPORT OF THE DIRECTOR OF CORPORATE RESOURCES****QUARTERLY TREASURY MANAGEMENT REPORT****Purpose of the Report**

1. The purpose of this report is to update the Committee about the actions taken in respect of treasury management in the quarter ended 30 June 2014.

**Background**

2. Treasury Management is defined as:-

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

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

**Economic Background**

4. Unemployment levels in the UK continue to fall and economic data shows a strengthening economy, with forward-looking surveys into areas such as the investment intentions of companies which suggest that the recovery is self-sustaining. Inflation, however, remains subdued and wage growth is extremely anaemic. Economic commentators are split over when the first base rate rise will happen, with many believing that an increase in 2014 is likely. The Governor of The Bank of England has sent out mixed signals about his thoughts on when increases will be necessary, so for the first time in many years there is a genuine differentiation in the views of many market participants. The differences in views, however, mainly relate to the timing of the first increase and there remains consensus that increases will be gradual and that base rates will remain low by historical standards for many years to come.
5. Europe continues to struggle and a number of countries have slipped back into recession, with the Eurozone as a whole only showing growth due to the relative strength of Germany. Even Germany, however, is struggling and there remains a high probability that full-blown quantitative easing in Europe will be necessary. The weakness in the United Kingdom’s major trading partner can only have a negative impact onto the UK itself.
6. After a very severe winter which subdued economic activity, the United States is exhibiting robust economic growth. Janet Yellen, the new Chairman of the Federal Reserve, has played down the probability of interest rate rises in the near future and

continues to highlight low inflation and surplus capacity as reasons that interest rate policy can remain relaxed.

### **Action Taken during June Quarter**

7. The balance of the investment portfolio increased from £149.2m at the end of March to £188.4m at the end of June 2014. This significant increase follows the pattern of the previous year and reflects the front-end 'loading' of various grants and cash flows.
8. Given the lack of available counterparties, and the fact that the portfolio is already up to the allowed limit for most acceptable counterparties, action taken can generally be classified as 'care and maintenance' of the portfolio.
9. Two loans of £5m each with Bank of Scotland (both originally for one year and at a rate of 1.1%) matured during the quarter and were renewed for a fresh one year period at a rate of 0.95%. Three loans to local authorities totalling £20m also matured, but there were no local authorities that were looking to borrow money at acceptable rates (as they, like ourselves, had received lots of cash early in the financial year), so the only option was to place these proceeds into money market funds. £15m of the loan to HSBC was switched from a one month maturity to a three month maturity to take advantage of a marginal (0.04%) improvement in the interest rate payable.
10. The average rate of interest of the investments at the end of June was 0.59%, which was below the average rate (0.67%) at the end of March 2014. The decrease is mainly due to the increased size of the portfolio, and the fact that the additional monies had to be invested in money market funds at a rate (c.0.4%) which is below the rate being earned on the other investments. The average rate is likely to continue to trend downwards on a gradual basis until it is clear that base rate increases are looking more likely.
11. The loan portfolio at the end of June was invested with the counterparties shown in the list below.

	£m
Lloyds Banking Group/Bank of Scotland	40.0
HSBC	25.0
Local Authorities	43.0
Money Market Funds	<u>80.4</u>
	<u>188.4</u>

12. At the quarter end, the loans to Local Authorities were amounts of £10m to Birmingham City Council, £8m to Exeter City Council and £5m to each of The Highland Council, North Tyneside Council, Isle of Wight Council, Dundee City Council and Blackpool Borough Council.
13. The current list of acceptable counterparties is very short and comprises:
  - Lloyds Banking Group (£40m, for up to 1 year)
  - HSBC (£25m, for up to 2 years)
  - Local Authorities (£10m per Authority, for up to 1 year)
  - Money Market Funds (£25m limit per fund, maximum £125m in total)
  - UK Debt Management Office (unlimited, for up to 1 year)
  - UK Government Treasury Bills (unlimited, for up to 1 year)



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

Five year loan for £2m, commenced 5<sup>th</sup> September 2012 at 2.72%  
 Five year loan for £1.4m, commenced 27 November 2012 at 2.19%  
 Five year loan for £2m, commenced 12 February 2013 at 2.24%  
 Five year loan for £2m, commenced 1 August 2013 at 2.31%  
 Five year loan for £1m, commenced 31 December 2013 at 3.08%

15. The Leicestershire Local Enterprise Fund has been making financing available to small and medium sized Leicestershire companies, via an association with Funding Circle, since December 2013. There are a number of hurdles that companies must clear before being able to access this funding and any loans made will be classed as 'service investments'. As such, these loans are not covered within the Treasury Management Policy, but at the end of June 2014 there had been 11 loans made totalling £115,600 and the average interest rate on these loans was 8.2%.

### **Resource Implications**

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

### **Equal Opportunities Implications**

17. There are no discernable equal opportunity implications.

### **Recommendation**

18. The Committee is asked to note this report.

### **Background Papers**

None

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

None

### **Officers to Contact**

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**CORPORATE GOVERNANCE COMMITTEE**  
**23 SEPTEMBER 2014**

**REPORT OF THE DIRECTOR OF CORPORATE RESOURCES**

**INTERNAL AUDIT SERVICE – ANNUAL REPORT 2013-14**

**Purpose of Report**

1. The purpose of this report is to provide the Committee with an annual report on work conducted by the Internal Audit Service. It is then intended to distribute the report to all members of the Council.

**Background**

2. The Chief Financial Officer (CFO) has delegated responsibility for arranging a continuous internal audit. Under the County Council's Constitution, this Committee is required to monitor the adequacy and effectiveness of the Internal Audit Service. One of its specific functions is to consider the Head of Internal Audit Service's (HoIAS) annual report and opinion on the "internal control environment" of the Authority.

**Internal Audit Service Annual Report**

3. The Public Sector Internal Audit Standards (PSIAS – the Standards) were introduced from 1<sup>st</sup> April 2013. A public sector requirement within the PSIAS is that the HoIAS must provide an annual report timed to support the annual governance statement. The report must include:
  - a. an annual internal audit opinion on the overall adequacy and effectiveness of the Authority's governance, risk and control framework (i.e. the control environment);
  - b. a summary of the audit work from which the opinion is derived;
  - c. a statement on conformance with the PSIAS and the results of the internal audit Quality Assurance and Improvement Programme (QAIP).
4. Relative to the above, the annual report should also:
  - a. disclose any qualifications to the opinion, together with the reasons for the qualification;
  - b. include any issues judged to be relevant to the preparation of the annual governance statement.

5. The annual report for 2013-14 is provided in **Appendix A**. Although not a PSIAS requirement, the annual report has traditionally been made available to all members of the County Council. The report includes the HoIAS opinion on the overall adequacy and effectiveness of the Authority's control environment. The PSIAS definition of the control environment is included at **Appendix B**. A list of the audit work undertaken during 2013-14 from which the HoIAS opinion is derived is included at **Appendix C**.

**Summary HoIAS opinion on the overall adequacy and effectiveness of the Authority's control environment**

6. The HoIAS' Annual Report identifies an issue relating to a payment system that occurred during 2013-14. However, the HoIAS is satisfied that good governance and transparency was promptly displayed by management and the risks of re-occurrence were mitigated.
7. The HoIAS has reported a minor increase in the number of High Importance recommendations in key system developments and an increase in requesting extensions to implementation dates which might indicate increasing pressures and strains. Nevertheless, he is currently satisfied that senior management and members pay rigorous attention to implementing HI recommendations.
8. Accepting the above, based on the evidence of audits completed, other relevant work undertaken (Appendix C) and the HoIAS observations of governance and risk management processes, on the whole, reasonable assurance can be given that the Council's control environment is sound and that governance, risk and control frameworks are adequate and effective

**Disclosure of non-conformance with the PSIAS (the Standards)**

9. The HoIAS recently undertook a self-assessment and evaluation of the internal audit activity and the results (including areas for improvement) have been shared with the Chief Financial Officer (CFO). The exercise revealed that on the whole the PSIAS 'Performance' Standards are being met. However, the PSIAS 'Attribute' Standards require two formal documents to be in place:
  - a. an internal audit Charter which mandates the purpose, authority and responsibility of the County Council's internal audit activity;
  - b. a Quality Assurance and Improvement Programme (QAIP) which formalises the evaluation of the internal audit activity's conformance with the Standards. The QAIP also assesses the efficiency and effectiveness of the internal audit activity and identifies opportunities for improvement.
10. Whilst the County Council's IAS has a 'Statement of Aims and Objectives' and 'Audit Strategy' (both last updated and reported to this Committee in November 2010), and conducts its work in line with that required within a QAIP, this does not satisfy all of the requirements of the 2013 Standards.

11. PSIAS states that the internal audit activity can report that it '*Conforms with the International Standards for the Professional Practice of Internal Auditing*' only if the results of the quality assurance and improvement programme (QAIP) support this statement. Given a formal QAIP does not yet exist, the HoIAS is currently reporting 'non-conformance with the PSIAS', but that 'the County Council's IAS is abiding by the principles of the PSIAS'.
12. The disclosure of 'non-conformance' is not considered a significant deviation from the PSIAS. Nevertheless, for transparency, the HoIAS has reported the non-conformance as an area for improvement in the Annual Governance Statement.
13. The CFO has tasked the HoIAS to develop and implement both a Charter and QAIP by the end of December.

#### **Resource Implications**

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

#### **Equal Opportunities Implications**

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

#### **Recommendations**

16. That the Committee
  - (a) notes the Internal Audit Service annual report for 2013-14;
  - (b) notes the disclosure of non-conformance and amendments to the Annual Governance Statement for 2013-14.

#### **Background Papers**

The Constitution of Leicestershire County Council  
 Accounts and Audit Regulations (Amendment) 2011  
 The Public Sector Internal Audit Standards 2013  
 Report on the Effectiveness of the System of Internal Audit - Corporate Governance  
 Committee 26 November 2010

#### **Circulation under Sensitive Issues Procedure**

None

**Officer to Contact**

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# **Leicestershire County Council Internal Audit Service Annual Report 2013-14**



**Neil Jones CPFA, Head of Internal Audit Service,  
Leicestershire County Council**

**08 September 2014**

### **Statutory requirement for an internal audit function**

#### **The Chief Financial Officer is responsible for arranging a continuous internal audit**

Leicestershire County Council's (LCC) Constitution (Financial Procedure Rule 2) states that the Chief Financial Officer (CFO) is responsible for the proper administration of the County Council's financial affairs under the requirements of Section 151 of the Local Government Act 1972 and Section 114 of the Local Government Finance Act 1988.

The Accounts and Audit Regulations (England) 2011 state that a relevant body (such as LCC) must undertake an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control.

Financial Procedure Rule 15 states responsibility for arranging a continuous internal audit of LCC's financial management arrangements will be delegated to the CFO.

#### **Leicestershire County Council Internal Audit Service provides the continuous audit**

During 2013-14 Leicestershire County Council's Internal Audit Service (LCCIAS) led by the Head of Internal Audit Service (HoIAS), provided internal audit for LCC, the Pension Fund and Bradgate Park Trust. LCCIAS adopted the principles of the Public Sector Internal Audit Standards 2013 (the PSIAS). LCCIAS works closely with the external auditor PricewaterhouseCoopers (PwC) to minimise duplication.

### **Internal Audit Standards and their application to Local Government**

#### **New internal audit standards since 2013**

The Public Sector Internal Audit Standards (PSIAS – the Standards) were introduced in 2013. The PSIAS and the Local Government Application Note (the Application Note) together supersede the 2006 CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom (the 2006 Code). The Application Note has been developed as the sector specific requirements for local government organisations.

#### **Specific requirements for an annual report with mandatory inclusions**

The Standards require the HoIAS to provide an annual report to the board timed to support the annual governance statement. This must include: -

- an annual internal audit opinion on the overall adequacy and effectiveness of the organisation's governance, risk and control framework (i.e. the control environment)
- a summary of the audit work from which the opinion is derived
- a statement on conformance with the PSIAS and the results of the internal audit Quality Assurance and Improvement Programme (QAIP).



## Approach to internal audit work

### Responsibility in respect of the control environment

It is the Corporate Management Team's (CMT) responsibility to design, install and operate adequate arrangements for governance, risk management and control within appropriate constitutional frameworks; and to identify, assess and manage risks that are significant to the achievement of LCC's objectives.

The Internal Audit Service's task is to carry out independent and objective 'assurance' type audits of the adequacy and effectiveness of how risks are managed including controls and, if necessary, highlight weaknesses and recommend improvements.

'Consulting' type audits add value by allowing the auditor to give early commentary on management's planned design of controls in say a new system or process.

### Standards require risk based plans

The Standards state that the HoIAS must establish risk-based plans to determine the priorities of the internal audit activity, consistent with the organisation's goals. The risk-based plan must take into account the requirement to produce an annual internal audit opinion

### How LCCIAS plans its work

Much internal audit work can be planned. To this end an annual plan is produced, detailing the main areas of proposed work. The plan for 2013-14 was produced from a combination of: -

- Consultation about emerging risks, planned changes and potential problems with senior management across departments
- Evaluation of governance arrangements e.g. plans, risk registers and governance statements,
- Comparisons and 'horizon scanning' new and emerging risks affecting similar organisations

A continuing improvement in LCC's risk management (based upon specific audits of the risk management framework) and governance arrangements, allowed the HoIAS to utilise the information above, to mostly form the 2013-14 plan.

### Risk based auditing

LCCIAS uses a number of techniques to reach its opinions on what level of assurance can be provided that risks are being identified, evaluated and managed. Much work will be based around a "risk based" audit. With this technique key risks (based on likelihood and impact) are identified and agreed at the start of the audit. The quality and application of controls established to mitigate the risks is then tested

<b>“Joint audit” work with PwC</b>	Part of the plan requires that LCCIAS conducts annual audits on key elements of the general ledger and IT systems. These audits are undertaken in consultation with LCC's External Auditors (PWC) to assist in their responsibility to form an opinion that LCC's financial accounts are not materially misstated. PWC determines that the quality and scope of LCCIAS work is sufficient to contribute positively to LCC's overall control environment and to allow them to place reliance on LCCIAS work.
<b>Maintained schools and other site visits</b>	Whilst a high proportion of Leicestershire schools have converted to Academy status, LCCIAS continues to audit remaining 'maintained' schools, children's care homes and children and family centres on a cyclical basis.
<b>Investigations</b>	Occasionally LCCIAS is commissioned to investigate suspected theft and fraud or specific problems that require an independent objective viewpoint.
<b>Advisory</b>	Quite often LCCIAS is asked to provide ad-hoc advice on governance, risk and internal financial control matters. Occasionally these are escalated to more formal 'consulting' engagements.
<b>The number and type of recommendations form the 'opinion'</b>	Internal Audit Service reports may contain recommendations for improvements. The number, type and importance of recommendations affects how the auditor reaches an opinion on the level of assurance that can be given that controls are suitably designed and applied effectively, and that material risks will likely not arise. The combined sum of individual audit opinions and other assurances gained, allows the HoIAS to form the annual internal audit opinion on the overall adequacy and effectiveness of the Council's governance, risk and control framework (i.e. the control environment).
<b>High importance (HI) recommendations</b>	<p>Following audit testing, if (using LCC methodology) risk is considered to remain significant (i.e. controls are poorly designed or are not being applied as planned), then recommendations are designated as High Importance (HI). Action taken to implement the HI recommendation is always re-tested by LCCIAS before being 'signed off' by the HoIAS.</p> <p>8 new HI recommendations were made in relation to 2013-14 audits. This was a slight increase on the previous year, but it was also noticeable that allowing extensions to originally agreed implementation dates is more prevalent.</p>
<b>LCC member involvement</b>	The Corporate Governance Committee receives audit reports i.e. annual plan, quarterly progress against the plan (including progress against implementing HI recommendations) and the annual report (including the HoIAS opinion).

<b>Corporate functions</b>	The HoIAS attends Corporate Governance Committee, various management teams, supplies performance data for corporate governance dashboards and acts as co-ordinator for both the Audit Commission's annual Fraud and Corruption Survey and the bi-annual National Fraud Initiative, an extensive biennial data matching exercise.
<b>National Fraud Initiative</b>	Payments to members' have to be included in the bi-annual submission of data to the Audit Commission.
<b>Non audit duties</b>	On rare occasions, LCCIAS may provide resource to assist with urgent operational requirements. Examples are validating the accuracy and completeness of outputs through a newly established payables system. Wherever this occurs, the auditors involved would be excluded from auditing that particular part of the system for at least one year, to retain the principles of independence and objectivity.

### **Head of Internal Audit Service Annual Opinion**

<b>Issue relating to payments to providers system</b>	<p>During 2013-14 there was an issue with a system relating to payments to providers.</p> <p>The issue was caused by changes to staffing 'hierarchies' after service reviews not being reflected in the payables system. When automatic approval of invoices went live, the 'mismatches' meant messages asking for approvals were directed to the wrong persons and/or 'stacked up' thereby delaying payments.</p> <p>The issue was quickly identified and immediately addressed. Good governance and transparency was displayed in that management promptly brought the issue to the HoIAS attention and actively sought LCCIAS involvement in both 'approving' plans for the immediate workaround solutions (involving resources independent to the 'business' areas where the problems had occurred) and reviewing and testing the implementation of additional controls to avoid repetitions. LCCIAS 'walk-through' tests proved satisfactory and further audits will occur in 2014-15.</p>
<b>Small increase in the number of HI recommendations indicating pressures and strains</b>	Over the year, there was a small increase in the number of key risk audits that returned only 'partial' assurance ratings. This applied to governance, risk management and internal control functions. This is most likely an indicator of the increasing pressures and strains on staff, processes and systems during a time of unprecedented change, since all but one of the audits were in areas of new development or transition and hence controls and practices hadn't fully bedded down. Whilst management without failure accepted the need for remedial action, there has been slippage in implementing some 'high importance' recommendations.

There will be a need to monitor improvements to these areas as they move to 'business as usual', so that they do not slip off the radar behind further transformation. Nevertheless, the governance and level of attention paid by members and management to such issues is a comfort.

**HolAS opinion on the overall adequacy and effectiveness of the organisation's governance, risk and control framework (i.e. the control environment)**

Taking the above into consideration, based on the evidence of audits completed and other relevant work undertaken (appendix 3) and the HolAS observations of governance and risk management processes, on the whole reasonable assurance can be given that the Council's control environment is sound and that governance, risk and control frameworks are adequate and effective.

### **Summary of work undertaken 2013-14**

**Work undertaken in 2013-14**

Work undertaken during 2013-14 is contained in appendix 3. Audits incomplete at 31<sup>st</sup> March show the opinion given at final report stage in 2014-15.

### **Conformance with the PSIAS**

**PSIAS requirement to report conformance (or disclose non-conformance)**

There is a requirement for the annual report to contain a statement by the HolAS of conformance (or a disclosure of non-conformance) with the Standards.

**Self-assessment revealed conformance with 'Performance' Standards**

The HolAS has undertaken a self-assessment and evaluation of the internal audit activity, and the results (including areas for improvement) have been shared with the Chief Financial Officer (CFO). The exercise has revealed that on the whole the 'Performance' Standards (managing the activity; nature of work; planning and performing engagements; communicating results and monitoring progress) are being met.

**However, two specific parts of the 'Attribute' Standards are not yet in place**

However, within the 'Attribute' Standards there are two specific requirements that must be in place before the HolAS can formally state that LCCIAS, 'Conforms with the International Standards for the Professional Practice of Internal Auditing'. These are the development and approval by this Committee of both: -

- an internal audit Charter which mandates the purpose, authority and responsibility of the County Council's internal audit activity
- a Quality Assurance and Improvement Programme (QAIP) which formalises the evaluation of the internal audit activity's conformance with the Standards. The QAIP also assesses the efficiency and effectiveness of the internal audit activity and identifies opportunities for improvement

Neither of the documents above is yet in place.

**Current 'alternatives' to a Charter and QAIP**

Regarding the implementation of an Audit Charter, LCCIAS has a 'Statement of Aims and Objectives' and 'Audit Strategy' (both last updated and reported to this Committee in November 2010). Whilst the documents are not too dissimilar to what is required in a Charter, they do not contain all of the requirements of the 2013 Standards, and do not include recently inherited responsibilities for administering the Authority's risk management framework and the Annual Governance Statement. Regarding the QAIP, whilst LCCIAS has always and continues to undertake quality reviews, evaluate effectiveness and seek continuous improvement, once again these are not formalised into a QAIP.

**Disclosing non-conformance**

As such, the lack of a formal Charter and QAIP are to be reported as 'non-conformance with the PSIAS'. The disclosures of 'non-conformance' are not considered a significant deviation from the PSIAS. For the time being the HoIAS is stating that 'LCCIAS is abiding by the principles of the PSIAS'.

**Recorded as a key improvement area in the AGS**

The HoIAS has reported the non-conformance in the 'weaknesses/areas for improvement' column of Principle B of the Annual Governance Statement and within both Section 5 'The Effectiveness of the Internal Audit Service' and Section 6 'Key Improvement Areas 2014/15'. The CFO has tasked the HoIAS to develop and implement both a Charter and QAIP by the end of December.

**Person to Contact about this Report**

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**PSIAS definition of The Control Environment**

The Public Sector Internal Audit Standards 2013 (the PSIAS) contain the following definitions: -

**Control**

Any action taken by management, the board and other parties to manage risk and increase the likelihood that established objectives and goals will be achieved. Management plans, organises and directs the performance of sufficient actions to provide reasonable assurance that objectives and goals will be achieved.

**Control Environment**

The attitude and actions of the board and management, regarding the importance of control within the organisation. The control environment provides the discipline and structure for the achievement of the primary objectives of the system of internal control. The control environment includes the following elements: -

- Integrity and ethical values.
- Management's philosophy and operating style.
- Organisational structure.
- Assignment of authority and responsibility.
- Human resource policies and practices.
- Competence of personnel

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<u>Department</u>	<u>Name</u>	<u>GO</u>	<u>RM</u>	<u>IC</u>	<u>Final Issued</u>	<u>Opinion</u>
Chief Exec	Grant Claim 1 Supporting Leics Fam	x		x	21-Aug-13	Full
Environment & Transport	Capital Programme HI Follow-Up		x		16-Jul-13	Full
Public Health	FoI Request - Operational Delivery	x	x		03-Feb-14	Full
Adults & Communities	b/f Payments to Providers			x	25-Apr-13	Substantial
Adults & Communities	b/f Integrated Comm Board	x			04-Jun-13	Substantial
Adults & Communities	Day Care Payments			x	21-Oct-13	Substantial
Adults & Communities	Direct Payments			x	24-Jan-14	Substantial
Adults & Communities	Personal Budgets - Take up & Arran			x	20-Feb-14	Substantial
Adults & Communities	Residential Care Debt - Pro & Perf	x		x	25-Mar-14	Substantial
Adults & Communities	Contract Monitoring - Operational Delivery		x	x	Incomplete	Substantial
Adults & Communities	Dementia Capital Funding			x	Incomplete	Substantial
Adults & Communities	Employee Policies - Operational Delivery - Disciplinary			x	Incomplete	Substantial
Adults & Communities	F/U Effective Support Project Recs			x	Incomplete	Substantial
Adults & Communities	PersonalCare&Support-Business Continuity-Operational Delivery		x	x	Incomplete	Substantial
Adults & Communities	Sector Led Improvements		x	x	Incomplete	Substantial
Adults & Communities	Social Care Capital Grant			x	Incomplete	Substantial
Adults & Communities	Valuing People	x	x		Incomplete	Substantial
Chief Exec	Coroners Service - Memo of Understand	x			14-Aug-13	Substantial
Chief Exec	Multi Agency Info Sharing Hub	x	x		18-Feb-14	Substantial
Chief Exec	New Remuneration Arrangements			x	Incomplete	Substantial
Children & Young People	Special Investigation Rawlins	x	x		29-May-13	Substantial
Children & Young People	Funding of High Cost Pupils			x	29-Aug-13	Substantial
Children & Young People	Excellent Education in Leicestershire	x			04-Dec-13	Substantial
Children & Young People	Safeguarding		x		Incomplete	Substantial
Children & Young People	PerformanceManagement - Operational Delivery			x	Incomplete	Substantial
Children & Young People	Prep For External Inspections	x	x		Incomplete	Substantial
Consolidated Risk	Risk Management Framework Design & Governance	x	x		12-Dec-13	Substantial
Consolidated Risk	Project Management Framework Design & Governance	x	x		07-Jan-14	Substantial
Consolidated Risk	b/f Contract Boards	x			14-Jan-14	Substantial
Consolidated Risk	TS - Framework design & governan	x	x		16-Jan-14	Substantial
Consolidated Risk	Business Continuity - Frameworkk Design & Governance	x	x		27-Jan-14	Substantial
Consolidated Risk	FOI Requests Framework & Governance	x	x		30-Jan-14	Substantial
Consolidated Risk	Code of Connection	x	x		03-Feb-14	Substantial
Consolidated Risk	Key Fin Sys - Assurance on Control Functions 13/14 Interim			x	Incomplete	Substantial
Consolidated Risk	Counter Fraud & Conduct				Incomplete	Substantial
Consolidated Risk	I Expenses Scanning			x	Incomplete	Substantial
Consolidated Risk	Key ICT Controls - Assurance On ICT Functions	x	x		Incomplete	Substantial
Consolidated Risk	MTFS - Meeting Current & Identifying Future (1)	x	x		Incomplete	Substantial
Consolidated Risk	My Desktop Upgrade	x	x		Incomplete	Substantial
Consolidated Risk	Project Management - Operational Delivery	x	x		Incomplete	Substantial
Consolidated Risk	Security Breaches - Lessons Learned & Rem	x	x		Incomplete	Substantial
Corp. Finance	b/f Joint Audit 12-13 Interim			x	30-May-13	Substantial
Corp. Finance	GL Joint Audit 12/13 Final			x	30-Aug-13	Substantial

**Internal Audit Service work during 2013-14**

**Appendix C**

<b><u>Department</u></b>	<b><u>Name</u></b>	<b><u>GO</u></b>	<b><u>RM</u></b>	<b><u>IC</u></b>	<b><u>Final Issued</u></b>	<b><u>Opinion</u></b>
Corp. Finance	Imprest Account Changes			x	21-Nov-13	Substantial
Corp. Governance	Annual Governance Statement	x			30-May-13	Substantial
Corp. Governance	b/f Troubled Families Comm Budget				12-Jun-13	Substantial
Corp. HR	b/f E-Comms Acceptable Use	x	x		05-Jul-13	Substantial
Corp. HR	b/f ESC Payroll		x	x	14-Aug-13	Substantial
Corp. ICT	ISRA Talis b/f		x		04-Apr-13	Substantial
Corp. ICT	ISRA Library On line joining b/f		x		15-Apr-13	Substantial
Corp. ICT	ISRA Mod Gov b/f		x		18-Apr-13	Substantial
Corp. ICT	ISRA Novus b/f		x		18-Apr-13	Substantial
Corp. ICT	ISRA Vuelio Complaints b/f		x		18-Apr-13	Substantial
Corp. ICT	ISRA Data Capture b/f		x		30-Apr-13	Substantial
Corp. ICT	ISRA RAS		x		30-Apr-13	Substantial
Corp. ICT	ISRA Safeguarding b/f		x		30-Apr-13	Substantial
Corp. ICT	ISRA Digital Signage		x		10-Jun-13	Substantial
Corp. ICT	ISRA BitLocker		x		21-Jun-13	Substantial
Corp. ICT	b/f IT General Controls 12/13(DNC)	x	x	x	10-Sep-13	Substantial
Corp. ICT	ISRA Achieve Forms		x		14-Oct-13	Substantial
Corp. ICT	ISRA Process		x		29-Oct-13	Substantial
Corp. ICT	ISRA-Birth,Death,MarrIndexOnLine		x		06-Feb-14	Substantial
Corp. ICT	ISRA HART		x		06-May-14	Substantial
Corp. Resources	Carbon Reduction Targets	x	x		05-Sep-13	Substantial
Corp. Resources	YPLA - Assurance on schools' use of fund	x		x	12-Nov-13	Substantial
Corp. Resources	TPA procedures in EMSS				26-Nov-13	Substantial
Corp. Resources	Trading Income Operational Delivery Central Print		x		16-Jan-14	Substantial
Corp. Resources	FoI Requests - Operational Delivery - Insurance	x	x		03-Mar-14	Substantial
Corp. Resources	Treasury Management	x		x	13-Mar-14	Substantial
Corp. Resources	NFI - LCC		x	x	31-Mar-14	Substantial
Corp. Resources	Customer Service&Ops-Business Continuity-Operational Delivery		x	x	Incomplete	Substantial
Corp. Resources	Strat. Finance- Employee Policies- OperationalDelivery- Induction				Incomplete	Substantial
Corp. Resources	Counter Fraud & Conduct - Operational Delivery - CSC	x		x	Incomplete	Substantial
Corp. Resources	Educational Services to Schools				Incomplete	Substantial
Corp. Resources	Performance Management - Operational Delivery	x	x	x	Incomplete	Substantial
Environment & Transport	BSOG (Oct 12 - Mar 13)			x	25-Jun-13	Substantial
Environment & Transport	Concessionary Travel - Smart Cards		x	x	12-Nov-13	Substantial
Environment & Transport	Risk Management - Operational delivery		x		11-Dec-13	Substantial
Environment & Transport	Waste Trac System Replace	x	x		11-Dec-13	Substantial
Environment & Transport	BSOG (Apr 13' - Sept 13')			x	20-Dec-13	Substantial
Environment & Transport	Notice Processing Unit	x		x	06-Jan-14	Substantial
Environment & Transport	SEN Travel and A&C		x	x	10-Jan-14	Substantial
Environment & Transport	Replace LH MIS - Design & Configuration	x	x	x	07-Mar-14	Substantial
Environment & Transport	Local Sustainable Transport Fund			x	17-Mar-14	Substantial
Environment & Transport	Whetstone Civic Amenity Site			x	Incomplete	Substantial
Public Health	Transition To County Council Systems			x	16-Dec-13	Substantial

<u>Department</u>	<u>Name</u>	<u>GO</u>	<u>RM</u>	<u>IC</u>	<u>Final Issued</u>	<u>Opinion</u>
Public Health	Commissioning - Operational Delivery		x	x	Incomplete	Substantial
Adults & Communities	b/f - Information Governance		x	x	11-Jul-13	Partial
Adults & Communities	Social Care Information Systems	x	x		15-Oct-13	Partial
Adults & Communities	Effective Support Project			x	29-Jan-14	Partial
Chief Exec	b/f DAAT	x		x	27-Jun-13	Partial
Children & Young People	Risk Management - Operational Delivery - CYP		x		04-Feb-14	Partial
Consolidated Risk	Disaster Recovery - Framework Design & Governance	x	x	x	12-Mar-14	Partial
Corp. Property	b/f Other Capital Builds		x		27-Sep-13	Partial
Corp. Property	b/f School Replacements		x		27-Sep-13	Partial
Corp. Resources	Teachers Pension Scheme				13-Nov-13	Partial
Corp. Resources	M Star Recruitment		x	x	31-Mar-14	Partial
Corp. HR	L&D SI			x	01-Oct-13	Special Investigation
Adults & Communities	HI f/u IAS Migration Controls - N AS 5359	x	x	x	17-Mar-14	Post Audit Follow Up
Adults & Communities	HI Rec f/u Information Governance	x	x	x	24-Mar-14	Post Audit Follow Up
Chief Exec	Registrar Income HI Recs f/u	x	x	x	17-May-13	Post Audit Follow Up
Chief Exec	S106 Developers Contributions HI F/U	x	x	x	N/A	Post Audit Follow Up
Consolidated Risk	b/f Follow up BACS Hi for CGC	x	x	x	29-Oct-13	Post Audit Follow Up
Corp. Resources	HI Rec F/U Partnerships	x	x	x	02-Sep-13	Post Audit Follow Up
Corp. Resources	Teachers Pensions				N/A	Post Audit Follow Up
Environment & Transport	Notice Process Unit F/U			x	17-Mar-14	Post Audit Follow Up
Environment & Transport	LHO Court Case	x		x	28-Mar-14	Post Audit Follow Up
Adults & Communities	Disaster Recovery - Operational Delivery		x		13-Mar-14	Other - Complete
Chief Exec	BD UK				14-Oct-13	Other - Complete
Chief Exec	Grant Claim 2 Supporting Leicestershire Families			x	10-Feb-14	Other - Complete
Children & Young People	b/f Payment To Children In Care Providers			x	03-Sep-13	Other - Complete
Children & Young People	Commissioning - Operational Delivery			x	18-Feb-14	Other - Complete
Consolidated Risk	Innovative ICT Solutions - Emerging Technologies	x	x		25-Oct-13	Other - Complete
Consolidated Risk	OP - LCC fin inputs/outputs EMSS		x		28-Jan-14	Other - Complete
Corp. ICT	ISRA Fax Server		x		09-Apr-13	Other - Complete
Corp. ICT	ISRA Ibase trinity		x		20-May-13	Other - Complete
Corp. Resources	LCC Financials EMSS Workarounds		x	x	22-May-13	Other - Complete
Corp. Resources	b/f I-Procurement	x		x	31-Oct-13	Other - Complete
Corp. Resources	b/f Spec Inv BACS			x	10-Feb-14	Other - Complete
Corp. Resources	DisasterRecovery-OperationalDelivery- CustomerService&Ops		x		13-Mar-14	Other - Complete
Environment & Transport	Spec Inv Integrated Transport Unit		x		01-Aug-13	Other - Complete
Environment & Transport	Certification of local transport grant			x	20-Aug-13	Other - Complete
Environment & Transport	Vehicle & Equipment Safety Checks		x	x	06-Nov-13	Other - Complete
Environment & Transport	Transformation of Highways	x	x		31-Mar-14	Other - Complete
Public Health	School Nursing Service			x	04-Feb-14	Other - Complete
Special Investigation	D Parsons - CoR Expenses				15-Jul-13	Other - Complete
Special Investigation	D Parsons - Standards				20-Jan-14	Other - Complete
Adults & Communities	Advice	x	x	x	31-Mar-14	Advice / Research
Chief Exec	DWP MOU		x		14-May-13	Advice / Research

**Internal Audit Service work during 2013-14**

**Appendix C**

<b><u>Department</u></b>	<b><u>Name</u></b>	<b><u>GO</u></b>	<b><u>RM</u></b>	<b><u>IC</u></b>	<b><u>Final Issued</u></b>	<b><u>Opinion</u></b>
Chief Exec	Project Management Atrium Devilvery of Controls	x	x		02-Dec-13	Advice / Research
Chief Exec	Advice	x	x	x	31-Mar-14	Advice / Research
Children & Young People	Advice	x	x	x	31-Mar-14	Advice / Research
Consolidated Risk	E-Comms AUP & Monitoring	x	x		18-Nov-13	Advice / Research
Consolidated Risk	Design & Control EMSS Phase 2		x		21-Feb-14	Advice / Research
Consolidated Risk	NCC Resiliency and Restoration		x		28-Feb-14	Advice / Research
Consolidated Risk	Procure to Pay Process			x	24-Mar-14	Advice / Research
Consolidated Risk	EMSS Liaison with NCC		x		31-Mar-14	Advice / Research
Consolidated Risk	ICT Policies	x			31-Mar-14	Advice / Research
Consolidated Risk	LCC Financial Workarounds CHAPS		x		N/A	Advice / Research
Corp. Finance	Asset Management System	x			31-Mar-14	Advice / Research
Corp. HR	Employee Policies Framework & Delivery	x	x		16-Dec-13	Advice / Research
Corp. HR	Absence Management Data Quality	x			04-Feb-14	Advice / Research
Corp. ICT	ISRA Android Phones		x		24-Jun-13	Advice / Research
Corp. ICT	Resiliency NCC Project		x		31-Oct-13	Advice / Research
Corp. ICT	SAN Replacement Project	x	x		29-Nov-13	Advice / Research
Corp. ICT	Advice	x	x	x	28-Mar-14	Advice / Research
Corp. ICT	emPSN	x	x		28-Mar-14	Advice / Research
Corp. Resources	Personal Information		x		21-Oct-13	Advice / Research
Corp. Resources	Assistance in FAIT	x	x	x	02-Dec-13	Advice / Research
Corp. Resources	Web Based Investment Tool		x		09-Dec-13	Advice / Research
Corp. Resources	Advice	x	x	x	31-Mar-14	Advice / Research
Environment & Transport	Replace LHMISS - Business Processes	x	x		17-Mar-14	Advice / Research
Environment & Transport	Advice	x	x	x	31-Mar-14	Advice / Research
Public Health	Advice	x	x	x	31-Mar-14	Advice / Research
Corp. HR	b/f ESC - General Ledger			x	01-May-13	Opinion Last year

**Internal Audit Service work during 2013-14****Appendix C**

<b><u>Department</u></b>	<b><u>Name</u></b>	<b><u>GO</u></b>	<b><u>RM</u></b>	<b><u>IC</u></b>	<b><u>Final Issued</u></b>	<b><u>Opinion</u></b>
Pension Fund	Pension Increase			x	30-Jul-13	Full
Pension Fund	Contribution Bandings			x	21-Aug-13	Substantial
Pension Fund	Joint Audit			x	Incomplete	Substantial
Pension Fund	Transfers(In&OutOfLCCScheme)			x	27-Mar-14	Substantial
Pension Fund	b/f Contribution bandings			x	04-Jul-13	Partial
Pension Fund	Pension Fund IDEA Work			x	12-Jun-13	Advice / Research
Pension Fund	Pensions HI Rec f/u Bandings			x	10-Feb-14	Post Audit Follow Up
Pension Fund	Property Holdings		x		Incomplete	Full
Bradgate Park Trust	13/14 Audit	x	x	x	03-Dec-13	Substantial

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**CORPORATE GOVERNANCE COMMITTEE****23 SEPTEMBER 2014****REPORT OF THE DIRECTOR OF CORPORATE RESOURCES****INTERNAL AUDIT SERVICE PROGRESS REPORT****Purpose of 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 report where high importance recommendations have been made;
  - (b) Provide an update to the report presented to the Committee on 12 May 2014 by the Head of Internal Audit at Nottingham City Council on East Midlands Shared Service Outturn 2013-14;
  - (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 the adoption of the Public Sector Internal Audit Standards (PSIAS).

**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 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 high importance recommendations.
3. Most planned audits undertaken are of an 'assurance' type, which requires undertaking an objective examination of evidence to reach an independent opinion on whether risk is being mitigated. Other planned audits are of a 'consulting' type, which are primarily advisory and allow for guidance to be provided to management. These are intended to add value, for example, by commenting on the effectiveness of controls designed before implementing a new system. Also, unplanned 'investigation' type audits may be undertaken.

### **Summary of progress against the Internal Audit Plan 2014-15**

4. This report covers audits finalised during the period 1 April to 31 August 2014.
5. Four maintained schools were audited in the period. Two received opinions of '*...well above the standard that we measure against*' and the other two received opinions of '*...reaches the standard that we measure against. However, improvements are needed in some areas*'. The individual opinions are found on the LCCIAS web page at [http://www.leics.gov.uk/audit\\_schools\\_colleges.htm](http://www.leics.gov.uk/audit_schools_colleges.htm)
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 to 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 movements within Appendix B: -
  - a. One new HI recommendation (Children and Family Services (C&F) decommission previous electronic case management system records) has been added;
  - b. Four HI recommendations have been closed (C&F Operational risk management, Corporate Resources (CR) Disaster Recovery; CR Capital Maintenance Programme; CR Partnership Risk);
  - c. Implementation dates for four HI recommendations were further 'extended' to allow for stabilisation or progression of arrangements (CR 'M-Star' (2), Pension Fund Contribution Banding (1) and CR Employee Annual Leave Recording (1)).

### **Update on the East Midlands Shared Service Outturn 2013-14**

9. At the previous meeting of the Committee held on 12 May, the Head of Internal Audit at Nottingham City Council (NCC) reported that system audits and testing had taken longer for the first full year of operation of the East Midland Shared Service (EMSS) and some areas were still therefore highlighted in its Outturn report for 2013/14 as being 'in progress'. This related to audits of three key financial systems (payroll, accounts payable and accounts receivable) operated by EMSS on behalf of its two partners (Nottingham City Council and Leicestershire County Council).



10. In his annual internal audit opinion to the EMSS Operations Board on 1 September, the Head of Audit at NCC concluded that '*...only a limited level of assurance could be given that EMSS' internal control systems were operating adequately*'. This opinion was reached mainly because of the inability to obtain appropriate data to enable detailed testing. Improvements to obtaining relevant data for next year's audit are already being planned.
11. The External Auditors of each of the partners were reliant on the audits being completed by NCC to assist their respective opinions on each Authority's financial accounts. The Head of Audit at NCC therefore informed Leicestershire County Council's External Auditors, PricewaterhouseCoopers (PWC), of the difficulties experienced regarding these three financial systems.
12. To gain sufficient assurance for PWC's requirements, the County Council's Chief Financial Officer commissioned LCCIAS to undertake specific additional testing (as determined by PWC) on Leicestershire County Council records for each of the three financial systems across the financial year. The findings were on the whole satisfactory and have been accepted by PWC.

**Update on the County Solicitor's report on investigation into allegations concerning a former Member's conduct**

13. At the Committee meeting held on 12 May 2014, members were informed that in relation to the settlement of £2,385.93 agreed with Mr Parsons for his inappropriate use of the official car and chauffeur, there remained a balance outstanding of £1,500. The Committee noted that the instalment due from Mr Parsons on 1 May 2014 had not been received. The County Solicitor confirmed that the usual debt recovery process would be followed to recover the money outstanding.
14. Since the May Committee meeting, Legal Services has had a significant amount of pre action correspondence with Mr Parsons and has informed him of the consequences of not paying what has been agreed with him. Nevertheless, at the time of writing this report, an appropriate response has not been received from Mr Parsons and there is no evidence that any further amounts have been paid. £1,500 therefore remains outstanding and the County Solicitor has instructed Legal Services to issue proceedings.

**Update on the adoption of the Public Sector Internal Audit Standards (PSIAS)**

15. Development of an internal audit Charter and a Quality Assurance and Improvement Programme (QAIP) to meet the key requirements of the Public Sector Internal Audit Standards (PSIAS) is continuing. As this has not yet been finalised and approved, for transparency, the HoIAS has reported this as an area for improvement in the Annual Governance Statement. It is intended that both documents will be completed by the end of the year.

**Resource Implications**

16. None

**Equal Opportunities Implications**

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

**Recommendation**

18. That the contents of the report be noted.

**Background Papers**

The Constitution of Leicestershire County Council

Report to the Corporate Governance Committee on 12 May 2014 - Internal Audit Plan for 2014-15

Report to the Corporate Governance Committee on 12 May 2014 – East Midlands Shared Service Outturn 2013-14

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 c.c. and reports to the Corporate Governance Committee on 14 June, 23 September and 25 November 2013 and 10 February and 12 May 2014 – Investigation into allegations concerning a former Members' conduct.

**Circulation under the Local Issues Alert Procedure**

None.

**Officer to Contact**

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**Appendices**

Appendix A - Summary of Final Internal Audit Reports issued during the period 1 April to 31 August 2014

Appendix B - High Importance Recommendations

**Summary of Final Reports Issued from 1st April - 31st August 2014**

**Appendix A**

<b><u>Department</u></b>	<b><u>Service</u></b>	<b><u>Job</u></b>	<b><u>Final Report</u></b>	<b><u>Opinion/Action</u></b>	<b><u>HI Recommendation</u></b>
Adults & Communities	Departmental Wide	B/F - Dementia Grant Funding	23-Apr-14	Declaration letter	No
Adults & Communities	Departmental Wide	B/F - Community Capacity (Capital) Grant	28-May-14	Declaration letter	No
Adults & Communities	Departmental Wide	B/F - Disciplinary Policy - Operational Application of the Corporate Policy	24-Apr-14	Substantial	No
Adults & Communities	Personal Care & Support	B/F - Effective Support Follow Up	14-May-14	Substantial	No
Adults & Communities	Promoting Independence	B/F - Valuing People - Investigatory	11-Jul-14	Allegations not proven	No
Adults & Communities	Strategy & Commissioning	B/F - Sector Led Improvements	16-May-14	Substantial	No
Adults & Communities	Strategy & Commissioning	B/F - Contract Monitoring Procedures	28-May-14	Substantial	No
Adults & Communities	Strategy & Commissioning	B/F - Business Continuity - Operational Delivery	28-May-14	Substantial	No
Adults & Communities	Strategy & Commissioning	Decommissioning of SSIS - Adults (and Children's)	14-Aug-14	Partial	Yes
Chief Executives	Legal Services	Freedom of Information	28-Jul-14	Substantial	No
Chief Executives	Regulatory Services	B/F - Registrars' Revised Remuneration Procedures	07-Apr-14	Substantial	No
Children & Families	Children's Social Care	B/F - Preparedness for External Inspections	04-Apr-14	Substantial	No
Children & Families	Children's Social Care	B/F - Safeguarding	08-Apr-14	Substantial	No
Children & Families	Departmental Wide	B/F - Performance Management Operational Delivery	16-Jun-14	Substantial	No
Children & Families	Departmental Wide	Disciplinary Procedures	11-Aug-14	Substantial	No
Children & Families	Departmental Wide	Business Continuity	21-Jul-14	Substantial	No
Children & Families	Supporting Leicestershire Families & Safe Communities	Review and certification of returns to DCLG	20-Aug-14	Full assurance	No
Children & Families	Supporting Leicestershire Families & Safe Communities	Review and certification of returns to DCLG	13-May-14	Full assurance	No
Consolidated Risk	Corporate Wide	Key financial systems - assurance on control functions (13-14 final)	31-Jul-14	N/a	No
Consolidated Risk	Corporate Wide	B/F - M Star	01-Apr-14	Partial	Yes
Consolidated Risk	Corporate Wide	B/F - Counter Fraud & Conduct - Staff Induction	06-May-14	Substantial	No
Consolidated Risk	Corporate Wide	B/F - Key Financial Systems Assurance on Control Functions 13/14 Interim	25-Apr-14	Substantial	No
Consolidated Risk	Corporate Wide	B/F - Counter Fraud & Conduct - Purchase Cards	06-May-14	Substantial	No
Consolidated Risk	Corporate Wide	B/F - MTFs - Phase One	05-Jun-14	Substantial	No
Consolidated Risk	Corporate Wide	B/F - Project Management - Operational Delivery	10-Jun-14	Substantial	No
Consolidated Risk	Corporate Wide	Annual Governance Statement - 13/14	18-Jun-14	Substantial	No
Corporate Resources	Customer Services & Operations	B/F - Business Continuity - Operational Delivery	16-Apr-13	Substantial	No
Corporate Resources	Customer Services & Operations	B/F - Educational Services to Schools - Traded Services Operational Delivery	16-Apr-14	Substantial	No
Corporate Resources	Departmental Wide	B/F - Performance Management Operational Delivery	05-Aug-14	Substantial	No
Corporate Resources	Strategic Finance, Procurement & Property	Carbon Reduction Targets	31-Jul-14	Declaration letter	No
Corporate Resources	Strategic Information, Technology & Communications	ISRA - Generic User Account	25-Apr-14	Substantial	No
Corporate Resources	Strategic Information, Technology & Communications	ISRA - Address Base	15-May-14	Substantial	No
Corporate Resources	Strategic Information, Technology & Communications	ISRA - AVCO	20-May-14	Substantial	No
Corporate Resources	EMSS	Teachers Pensions - Readiness Check & Imp of 13/14 recs	30-Jun-14	Advisory	No
Corporate Resources	EMSS	Teachers Pensions - End of Year Certificate	31-Aug-14	Partial	No
Corporate Resources	EMSS	s151 Commissioned testing for External Audit purposes	31-Aug-14	Satisfactory	
Environment & Transport	Departmental Wide	Business Continuity	10-Jun-14	Substantial	No
Environment & Transport	Environment	B/F - Whetstone Income	03-Apr-14	Substantial	No
Environment & Transport	Transportation	Better Bus Area Grant Certification	30-Jul-14	Declaration letter	No
Environment & Transport	Transportation	Home to school transport policy	14-Aug-14	Substantial	No
Public Health	Departmental Wide	Validation of Grant Usage	28-Aug-14	Full assurance	No
Public Health	Departmental Wide	B/F - Commissioning - Operational Delivery	06-May-14	Substantial	No
Pension Fund	Investments	B/F - Property Holdings	10-Jun-14	Full assurance	No
Pension Fund	Pensions	Pension Increase	12-Jun-14	Full assurance	No
Pension Fund	Pensions	B/F - Joint Audit	15-Apr-14	Substantial	No
Pension Fund	Pensions	Migration to Altair	19.06.14	Substantial	No
Pension Fund	Pensions	Pension Contribution Banding	22-Jul-14	Substantial	No

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**High Importance Recommendations**

<b><u>Audit Title (Director)</u></b>	<b><u>Summary of Finding and Recommendation</u></b>	<b><u>Management Response</u></b>	<b><u>Action Date (by end of)</u></b>	<b><u>Confirmed Implemented</u></b>
<b>Decommissioning of SSIS the previous case management system (C&amp;F)</b>	<p><b>C&amp;F Management Team has accepted advice from Legal Services to retain all data recorded on the former electronic case management system (SSIS). This is because it is not practical to physically go through thousands of children's records, and make a judgement on what should or should not be retained, given the limited resource of staff that are 'qualified' to make such decisions.</b></p> <p><b>The risk with retaining all C&amp;F (electronic and paper) records is that the Authority could be breaching the Data Protection Act by retaining records for longer than required.</b></p> <p><b>Legal Services' view is that any fines for not retaining data when it should be retained, for example in litigation, would be greater than if data is kept securely for longer than required.</b></p> <p><b>It is recommended that the risk (to cover electronic and paper) should be escalated to Chief Officer level and if accepted should be included in the Corporate Risk Register.</b></p>	<b>A</b>	<b>September 2014</b>	

Reported May 2014				
Risk Management – Operational Delivery (C&F)	<p>Whilst there was evidence of some risk management activities operating adequately, the procedures for scoring and reporting key risks from strategic and business plans was inconsistent with Corporate guidance, there was some duplication in reporting, and a number of risks with potential high scores had not been included within progress reports to the Management Team.</p> <p>Recommended a structured approach to risk management should be developed for the Department as whole.</p>	A	August 2014	Yes
Disaster Recovery – Framework Design & Governance (CR)	<p>The Corporate framework governing disaster recovery was inadequate, with no formalised ownership of disaster recovery requirements, inadequate documentation and limited and outdated tests.</p> <p>Recommended a robust programme of disaster recovery work with defined milestones and deliverables.</p>	A	August 2014	Yes
‘M-Star’ – Managed Service For Temporary Agency Resources (CR)	<p>‘Off contract’ spend on agency staff remained high and if the levels continued then projected savings would not be achieved. In addition, the volume of agency worker timesheets that were auto-approved (i.e. if they hadn’t been approved by the relevant manager after a certain time) was high (almost 20%), increasing the risk of errors and perhaps fraud.</p> <p>Recommended: -</p> <ol style="list-style-type: none"> <li>1. Proactive periodical analysis by Procurement team and pass to business HR and Finance teams to drive more conformity;</li> <li>2. Establish targets and thresholds for auto approvals and investigate those falling outside them.</li> </ol>	<p>A</p> <p>At the time of final report some progress had already been made</p>	<p>July 2014</p> <p><b>1. Reports are compiled quarterly and discussed with the supplier. There remains two significant areas of off contract spend, but the issue cannot be fully addressed until the supplier is satisfactorily meeting its service level for fill rates (getting suitable</b></p>	

			<p><b>candidates). The supplier has been issued with a default notice and challenged to right this before it is awarded any further opportunity to expand. A report to Senior Officers is being produced.</b></p> <p><b>2. Auto approvals are covered in the quarterly strategy reports provided by the supplier. It's planned to report auto approved timesheets to department HR Business Partners, but MSTAR is only just moving to business as usual, and so hasn't yet occurred.</b></p> <p><b>Extend from July 2014 to October 2014</b></p>	
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Reported November 2013				
Capital Maintenance Programme (CR)	<p>There had been a history of high value, large scale building works commencing and progressing before contracts were formally signed, with potential for risks from disputes on liability, insurance etc.</p> <p>Recommended a formal document should be introduced, to confirm the target cost and method of procurement, which when signed by Leicestershire County Council and the contractor would be sufficient safeguard to allow work to start whilst the detailed contract requirements were finalised.</p>	A	<p>Still awaiting a new contract to start before proof that control is embedded.</p> <p>Extended from March 2014 to August 2014.</p>	Yes
Pension Fund contribution 'bands' (Pension Fund)	<p>Each year the Department for Communities &amp; 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: -</p> <ol style="list-style-type: none"> <li>1. that the report should be reconfigured;</li> <li>2. a framework for sample testing should be agreed and implemented to cover future pension banding changes.</li> </ol>	A	<p>September 2013</p> <p><b>1. The report was produced</b></p> <p><b>2. The Interim Head of EMSS is to agree the framework with the two clients at the end of September.</b></p> <p><b>LCCIAS will confirm this in October.</b></p> <p><b>Nottingham City Audit will pick up that the agreed sample checks are being undertaken as part of their EMSS audits</b></p> <p><b>Extend from June 2014 to October 2014</b></p>	<ol style="list-style-type: none"> <li>1. Yes</li> <li>2. Pending</li> </ol>



Reported February 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>Originally March 2013 Extended to January then March 2014</p> <p>Changes to the annual leave self-service system were implemented from April. Supporting guidance issued applies to all employees on LCC conditions of service who have access to self-service.</p> <p><b>An audit around staff use of self-serve to record leave is planned</b></p> <p><b>Extend from August 2014 to October 2014</b></p>	
Reported September 2012				
Partnerships Risks (CR)	<p>Considerable time &amp; effort had been invested to identify all types of partnerships (including those falling under Leicestershire Together) and associated governance arrangements, with a view to identifying risks associated with any key arms-length organisations/partnerships. Nevertheless, the audit concluded that existing guidance for evaluating and managing partnership risks could be strengthened.</p> <p>Recommended: - 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 was implemented. The requirement for all Departments to duly consider any partnerships risks to the Authority has been recorded as a key improvement area in the AGS (deadline December 2014).</p>	<b>Yes</b>

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

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

Key to management response

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

Audit/CGC/14-15/Sep 14/Appendix 2 HI Progress Report

Last Revised 10/9/2014