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This matter is being dealt with by:  
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For the attention of Tom Walker

31 March 2016

Dear Tom

**Audits into Local Growth**

Thank you for your letter dated 10<sup>th</sup> March 2016 and subsequent correspondence with regards Greater Lincolnshire LEPs assurance framework. We have considered the points raised and reviewed these against the framework to ensure that we remain compliant with the national guidance.

It is worth noting that we continue to build upon the assurance framework that was scrutinised and agreed by our Local BIS relationship manager and welcome working in partnership to share best practice as to our approach. Enabling this was the positive annual conversation that we had with members from the Local Growth Unit and the subsequent report highlighting our strengths as a LEP area.

We were pleased to see that the points raised by the audit appeared minor and this has given us increased confidence that Lincolnshire County Councils working practices to support the work of the LEP remain strong.

The audit identified 3 areas for consideration and I have responded to each point below:-

**Point 1** – *Set out the circumstances in which the accountable LA would not comply with a LEP decision and the process for resolving that.*

We identified on page 12 of our framework the process for dealing with any decision disagreements between the accountable body and the LEP however we have noted your

comments and can confirm that the assurance framework will be strengthened by including the following information:

The Accountable Body would not comply with a LEP decision where the decision was:

- illegal
- not procedurally valid
- would lead to available budgets being exceeded; or
- did not demonstrate value for money

The assurance framework sets out how this situation is avoided by the effective operation of the due diligence checks completed prior to project decision making. If a situation did occur whereby the Accountable Body had significant concerns about a decision the LEP had taken, or proposed to take, then a meeting would be convened by the Accountable Body Section 151 Officer and Chairman of the LEP Board so that the matter can be reviewed and resolved. Should resolution not be found, advice would be sought from the grant awarding body and final decisions reported back to the LEP Board.

*Point 2 – ensure transparency that annual accounts are published and ensure there are arrangements for local funding allocated by LEPs at least equivalent to those in place for local authority spend.* The assurance framework sets out how the transactions held on behalf of the LEP will be covered by the audit, specifically page 11 and 13.

To clarify, Lincolnshire County Council is audited on a yearly basis by KPMG who seek to give assurance on the effectiveness of the Authority's organisational control environment and specifically identify any significant weaknesses on controls over key financial systems.

Given we control the transactions on behalf of the LEP we have worked in partnership to arrange a further external audit to specifically look at the control environment of the LEP finances. This audit will seek to provide assurance that:

- The accounts are properly kept: and
- the annual financial reports:
  - I. are prepared in accordance with the requirements of the funding
  - II. represent fairly the results of the operations and cash flows for the financial year and the financial position of the GLLEP.

We have requested that the audit report includes any matters identified during the audit procedures such as:-

- any significant adverse trends in the financial position or financial management practices
- any material irregularities in the LEPs accounting management
- any weaknesses in the internal controls operation in particular those listed in the grant determination agreement and any subsequent requirements as advised by government.

The proposed audit detailed above goes further than the previous year's audit that specifically reviewed the cash balances held on behalf of the LEP. The LEP will complete an independent

audit on a yearly basis and reports are presented to the LEPs Finance and Audit Committee and are published on the LEP's website. We will update the assurance framework accordingly.

Point 3 – *Evidential basis on which the need for intervention is based & how the LEP will ensure vigour and methodology used to assess the overall vfm of the LEPs Programme.*

The LEP ensures that a detailed assessment of value for money is carried out on all transport related schemes as part of its due diligence. Informed by an external independent 'Green Book' appraisal, each project is thoroughly scrutinised, particularly in relation to cost, outputs, outcomes, and GVA impact. Demand and need for intervention forms a crucial element of this appraisal process and clear evidence is requested from the applicants right from the start.

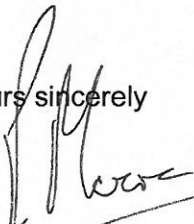
We are aware that transport related projects over £5m also need to be assessed using the webtag DFT appraisal process and only two of our projects to date have fallen within this category. One has already been through a DFT value for money business case appraisal process (Grantham Southern Relief Road) and the other, a retained major scheme, is still within the DFT appraisal system and will require ministerial approval this summer.

In order to ensure that our Assurance Framework methodology remains rigorous and continues to evolve we are currently working with Local Partnerships Ltd via DFT funding support, to explore a transport scheme assessment model developed with the Humber LEP, and how it might be tailored and applied in future to Greater Lincolnshire infrastructure schemes. Still in its pilot stages, this process will be tested against our recent call for projects by our Housing and Infrastructure Group, and will help us scrutinise emerging schemes and those identified in our Transport Strategy recently approved by the GLLEP Board.

The changes highlighted above will be made as part of our scheduled system review post financial year end. We envisage that a revised version of the assurance framework will be agreed and published by the end of April. Although we continually monitor the effectiveness of our systems we have included scheduled yearly reviews of the assurance framework and welcome the opportunity to learn and share best practice.

Should you require any further information then please do not hesitate to contact a member of the team.

Yours sincerely



Pete Moore

Executive Director of Finance & Public Protection

