



Meeting: **Corporate Governance Committee**

Date/Time: **Friday, 27 March 2026 at 10.00 am**

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

Contact: **Miss. G. Duckworth (tel: 0116 305 2583)**

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Membership

Mr. S. L. Bray CC (Chairman)

Mr. J. Boam CC Mrs. K. Knight CC
Mr. M. Bools CC Mr. J. McDonald CC
Mrs. N. Bottomley CC Mr. J. Miah CC
Mr. S. Bradshaw CC Mr. J. T. Orson CC
Mr. G. Cooke CC Mrs. R. Page CC
Mrs. L. Danks CC Mr. J. Pilgrim
Mr. G. Grimes Mr. B. Piper CC

AGENDA

<u>Item</u>	<u>Report by</u>
1. Minutes of the meeting held on 23 January 2026.	(Pages 3 - 8)
2. Question Time.	
3. Questions asked by members under Standing Order 7(3) and 7(5).	
4. To advise of any other items which the Chairman has decided to take as urgent elsewhere on the agenda.	
5. Declarations of interest in respect of items on the agenda.	
6. Presentation of Petitions under Standing Order 33.	



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|-----|--|---|-------------------|
| 7. | External Audit Plan 2025/26. | Director of
Corporate
Resources | (Pages 9 - 76) |
| 8. | Internal Audit Service - Progress Against the 2025/26 Internal Audit Plan and High Importance Recommendations. | Director of
Corporate
Resources | (Pages 77 - 108) |
| 9. | Internal Audit Service - Annual Plan 2026-27. | Director of
Corporate
Resources | (Pages 109 - 122) |
| 10. | Risk Management Update. | Director of
Corporate
Resources | (Pages 123 - 140) |
| 11. | Regulation of Investigatory Powers Act 2000 and the Investigatory Powers Act 2016. | Director of Public
Health, Law and
Governance | (Pages 141 - 150) |
| 12. | Date of next meeting. | | |

The next meeting of the Corporate Governance Committee will be held on Friday 26 June 2026 at 10am.

13. 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 Friday, 23 January 2026.

PRESENT

Mr. S. L. Bray CC (in the Chair)

Mr. J. Boam CC	Mr. J. Miah CC
Mrs. N. Bottomley CC	Mr. P. Morris CC
Mr. S. Bradshaw CC	Mr. J. T. Orson CC
Mrs. L. Danks CC	Mrs. R. Page CC
Mr. G. Grimes	Mr. J. Pilgrim
Mrs. K. Knight CC	Mr. B. Piper CC
Mr. J. McDonald CC	

48. Minutes.

The minutes of the meeting held on 24 November 2025 were taken as read, confirmed and signed.

49. Question Time.

The Chief Executive reported that no questions had been received under Standing Order 34.

50. 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).

51. Urgent Items.

There were no urgent items for consideration.

52. 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.

53. Presentation of Petitions under Standing Order 35.

There were no petitions.

54. External Audit of the 2024/25 Statement of Accounts, Annual Governance Statement and Pension Fund Accounts - Update.

The Committee considered a report of the Director of Corporate Resources which presented an update on the external audit of the 2024/25 financial statements. Copies of

the report and supplementary report, both marked 'Agenda Item 7', are filed with these minutes.

The Chairman welcomed Ms Helen Lillington from Grant Thornton LLP, the Council's external auditors, to the meeting.

It was reported that, since the last meeting, the necessary adjustments had been made and the audit had now been completed; this would be signed on 29 January with an unmodified opinion.

RESOLVED:

That the Auditor's updated Audit Findings report be noted and the updated letter of representation be approved.

55. Treasury Management Strategy Statement 2026/27.

The Committee considered a report of the Director of Corporate Resources which provided an opportunity to review the Treasury Management Strategy Statement, which included the minimum revenue provision policy statement and the annual investment strategy for 2026/27. A copy of the report marked 'Agenda Item 8' is filed with these minutes.

It was noted that the Treasury Management Strategy Statement formed part of the Medium Term Financial Strategy, which was due to be considered by the Council at its meeting on 18 February 2026.

RESOLVED:

That the report be noted and it be recommended that the County Council approves the Treasury Management Strategy Statement 2026/27.

56. 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 for the quarter ending 31 December 2025 (quarter 3). A copy of the report marked 'Agenda Item 9' is filed with these minutes.

A member commented that returns had been good over the past year, but queried whether consideration needed to be given to amending any investments as a result of the proposed local government reorganisation. In response, the Director of Corporate Resources stated that this was not currently the case as the outcome of LGR was unknown. However, assurance was given that it would not be necessary to end any existing loans early.

RESOLVED:

That the report be noted.

57. Risk Management Update.

The Committee considered a report of the Director of Corporate Resources, the purpose of which was to present the Corporate Risk Register for approval, along with the Risk Management Policy Statement and Strategy, Insurance Policy and Property and Occupants Risk Management. A copy of the report marked 'Agenda Item 10' is filed with these minutes.

As part of this item, the Committee also received a presentation from the Data Protection Officer on the emerging risk of the use of Artificial Intelligence technologies. A copy of the presentation is filed with these minutes.

Arising from the discussion, the following points were made:

Presentation

- i) In response to a query around how the Council was monitoring the use and development of AI, the Director of Corporate Resources stated that risk assessments were living documents and the data protection impact assessments were never closed. If an issue arose, it was possible to review this and continually monitor any risks.
- ii) In terms of training around AI, assurance was sought that this would be mandatory for all members of staff. The Director of Corporate Resources commented that a large number of staff throughout the authority would not use AI in their roles. However, a module on AI had now been included in the GDPR training, which was mandatory for all staff.
- iii) In regard to the use of Co-pilot, this was generally welcomed, but there was concern around information being altered so that it was incorrect. A query was raised around what was in the Policy to give a third party an opportunity to change information and challenge that something was incorrect. Assurance was given that, regarding hallucination, there were protections in place for staff if their data was being processed incorrectly and there was a right to rectification, but it was acknowledged that it could be difficult to stop applications such as Google. Human oversight was considered essential and it was important to ensure that people did not become lazy by allowing AI applications to carry out their work. Many larger applications using AI had follow up meetings to ensure that they were doing what was expected and it was known that, in some instances, staff were not using the AI tools they had available. This would all continue to be monitored.
- iv) A member queried whether there was a procedure to follow if receiving a letter/email which was known to have been produced using AI and contained incorrect data. Essentially, human oversight in this instance was critical and there would be concern if letters were being produced without any human input whatsoever. Members of the public were able to complain using the Council's Complaints Procedure, but it was generally expected that departments would use common sense to ensure that information being sent out was correct.
- v) In response to a question around how many County Council employees had completed the training, it was stated that the GDPR training had been introduced in September 2025 and currently, 71% of staff had completed it. However, reminders were sent to those who had not yet undertaken the training, so the number was increasing continually and approximately 95%

were expected to have completed the training by summer. It was also the intention to ensure all staff had read the Policy so consideration was being given to whether specific AI training was required. An internal audit on governance arrangements had previously been undertaken, but there would now be a greater focus on the applications being used throughout the authority to ensure that these were being used appropriately.

- vi) A member commented on the AI systems being used by other local authorities and whether these had been considered by the County Council. A potential reduction in costs was also raised, and whether this would lead to a reduction in staffing. Discussions had taken place with other local authorities who were more advanced in the use of chat bots, and assurance was given that the County Council was at the development staff. Tests were taking place with applications to ensure that there were no errors before they were put into the public domain. It was anticipated that one system would be ready in the near future, following appropriate risk assessments being completed. Regarding savings, this was difficult to quantify, in particular Co-pilot, which was being used to help staff carry out their day to day roles. It was hoped that this would ultimately lead to greater effectiveness and deliver some efficiency savings, but no one had yet been made redundant as a result of this.

Main Report

- vii) In relation to the structure of risk management roles and responsibilities, and the roles of the Cabinet, Lead Members and Chief Officers, there had been considerable change recently, including two of the three statutory officers leaving and membership of the Committee. A query was raised as to whether these changes posed any risk and whether any mitigation had been developed against any identified risks. The Director of Corporate Resources acknowledged that any change created an element of risk, at both a political and officer level. Assurance was given that mitigations were identified from the changes and training and relevant information had been provided to those who needed it. Chief Officers were required to brief their lead members on potential risks within their service areas and the Chief Executive's departmental risk register had included a plan to mitigate the Chief Executive and Monitoring Officer leaving the organisation. It was also noted that, following the 2025 County Council elections, a more formal induction programme for new members had been established.

RESOLVED:

- a) That the current status of the corporate and strategic risks facing the County Council be noted;
- b) That recommendations be made on any areas which might benefit from further examination;
- c) That it be recommended that the Cabinet approves the revised Risk Management Policy Statement and Strategy and the Insurance Policy, with delegation to the Director of Corporate Resources to amend it if necessary;
- d) That the update on the work undertaken and planned work of the Property and Occupants Risk Management Group be noted.

58. Global Internal Audit Standards in the UK Public Sector - Governance Documents.

The Committee considered a report of the Director of Corporate Resources which provided details about important governance documents required for conformance with Global Internal Audit Standards, effective in the UK public sector from 1 April 2025. A copy of the report marked 'Agenda Item 11' is filed with these minutes.

In terms of the Internal Audit Strategy, a draft document had been developed to cover the period January 2026 to 31 March 2028. This period was deliberate because of the unknown outcomes of the pending local government reorganisation.

Work continued on the Strategy and the CIPFA Code of Practice for the Governance of Internal Audit in Local Government and an update on implementation would be presented to the Committee in June.

RESOLVED:

- a) That the results and improvements required following the Head of Internal Audit Service provisional self-assessment against the Code of Practice for the Governance of Internal Audit in Local Government be noted;
- b) That the draft Internal Audit Strategy – January 2026 to March 2028 be noted;
- c) That a delegation to the Director of Corporate Resources to make any necessary minor changes to either document be agreed.

59. Changes to the Contract Procedure Rules.

The Committee considered a joint report of the Director of Corporate Resources and the Director of Law and Governance which provided an overview of the forthcoming changes to the Contract Procedure Rules. Following consideration by the Committee, the Rules would be presented to the County Council for approval. A copy of the report, marked 'Agenda Item 12', is filed with these minutes.

In response to a question around whether there was any flexibility to the Rules to ensure contracts weren't delayed as a result of the procurement process, the Director of Corporate Resources stated that Rule 21 afforded the ability to direct award to a provider in such circumstances. However, the reason for this had to be justified.

RESOLVED:

That the revised Contract Procedure Rules be endorsed and approval by the County Council be recommended.

60. Changes to the Council's Modern Slavery Statement.

The Committee considered a joint report of the Director of Corporate Resources and the Director of Law and Governance which presented the revised Modern Slavery and Human Trafficking Statement. A copy of the report marked 'Agenda Item 13' is filed with these minutes.

The Statement would undergo an annual review to ensure its continued relevance and would be presented to the Committee if there were any significant changes.

RESOLVED:

That the revised Modern Slavery and Human Trafficking Statement be approved.

61. Whistleblowing Report.

The Committee considered a joint report of the Director of Law and Governance and Director of Corporate Resources which provided a summary of the concerns raised under the Council's Whistleblowing Policy during the calendar year 2025 and the Council's response to the issues, including any organisational learning, along with updates to the current Whistleblowing Policy. A copy of the report marked 'Agenda Item 14' is filed with these minutes.

During the last year, two referrals had been made, with both being found to be unsubstantiated. A number of other issues had been raised under the Whistleblowing Policy, but it had been felt more appropriate for these to be referred directly to managers under HR procedures.

The suggested updates to the Policy were highlighted and it was felt that its promotion was important. The Policy would continue to be kept under review as part of the annual reporting cycle to the Committee.

RESOLVED:

That the report and the proposed annual reporting cycle to this Committee on the effectiveness of the policy be noted.

62. Date of next meeting.

RESOLVED:

That the next meeting of the Committee be held on Friday 27 March 2026 at 10.00am.



CORPORATE GOVERNANCE COMMITTEE – 27 MARCH 2026

REPORT OF THE DIRECTOR OF CORPORATE RESOURCES

EXTERNAL AUDIT PLAN 2025/26

Purpose

1. To present the external audit plans for the Council and the Pension Fund for the 2025/26 financial year.

Introduction

2. Copies of the audit plans for the Council and the Pension Fund are attached as Appendix A and Appendix B respectively. The audit plans provide an overview of the planned scope and timing of the external audit.
3. To inform the external audit plans, management (Finance, Internal Audit and Legal Services) have completed a self-assessment, which the Auditor uses as part of its procedures to gain an understanding of the Council's processes. It sets out questions on areas such as fraud, laws and regulations, related parties, going concern and accounting estimates, all of which have an impact on the Council's operations.
4. Representatives from the Council's external auditors, Grant Thornton UK LLP, will attend the meeting in order to present the plans and answer any questions.
5. Presentation of the audit plan to this Committee contributes towards the effective two-way communication between auditors and the Council's Corporate Governance Committee, as 'those charged with governance'.
6. The 2025/26 audit is the third year of the five year contract that started in 2023/24. A contract update was provided to the Committee in September 2023 confirming that the Council had opted in to the Public Sector Auditor Appointments (PSAA) national scheme to appoint an external auditor.

County Council – Audit Plan

7. The significant risks identified by the external auditor for 2025/26 are summarised below: (mainly the same as in 2024/25)

- Management override of controls – review of management controls over journals, accounting estimates and accounting policies.
 - Risk of Fraud – review of business processes, accounting policies, and systems, for recognition of income and expenditure.
 - Valuation of land and buildings – review of the valuation of assets valued on a cyclical basis, including the use of indexation in the intervening periods (new accounting requirement and updated accounting policy in 2025/26).
 - Valuation of the pension fund net liability – review of assumptions, methodology and data provided to the Actuary.
8. The materiality level for the Audit Opinion for the Council is £22m (£20m 2024/25). A separate limit of £27,000 applies to the senior officers' remuneration note to the accounts. A triviality limit for the financial statements has been set at £1m in line with National Audit Office (NAO) guidance, the same as in 2024/25.
 9. ISA 315 requires the auditor to obtain an understanding of the IT infrastructure used by the Council including details of the processes that operate within the IT environment. As a result the auditor will undertake a design and implementation review of controls within the Oracle Fusion system.
 10. The audit plan also sets out the Auditor's approach to completing the assessment of the Value for Money (VfM) arrangements at the Council for the 2025/26 financial year. The last VfM report, in 2024/25, was considered by this Committee at its meeting in November 2025. One significant weakness in relation to the deficit on the schools Dedicated Support Grant (DSG) was reported. The Government have since announced that they will fund up to 90% of DSG net deficits as at 31 March 2026, subject to an approved local SEND reform plan, and that they will fund SEND centrally from April 2028. At this stage, details of the exact funding mechanisms, and for the intervening periods, is currently uncertain.
 11. As part of their planning assessment the auditor has highlighted two significant risks for 2025/26; the DSG deficit and the financial gaps as set out in the Medium Term Financial Strategy (MTFS) 2026-30 with forecast budget gaps of £36m in 2027/28 rising to £85m in 2029/30. As part of their work the auditor will consider the arrangements in place to address the gaps will also review the updated MTFS.
 12. The interim audit for 2025/26 is currently underway with the detailed external audit work planned to be carried out between July and October 2026. The final audit opinion is then planned to be reported to this Committee in November 2026.
 13. The fee for the 2025/26 external audit for the Council is £289,960 (£282,063 in 2024/25) in line with the scale fee set by PSAA.

Pension Fund – Audit Plan

14. The significant risks identified by the external auditor for 2025/26 are summarised below: (mainly the same as in 2024/25)

- Management override of controls – review of management controls over journals, accounting estimates and accounting policies.
 - Valuation of level 3 investments - review of the nature and basis of estimates used for hard to value assets, i.e. not publicly traded investments such as private debt.
 - Risk of fraud due to improper recognition – rebutted by the auditor given the nature of public sector bodies.
 - 2025 triennial valuation – testing of the data used in the valuation, every three years.
15. The headline materiality level for the audit opinion for the Pension Fund is £93.6m (£92m 2024/25), which equates to 1.4% of gross investment assets as at 31 March 2025. Separate materiality limits have been applied for benefits payable £24m and contributions received £30m (2024/25 was not separated and was £27m). Triviality limits have been set at £4.7m for headline materiality (£4.5m 2024/25) and £1.2m for benefits and contributions.
16. ISA 315 requires the auditor to obtain an understanding of the IT infrastructure used by the Pension Fund including details of the processes that operate within the IT environment. The auditor will undertake a design and implementation review of controls within the accounting system (Oracle Fusion) and the Pensions Administration System (Altair).
17. The interim audit for 2025/26 is currently underway with the detailed external audit work planned to be carried out between July and August 2026. The final audit opinion is then planned to be reported to this Committee in November 2026.
18. The main fee for the 2025/26 external audit for the Pension Fund is £104,390 (£95,720 2024/25) in line with the scale fee set by PSAA. In addition there are additional charges for IAS19 assurance letters for employer Fund external auditors of £1,100 (same as in 2024/25) and £10,000 for 2025/26 for the 2025 triennial valuation testing work, giving an overall 2025/26 audit fee of £115,490.

Financial Statements 2025/26

19. The draft financial statements for the County Council and the Pension Fund are planned to be completed by the end of June 2026, in line with the Accounts and Audit regulations.

Recommendation

20. The Committee is asked to note the attached reports and to provide any comments.

Equality and Human Rights Implications

21. None.

Circulation Under the Local Issues Alert Procedure

22. None.

Background Papers

23. Report to the Corporate Governance Committee – 23 January 2026: External Audit of the 2024/25 Statement of Accounts, Annual Governance Statement and Pension Fund Accounts
<https://democracy.leics.gov.uk/ieListDocuments.aspx?CId=434&MId=8460&Ver=4>
24. Report to the Corporate Governance Committee – 22 September 2023: Update on Audit Delays and PSAA Consultation on 2023/24 Audit Fees
<https://democracy.leics.gov.uk/ieListDocuments.aspx?CId=434&MId=7130&Ver=4>

Appendices:

Appendix A - External Audit Plan (County Council)
Appendix B - External Audit Plan (Pension Fund)

Officers to Contact

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The Audit Plan for Leicestershire County

Year ending 31 March 2026

9 March 2026



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Introduction and headlines



Purpose

This document provides an overview of the planned scope and timing of the statutory audit of Leicestershire County ('the Authority') for those charged with governance.

Respective responsibilities

The National Audit Office ('the NAO') has issued the Code of Audit Practice ('the Code'). This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. Our respective responsibilities are also set out in the agreed in the Terms of Appointment and Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA), the body responsible for appointing us as auditor of the Authority. We draw your attention to these documents.

Scope of our Audit

The scope of our audit is set in accordance with the Code and International Standards on Auditing (ISAs) (UK). We are responsible for forming and expressing an opinion on the Authority's financial statements that have been prepared

by management with the oversight of those charged with governance (the Corporate Governance Committee); and we consider whether there are sufficient arrangements in place at the Authority for securing economy, efficiency and effectiveness in your use of resources. Value for money relates to ensuring that arrangements are in place to use resources efficiently in order to maximise the outcomes that can be achieved as defined by the Code of Audit Practice.

The audit of the financial statements does not relieve management or the Corporate Governance Committee of your responsibilities. It is the responsibility of the Authority to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Authority is fulfilling these responsibilities.

Our audit approach is based on a thorough understanding of the Authority and is risk based.

Introduction and headlines (continued)

Significant risks

Those risks requiring special audit consideration and procedures to address the likelihood of a material financial statement error have been identified as:

- Management override of control
- Valuation of land and buildings
- Valuation of the gross pension liability

We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings (ISA 260) Report.

Materiality

We have determined planning materiality to be £22m (PY £20m) for the Authority, which equates to approximately 2% of your prior year gross operating costs for the year.

We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. As part of our risk assessment, we have considered the impact of prior period misstatements and have reduced performance materiality from 70% to 65%.

Clearly trivial has been set at £1m (PY £1m).

Value for Money arrangements

Our risk assessment regarding your arrangements to secure value for money has identified risks of significant weakness in relation to financial sustainability, in particular;

- The arrangements for funding the Dedicated School Grants given recent Central Government announcements, and
- The arrangements in place to fill the budget gap in the medium term.

Audit logistics

Our interim visit will take place in March-April 2026, and our final visit will take place from July to October 2026. Our key deliverables are this Audit Plan, our Audit Findings Report, our Auditor's Report and Auditor's Annual Report.

Our proposed fee for the audit is £289,960 (PY: £282,063) for the Authority, subject to the Authority delivering a good set of financial statements and working papers, no significant changes in scope to the Audit, management being responsive to audit requests and providing sufficient appropriate audit evidence when requested.

We have complied with the Financial Reporting 's Ethical Standard (revised 2024) and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

The Backstop

The Future of the Backstop

On 30 September 2024, the Accounts and Audit (Amendment) Regulations 2024 came into force. This legislation introduced a series of backstop dates for local authority audits. These Regulations require audited financial statements to be published by a specific date. The upcoming backstop dates are as follows:

- for years ended 31 March 2026 by 31 January 2027
- for years ended 31 March 2027 by 30 November 2027; and
- for years ended 31 March 2028 by 30 November 2028.

The Regulations are supported by the National Audit Office's (NAO) Code of Audit Practice 2024. The backstop dates were introduced to clear the backlog of historic financial statements and support the reset of local audit. Where audit work is not complete, this will give rise to a disclaimer of opinion. This means the auditor has not been able to form an opinion on the financial statements.

The Authority's position

The Authority's 2024/25 financial statements were not subject to backstop legislation and an unmodified opinion was issued on 29 January 2026.

Our Work

In order to meet future statutory deadlines, for 2025/26 we will be working towards an internal deadline of 30 November 2026, as a dry run for future years. Whilst the Authority has met deadlines historically, as dates move forward, we will work collaboratively with the Authority to ensure future, earlier deadlines are also met. This will mean that both the finance team and audit team need to work differently to achieve a faster closedown. We will need the continued cooperation and input of management throughout this process.

Whilst we recognise that the formal deadline for you as a local authority to publish your draft accounts is 30 June 2026, we feel an important first step towards achieving closure by the end of November is to complete early testing wherever possible. With this in mind, we look to undertake more significant early testing during our interim audit visit.

We will engage early with your finance team to clearly set out our expectations and what is needed to make a success of these plans, and we ask that you work with us to achieve this.

Our ask of the Authority

- Ensure sufficient resources are available to support all interim audit work as agreed on following pages;
- Engage with the audit team on opportunities for early sampling before the main audit begins;
- Provide the audit team with the working papers that support the financial statements in line with the publication timeline; and
- Notify us promptly of any issues or delays so that we can plan accordingly.

Interim Audit Work

Details of work to be conducted at interim:

The backstop date is moving earlier in the year, as a result and to ensure that all work can be completed by this date, we will be using an interim visit as a key part of the audit approach. Interim visits should be treated with the same importance as final accounts and will include regular catch-ups between management and the audit team to facilitate this work. This will include an element of on-site working. We have agreed an indicative plan of the areas that we would cover at interim is set out below, this will be finalised and agreed with management prior to the commencement of our interim visit.

Description	Work commentary
Advance testing areas	<p>We will select samples and perform advance testing to month 10 (January 2026) on:</p> <ul style="list-style-type: none"> • Fees and charges income • Significant grant transactions • Operating expenditure • Business rates and Council tax pooling arrangements testing • Payroll testing of sample of starters, leavers and change of circumstances • Schools payroll
External correspondence and conformation	<p>We will:</p> <ul style="list-style-type: none"> • Write to the Authority's external valuation experts and will carry out our assessment of instructions issued • Write to the Pension Fund Auditor for the purposes of providing IAS 19 assurance • Request external confirmations from banks, lenders and borrowers to support our work on cash and cash equivalents, investments and borrowings
Other	<p>We will:</p> <ul style="list-style-type: none"> • Perform review of the significant / one-off transaction / change in policy and identify elements for further testing where appropriate • Review monthly payroll reports up to month 10 using ADA for authority payroll • Perform a review of the Authority's approach to PPE valuations • Discuss and agree format of debtors and creditors reports in preparation for year end • Review group boundary assessment

Significant risks identified

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

Significant risk	Audit team's assessment	Planned audit procedures
<p>Management override of controls</p> <p>Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management override of controls is present in all entities.</p>	<p>We have therefore identified management override of controls, in particular journals, management estimates and transactions outside the course of business as a significant risk of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none"> • evaluate the design effectiveness of management controls over journals; • analyse the journals listing and determine the criteria for selecting high risk unusual journals, • test unusual journals made during the year and after the draft accounts stage for appropriateness and corroboration; • gain an understanding of the accounting estimates and critical judgements applied by management and consider their reasonableness, and • evaluate the rationale for any changed in accounting policies, estimates or significant unusual transactions; and • follow up progress on our recommendations on journal authorisation (for the journals below £20,000) and further tailor our audit response if necessary.



“In determining significant risks, the auditor may first identify those assessed risks of material misstatement that have been assessed higher on the spectrum of inherent risk to form the basis for considering which risks may be close to the upper end. Being close to the upper end of the spectrum of inherent risk will differ from entity to entity and will not necessarily be the same for an entity period on period. It may depend on the nature and circumstances of the entity for which the risk is being assessed. The determination of which of the assessed risks of material misstatement are close to the upper end of the spectrum of inherent risk, and are therefore significant risks, is a matter of professional judgment, unless the risk is of a type specified to be treated as a significant risk in accordance with the requirements of another ISA (UK).” (ISA (UK) 315).

In making the review of unusual significant transactions “the auditor shall treat identified significant related party transactions outside the entity’s normal course of business as giving rise to significant risks.” (ISA (UK) 550).

Significant risks identified (continued)

Significant risk	Audit team's assessment	Planned audit procedures
<p>The revenue cycle includes fraudulent transactions</p> <p>Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue</p>	<p>We have identified and completed a risk assessment of all revenue streams for the Authority. We have rebutted the presumed risk that revenue may be misstated due to the improper recognition of revenue for all revenue streams. This is due to the low fraud risk in the nature of the underlying transactions, or immaterial nature of the revenue streams both individually and collectively.</p>	<p>While we do not consider this is a significant risk, we will still undertake a significant level of work on the Authority's revenue streams, as they are material. We will:</p> <ul style="list-style-type: none"> • evaluate the Authority's accounting policy for recognition of income for appropriateness and compliance with the Code; • update our understanding of the system for accounting for the income and evaluate the design of associated processes and controls; • agree on a sample basis, relevant income and year end debtors/income accruals to invoices and cash payment or other supporting evidence; • carry out testing on sample basis of invoices issued and payments received in the period following 31 March 2026 to determine whether income is recognised in the correct accounting period; • sample test grant income and agree back to supporting information; and • evaluate the authority's recognition of Grant Income for appropriateness and compliance with the Code.

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Management should expect engagement teams to challenge them in areas that are complex, significant or highly judgmental which may be the case for accounting estimates, going concern, related parties and similar areas. Management should also expect to provide engagement teams with sufficient evidence to support their judgments and the approach they have adopted for key accounting policies referenced to accounting standards or changes thereto.

Where estimates are used in the preparation of the financial statements management should expect teams to challenge management's assumptions and request evidence to support those assumptions.

Significant risks identified (continued)

Significant risk

The expenditure cycle includes fraudulent transactions

Practice Note 10 (PN10) states that as most public bodies are net spending bodies, then the risk of material misstatements due to fraud related to expenditure may be greater than the risk of material misstatements due to fraud related to revenue recognition. As a result under PN10, there is a requirement to consider the risk that expenditure may be misstated due to the improper recognition of expenditure.

Audit team's assessment

We have identified and completed a risk assessment of all expenditure streams for the Authority. We have considered the risk that expenditure may be misstated due to the improper recognition of revenue for all expenditure streams and concluded that there is not a significant risk. This is due to the low fraud risk in the nature of the underlying transactions, or immaterial nature of the expenditure streams both individually and collectively.

Planned audit procedures

While we do not consider this is a significant risk, we will still undertake a significant level of work on the Authority's expenditure streams, as they are material. We will:

- evaluate the Authority's accounting policy for recognition of expenditure for appropriateness and compliance with the Code;
- update our understanding of the system for accounting for the expenditure and evaluate the design of associated processes and controls;
- agree on a sample basis relevant expenditure and year end creditors and accruals to invoices or other supporting evidence; and
- carry out testing on sample basis of invoices received and payments made in the period following 31 March 2026 to determine whether expenditure is recognised in the correct accounting period.

Significant risks identified (continued)

Significant risk	Audit team's assessment	Planned audit procedures
Valuation of Land and Buildings	<p>The valuation of land and buildings represents a significant estimate in the financial statements. It is considered a significant estimate due to its size, complexity and sensitivity to changes in key assumptions. We have therefore identified it as a significant risk for the audit.</p>	<p>We will:</p> <ul style="list-style-type: none"> • document our understanding of management's process and controls for the calculation of the estimate; • evaluate the competence, capabilities and objectivity of management's expert (in this instance Align Property Partners Limited as the external valuer); • evaluate the consistency of the disclosure with the valuation report; • evaluate the basis on which the valuations have been carried out; • evaluate the information and assumptions used by the valuer; • evaluate the accounting entries for the valuation; • evaluate the reasonableness of the assumptions used to form the estimate; • use an auditor's expert (Lambert Smith Hampton) to assist in the audit of the valuation. <p>We will also consider the 2025/26 Code revision requiring the introduction of indexation in the intervening years between valuations. The Authority has a rolling revaluation programme over a 5-year cycle. Following the Code change indexation will now be applied annually to assets not subject to revaluation in that year. Our work this year will focus on assessing the appropriateness of the valuation and confirming that all assets have been valued in accordance with Code requirements.</p> <p>Our findings from the prior year will be incorporated into our testing strategy for 2025/26 and we will follow up on the recommendations raised in the 2024/25 audit.</p>

Significant risks identified (continued)

Significant risk	Audit team's assessment	Planned audit procedures
Valuation of the pension fund gross liability	<p>The valuation of the pension fund gross liability represents a significant estimate in the financial statements.</p> <p>It is considered a significant estimate due to its size, complexity and sensitivity to changes in key assumptions. A small change in key assumptions (i.e. discount rate, inflation rate, salary increase and life expectancy) can have a significant impact on the liability. We have therefore identified it as a significant risk for the audit.</p>	<p>We will:</p> <ul style="list-style-type: none"> • document our understanding management's process and controls; • evaluate the competence, capabilities and objectivity of management's expert (Hymans Robertson) ; • evaluate the consistency of the disclosure with the actuarial report; • evaluate the reasonableness of the assumptions used to form the estimate; and • obtain assurances from the pension fund auditor on the underlying data shared by the fund to the actuary which has been used in the calculation of this estimate.

Other matters

Other work

In addition to our responsibilities under the Code of Practice, we have a number of other audit responsibilities, as follows:

- We read your Narrative Report and Annual Governance Statement and any other information published alongside your financial statements to check that they are consistent with the financial statements on which we give an opinion and our knowledge of the Authority.
- We carry out work to satisfy ourselves that disclosures made in your Annual Governance Statement are in line with requirements set by CIPFA.
- We carry out work on your consolidation schedules for the Whole of Government Accounts process in accordance with NAO group audit instructions.
- We consider our other duties under legislation and the Code, as and when required, including:
 - giving electors the opportunity to raise questions about your financial statements, consider and decide upon any objections received in relation to the financial statements
 - issuing a report in the public interest or written recommendations to the under section 24 of the Local Audit and Accountability Act 2014 (the Act)

- application to the court for a declaration that an item of account is contrary to law under section 28 or a judicial review under section 31 of the Act
- issuing an advisory notice under section 29 of the Act.
- We certify completion of our audit.

Other material balances and transactions

Under International Standards on Auditing, 'irrespective of the assessed risks of material misstatement, the auditor shall design and perform substantive procedures for each material class of transactions, account balance and disclosure'. All other material balances and transaction streams will therefore be audited. However, the procedures will not be as extensive as the procedures adopted for the risks identified in this report.

Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

Description

Determination

We have determined planning materiality (financial statement materiality for the planning stage of the audit) based on professional judgement in the context of our knowledge of the Authority, including consideration of factors such as stakeholder expectations, sector developments, financial stability and reporting requirements for the financial statements.

Planned audit procedures

We determine planning materiality in order to:

- establish what level of misstatement could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements;
- assist in establishing the scope of our audit engagement and audit tests;
- determine sample sizes; and
- assist in evaluating the effect of known and likely misstatements in the financial statements.

Other factors

An item does not necessarily have to be large to be considered to have a material effect on the financial statements.

An item may be considered to be material by nature when it relates to instances where greater precision is required.

Reassessment of materiality

Our assessment of materiality is kept under review throughout the audit process.

We reconsider planning materiality if, during the course of our audit engagement, we become aware of facts and circumstances that would have caused us to make a different determination of planning materiality.

Our approach to materiality (continued)

Description	Amount (£)	Qualitative factors considered
Materiality for the Authority financial statements	22,000,000	We have determined financial statement materiality based on a proportion of the gross expenditure of the authority for financial year. Materiality at the planning stage of our audit is £22m, which equates to approximately 2% of the gross expenditure for the 24/25 period.
Performance Materiality for the Authority financial statements	14,000,000	In addition to determining headline financial statements materiality, we also determine a lower 'performance materiality' to be used in assessing the risks of material misstatement and designing audit procedures. In line with firm guidance, we have set performance materiality at approximately 65% of overall materiality.
Triviality for the Authority financial statements	1,000,000	We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance in accordance with NAO guidance.
Materiality for specific transactions, balances or disclosures - Senior officers' remuneration	27,000	Senior officer disclosure are deemed as a specific sensitive area for the users of the accounts.



Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements; Judgments about materiality are made in light of surrounding circumstances, and are affected by the size or nature of a misstatement, or a combination of both; and Judgments about matters that are material to users of the financial statements are based on a consideration of the common financial information needs of users as a group. The possible effect of misstatements on specific individual users, whose needs may vary widely, is not considered. (ISA (UK) 320)

IT audit strategy

In accordance with ISA (UK) 315, we are required to obtain an understanding of the IT environment related to all key business processes, identify all risks from the use of IT related to those business process controls judged relevant to our audits and assess the relevant IT general controls (ITGCs) in place to mitigate them. Our audits will include completing an assessment of the design and implementation of ITGCs related to security management; technology acquisition, development and maintenance; and technology infrastructure.

The following IT applications are in scope for IT controls assessment based on the planned financial statement audit approach. We will perform the indicated level of assessment:

IT application	Audit area	Planned level IT audit assessment
Oracle Fusion	Financial reporting	<ul style="list-style-type: none"> ITGC assessment (design effectiveness only)

Value for Money Arrangements

Approach to Value for Money work for the period ended 31 March 2026

The National Audit Office updated its Code of Audit Practice in November 2024. The Code expects auditors to consider whether the Authority has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Auditors are expected to report a commentary each year under the specific reporting criteria and where significant weaknesses in arrangements are identified. The new Code requires auditors to share a draft Auditor's Annual Report (AAR) with those charged with governance by a nationally set deadline each year, and for the audited body to publish the AAR thereafter. This new deadline requirement was introduced from November 2025. The three specified reporting criteria are set out below:

Financial sustainability

How the Authority plans and manages its resources to ensure it can continue to deliver its services.



Governance

How the Authority ensures that it makes informed decisions and properly manages its risks.



Improving economy, efficiency and effectiveness

How the Authority uses information about its costs and performance to improve the way it manages and delivers its services.



We will continue our review of your arrangements until we sign the opinion on your financial statements before we issue our AAR. Should any further risks of significant weakness be identified, we will report this to those charged with governance as soon as practically possible. Any significant weaknesses identified will be reflected in our AAR and included within our audit opinion.

Risks of significant weakness in VFM arrangements

Risk assessment of the Authority's VFM arrangements

The Code of Audit Practice 2024 (the Code) sets out that the auditor's work is likely to fall into three broad areas: planning; additional risk-based procedures and evaluation; and reporting. We undertake initial planning work to inform this Audit Plan and the assumptions used to derive our fee. Consideration of prior year significant weaknesses and known areas of risk is a key part of the risk assessment for 2025/26. We will continue to evaluate risks of significant weakness and if further risks are identified, we will report these to those charged with governance. We set out our reported assessment below:

Criteria	2024/25 Assessment of arrangements	2025/26 Risk assessment	2025/26 risk-based procedures planned
<p>Financial sustainability</p>	<p>R</p> <p>One significant weakness identified in respect of the Dedicated Schools Grant deficit and a key recommendation made. One improvement recommendation raised in respect of bridging the Medium-Term Financial Strategy funding gap.</p>	<p>Two risks of significant weakness have been identified as follows:</p> <p>The Authority recognises the financial challenge it faces. As reported in the Medium Term financial Strategy presented to the 18 February 2026 Council meeting, forecasts show annual budget deficits rising to £84.5m in 2029/30. The Authority have responded to this challenge and have engaged external consultants to support an efficiency review aimed at closing the gaps in future years. At the planning stage of the audit this is work still in progress.</p> <p>The Authority is forecasting a net overspend on the Dedicated Schools Grant (DSG) of £41.8m for 2025/26, comprising a £45m overspend on the High Needs Block and a £3.2m underspend on Early Years. This is £30m worse than the £15m overspend budget. The government has announced that, from 2028 onwards Special Educational Need and Disabilities (SEND) will be funded centrally, however, there remains uncertainty over the mechanism for this. In February 2026, the government also announced that they will fund up to 90% of DSG/SEND deficits as at 31 March 2026, subject to an approved SEND reform plan. The cumulative overspend is forecast to be £109.5m by the end of the year.</p>	<p>To address this risk we will review progress made against the prior year improvement recommendation and consider the arrangements in place to generate additional savings or cost reductions. We will also review the updated Medium Term Financial Strategy.</p> <p>To address this risk we will review progress made against our key recommendation made in the prior year and the plans the Authority has in place to reduce the annual overspending.</p>

Risks of significant weakness in VFM arrangements

(continued)

Criteria	2024/25 Assessment of arrangements	2025/26 Risk assessment	2025/26 risk-based procedures planned
Governance	A No significant weaknesses identified; two prior year recommendations in respect of a three year Internal Audit plan and reporting on contract exceptions.	No risks of significant weakness identified	As no risk of significant weakness has been identified, no additional risk-based procedures are specified at this stage. We will undertake sufficient work to document our understanding of your arrangements as required by the Code and follow up improvement recommendations made in 2024/25.
Improving economy, efficiency and effectiveness	A No significant weaknesses identified; one improvement recommendation raised in respect of responding to the September 2025 Care Quality Commission inspection report.	No risks of significant weakness identified	As no risk of significant weakness has been identified, no additional risk-based procedures are specified at this stage. We will undertake sufficient work to document our understanding of your arrangements as required by the Code and follow up the improvement recommendation made in 2024/25.

- G** No significant weaknesses or improvement recommendations.
- A** No significant weaknesses, improvement recommendation(s) made.
- R** Significant weaknesses in arrangements identified and key recommendation(s) made.

Risks of significant VFM weaknesses

As part of our initial planning work, we considered whether there were any risks of significant weakness in the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources where we needed to perform additional procedures. The risks we have identified are detailed on the table overleaf along with the further work we will perform. We will continue to review the Authority's arrangements and report any further risks of significant weaknesses we identify to those charged with governance. We may need to make recommendations following the completion of our work. The potential different types of recommendations we could make are set out in the table below.

Potential types of recommendations



Statutory recommendation

Written recommendations to the Authority under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014. A recommendation under schedule 7 requires the Authority to discuss and respond publicly to the report.



Key recommendation

The Code of Audit Practice requires that where auditors identify significant weaknesses in arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the . We have defined these recommendations as 'key recommendations'.



Improvement recommendation

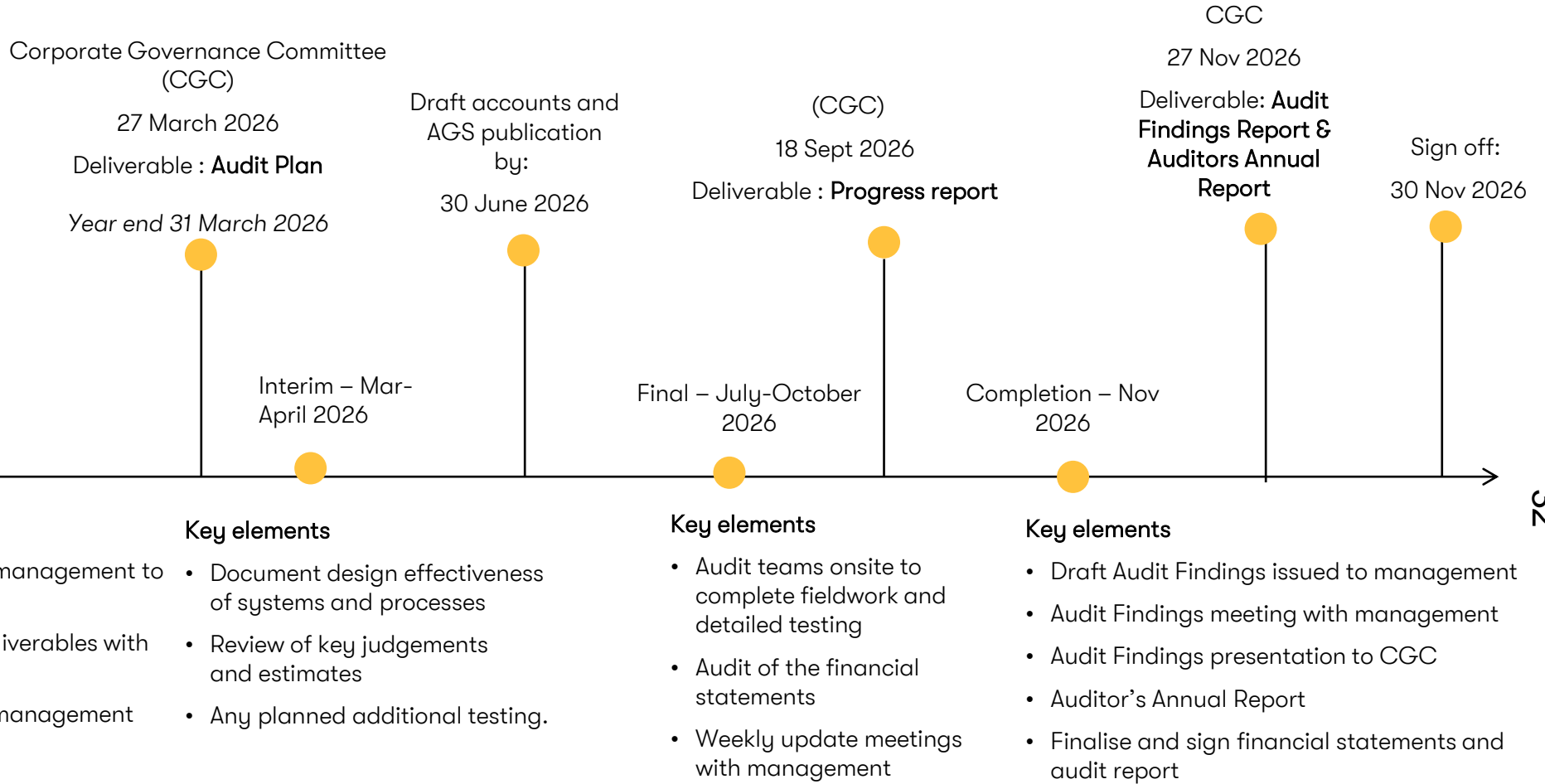
Auditors may also include areas for improvement or to keep in view even if they do not identify any underlying significant weaknesses in arrangements. These recommendations set out actions for consideration which are not a result of identifying significant weaknesses in arrangements, but which if not addressed could increase the risk of a significant weakness in future periods.

Logistics

The audit timeline

Key Dates

Audit phases:



Our team and communications

Grant Thornton core team

Helen Lillington
Key Audit Partner

- Key contact for senior management and Corporate Governance Committee
- Overall quality assurance

Mary Wren
Audit Manager

- Audit planning
- Resource management
- Performance management reporting

Aman Agarwal
In-charge

- Audit team management
- Day-to-day point of contact
- Audit fieldwork

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Team of 2-3 audit assistants and specialist members of the team Including, IT audit, Digital Audit team and Property valuation experts

	Service delivery	Audit reporting	Audit progress	Technical support
Formal communications	<ul style="list-style-type: none"> • Annual client service review 	<ul style="list-style-type: none"> • The Joint Audit Plan • The Joint Audit Findings • Joint Auditor’s Annual Report 	<ul style="list-style-type: none"> • Audit planning meetings • Audit clearance meetings • Communication of issues log 	<ul style="list-style-type: none"> • Technical updates
Informal communications	<ul style="list-style-type: none"> • Open channel for discussion 		<ul style="list-style-type: none"> • Communication of audit issues as they arise 	<ul style="list-style-type: none"> • Notification of up-coming issues

Our fee estimate

Our fee estimate

We have set out below our specific assumptions made in arriving at our estimated audit fees, we have assumed that the Authority will:

- prepare good quality sets of accounts, supported by comprehensive and well presented working papers which are ready at the start of the audit
- provide appropriate analysis, support and evidence to support all critical judgements and significant estimates made during the course of preparing the financial statements
- provide early notice of proposed complex or unusual transactions which could have a material impact on the financial statements
- maintain adequate business processes and IT controls, supported by an appropriate IT infrastructure and control environment.
- Our fee estimate also assumes that you will engage suitably competent experts to assist management in the following areas:
 - Valuation of Property, plant and equipment
 - Net pensions liabilities

Previous year

In 2024/25 the scale fee set by PSAA was £282,063. The actual fee charged for the audit was £282,063.

Authority	Audit Fee for 2024/25 (£)	Proposed fee for 2025/26 (£)
Leicestershire County Audit	282,063	289,960
Total (Exc. VAT)	282,063	289,960

Our fee estimate (continued)

Relevant professional standards

In preparing our fee estimate, we have had regard to all relevant professional standards, including paragraphs 4.1 and 4.2 of the FRC's [Ethical Standard \(revised 2024\)](#) which stipulate that the Engagement Lead (Key Audit Partner) must set a fee sufficient to enable the resourcing of the audit with partners and staff with appropriate time and skill to deliver an audit to the required professional and Ethical standards.

PSAA

Local Government Audit fees are set by PSAA as part of their national procurement exercise. In 2023 PSAA awarded a contract of audits for the Authority to begin with effect from 2023/24. The scale fee set out in the PSAA contract for the 2025/26 audit is £289,960.

This contract sets out four contractual stage payments for this fee, with payment based on delivery of specified audit milestones:

- Production of the final auditor's annual report for the previous Audit Year or opinion issued (but not before 1 December 2025)
- Production of the draft audit planning report to Audited Body
- 50% of planned hours of an audit have been completed
- 75% of planned hours of an audit have been completed

Any variation to the scale fee will be determined by PSAA in accordance with their procedures as set out here [Fee Variations Overview – PSAA](#)

Updated Auditing Standards

The FRC has issued updated Auditing Standards in respect of Quality Management (ISQM 1 and ISQM 2). It has also issued an updated Standard on quality management for an audit of financial statements (ISA 220). We confirm we will comply with these standards.

Fees and non-audit services

The following tables below sets out the non-audit services that we have been engaged to provide or charged from the beginning of the financial year to 13 March 2026, as well as the threats to our independence and safeguards have been applied to mitigate these threats.

The below non-audit services are consistent with the authority's policy on the allotment of non-audit work to your auditor.

None of the below services were provided on a contingent fee basis. For the purposes of our audit we have made enquiries of all Grant Thornton teams within the Grant Thornton International Limited network member firms providing services to Leicestershire County . The table summarises all non-audit services which were identified. We have adequate safeguards in place to mitigate the perceived self-interest threat from these fees.

Assurance Service Fees

Service	Fees £	Threats Identified	Safeguards applied
Local Transport – agreed upon procedures (2023/24 – completed April 2025)	£15,000	Self-Interest (because this is a recurring fee) Self Review	The level of this recurring fee taken on its own is not considered a significant threat to independence when compared to the total fee for the audit and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
Local Transport – agreed upon procedures (2024/25 – completed March 2026)	£15,000	Management	To mitigate against the self review threat, the timing of certification work is done after the audit has completed, materiality of the amounts involved to our opinion and unlikelihood of material errors arising and the Authority has informed management who will decide whether to amend returns for our findings and agree the accuracy of our reports on grants. To mitigate against the management threat, i.e. acting in the capacity of management, the scope of the work does not include making decisions on behalf of management or recommending or suggesting a particular course of action for management to follow.

Independence considerations

As part of our assessment of our independence at planning we note the following matters:

Matter	Conclusions
Relationships with Grant Thornton	We are not aware of any relationships between Grant Thornton and the Authority that may reasonably be thought to bear on our integrity, independence and objectivity.
Relationships and Investments held by individuals	We have not identified any potential issues in respect of personal relationships with the Authority.
Employment of Grant Thornton staff	We are not aware of any former Grant Thornton partners or staff being employed, or holding discussions in respect of employment, by the Authority as a director or in a senior management role covering financial, accounting or control related areas.
Business relationships	We have not identified any business relationships between Grant Thornton and the Authority .
Contingent fees in relation to non-audit services	No contingent fee arrangements are in place for non-audit services provided.
Gifts and hospitality	See consideration regarding the Future Finance Leaders Programme on pages 26-28.

We confirm that there are no significant facts or matters that impact on our independence at planning as auditors that we are required or wish to draw to your attention and consider that an objective reasonable and informed third party would take the same view. The firm and each covered person and network firms have complied with the Financial Reporting 's Ethical Standard and confirm that we are independent and are able to express an objective opinion on the financial statements.

Following this consideration, we can confirm that we are independent at planning and are able to express an objective opinion on the financial statements. In making the above judgement, we have also been mindful of the quantum of non-audit fees compared to audit fees disclosed in the financial statements and estimated for the current year.

Independence considerations (continued)

Gifts and hospitality - continued

Future Finance Leaders Programme – Society of County Treasurers (SCT)

Grant Thornton currently participates in the Future Finance Leaders Programme run by the SCT. The programme is scheduled to run from September 2025 to August 2026 and aims to:

- Develop a pipeline of potential future county S151 officers
- Clarify the role for aspiring leaders
- Build confidence and capability
- Provide clear development plans and networking opportunities
- Enhance skills and foster a supportive alumni network

Grant Thornton act as a business partner, attending and presenting at selected SCT events. SCT members are S151 officers from County and County Unitaries, each nominating one participant. Participants will not be decision-makers on authority accounts or key financial matters.

The programme, coordinated by Newton (another SCT partner), includes four in-person and four virtual events, with mentoring support (three one-hour sessions per participant).

Grant Thornton's involvement in the programme is to deliver one two-hour session and provide one or more mentors. Potential topics include local government reorganization, managing change and transformation, working with consultants and auditors, and qualities of a successful S151 officer.

Grant Thornton will not mentor officers from audit entities. Support will be provided on a pro bono basis, in line with Grant Thorntons policy on free services to public officials. Attendees will confirm compliance with their 's policy on accepting free services.

Grant Thornton currently audits 18 of the 41 authority's represented by SCT, including Leicestershire County Council.

Independence considerations (continued)

Future Finance Leaders Programme -Society of County Treasurers' (SCT)

Threats identified	Safeguards applied
Self Interest	<p>Our assessment is that the value of the service being provided would not be seen as excessive and has been documented in accordance with our policy on gifts and favours. We will confirm with all officers attending the training that this is in accordance with their respective Authority's policy on accepting gifts and hospitality.</p> <p>The nature of the training would be generic based on examples of practice in the public domain. We would not be recommending particular courses of action for particular circumstances, and it would not be tailored to individual participants.</p> <p>We are one of a number of providers of training material which is being delivered to a range of audited and non-audited entities.</p>
Self-review	<p>Nothing presented at the session will be client specific or advise on the approach to be taken in a particular scenario or tailored to any specific entities. Whilst mentors are being provided as part of the training programme, we will ensure that Grant Thornton people are not mentoring officers from authority's which we audit.</p> <p>On this basis the self-review threat is sufficiently mitigated.</p>
Management	<p>The people attending the sessions will not be at the most senior levels of finance staff and will not be responsible for final decisions on the financial statements or policies of the Authorities in question. As above, the training material we will provide will be generic around the subject chosen and will not provide specific recommendations for particular scenarios or particular authorities. Whilst mentors are being provided as part of the training programme, Grant Thornton people will not be assigned to attendees from audit entities. Thereby reducing the perception that GT are offering tailored advice to audit clients via the training.</p>
Advocacy	<p>GT are presenting on a one-to-many basis, with a mix of audit and non-audit entities. We will not be promoting the interests of any particular audit entity or recommending the approach adopted by an audit entity over that by another entity.</p>

Independence considerations (continued)

Future Finance Leaders Programme -Society of County Treasurers' (SCT)

Threats identified	Safeguards applied
Familiarity	<p>It is possible that someone involved in delivering the training would be involved on the audit for one of the entities represented, most likely in respect of the value for money conclusion. However, the training is a short session which would not entail significant 'face time' with someone who has an important management role around an area subject to review as part of our audit work. We do not believe therefore that this meeting would create a familiarity threat in respect of any audit entities represented on the training programme. and would not equate to a significant working relationship.</p> <p>As stated above, the training is generic in nature and not for the benefit of any single audit entity; and Grant Thornton people would not be allocated mentees from audit entities.</p>
Intimidation	<p>The training provided is generic in nature and provided to both audit and non-audit entities alike. There is no opinion being given which a client could dispute or an outcome where the client would withhold services because of the training.</p>
Objective, reasonable and informed third party (ORITP)	<p>We conclude that an ORITP would concur that the content and the format of the training would be permissible and that sufficient safeguards have been put in place to protect the independence of the audits. In addition, we believe that the value of the training, which is being provided pro bono, is not at a level which would be seen to impair our independence. Participants will need to confirm whether accepting this training would be permitted in line with their respective s' policies on accepting favours.</p> <p>We note the safeguards include:</p> <ul style="list-style-type: none"> • The training content is generic and not client specific. No recommendations would be provided on dealing with specific scenarios which would be subject to audit. • No GT mentors will be provided to any participants from audit entities. • Participants are not expected to be at the most senior level of their respective entities and therefore would not be key contacts for audit work

Communication of audit matters with those charged with governance

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	●	
Overview of the planned scope and timing of the audit, form, timing and expected general content of communications including significant risks and Key Audit Matters	●	
Planned use of internal audit	●	
Confirmation of independence and objectivity	●	●
A statement that we have complied with relevant ethical requirements regarding independence. Relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence	●	●
Significant matters in relation to going concern	●	●

ISA (UK) 260, as well as other ISAs (UK), prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table here.

This document, the Audit Plan, outlines our audit strategy and plan to deliver the audit, while the Audit Findings will be issued prior to approval of the financial statements and will present key issues, findings and other matters arising from the audit, together with an explanation as to how these have been resolved.

We will communicate any adverse or unexpected findings affecting the audit on a timely basis, either informally or via an audit progress memorandum.

Communication of audit matters with those charged with governance (Continued)

Respective responsibilities

As auditor we are responsible for performing the audit in accordance with ISAs (UK), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance.

The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

Our communication plan	Audit Plan	Audit Findings
Views about the qualitative aspects of the Authority accounting and financial reporting practices including accounting policies, accounting estimates and financial statement disclosures		●
Significant findings from the audit		●
Significant matters and issue arising during the audit and written representations that have been sought		●
Significant difficulties encountered during the audit		●
Significant deficiencies in internal control identified during the audit		●
Significant matters arising in connection with related parties		●
Identification or suspicion of fraud involving management and/or which results in material misstatement of the financial statements		●
Non-compliance with laws and regulations		●
Unadjusted misstatements and material disclosure omissions		●

Escalation Policy

The Backstop

The Department for Levelling Up, Housing and Communities have introduced an audit backstop date on a rolling basis to encourage timelier completion of local government audits.

As your statutory auditor, we understand the importance of appropriately resourcing audits with qualified staff to ensure high quality standards that meet regulatory expectations and national deadlines. It is the Authority's responsibility to produce true and fair accounts in accordance with the CIPFA Code by the statutory deadline and respond to audit information requests and queries in a timely manner.

Escalation Process

To help ensure that accounts audits can be completed on time in the future, we have introduced an escalation policy. This policy outlines the steps we will take to address any delays in draft accounts or responding to queries and information requests. If there are any delays, the following steps should be followed:

Step 1 - Initial Communication with Director of Corporate Resources (within one working day of statutory deadline for draft accounts or agreed deadline for working papers)

- We will have a conversation with the Director of Corporate Resources to identify reasons for the delay and review the Authority's plans to address it. We will set clear expectations for improvement.

Step 2 - Further Reminder (within two weeks of deadline)

- If the initial conversation does not lead to improvement, we will send a reminder explaining outstanding queries and information requests, the deadline for responding, and the consequences of not responding by the deadline.

Step 3 - Escalation to Chief Executive (within one month of deadline)

- If the delay persists, we will escalate the issue to the Chief Executive, including a detailed summary of the situation, steps taken to address the delay, and agreed deadline for responding.

Step 4 - Escalation to the Corporate Governance Committee (at next available meeting or in writing to CGC Chair within 6 weeks of deadline)

- If senior management is unable to resolve the delay, we will escalate the issue to the audit committee, including a detailed summary of the situation, steps taken to address the delay, and recommendations for next steps.

Step 5 - Consider use of wider powers (within two months of deadline)

- If the delay persists despite all efforts, we will consider using wider powers, e.g. issuing a statutory recommendation. This decision will be made only after all other options have been exhausted. We will consult with an internal risk panel to ensure appropriateness.

Aim

By following these steps, we aim to ensure that delays in responding to queries and information requests are addressed in a timely and effective manner, and that we are able to provide timely assurance to key stakeholders including the public on the Authority's financial statements.

Financial reporting changes

Changes to the CIPFA Code of practice on local authority accounting for 2025/26

The main change is a revaluation expedient for property, plant and equipment. From 1 April 2025, revaluations are required once every five years or on a five year rolling basis with indexation in intervening years. This is a substantial change to the accounting for non current asset, that may require engagement with valuers, changes to underlying systems, asset records and accounting treatment.

New or revised accounting standards that are expected to be adopted by the CIPFA Code in future years.

Amendment to IFRS 9 and IFRS 7 - Contracts Referencing Nature-dependent Electricity

The International Accounting Standards Board (IASB) issued amendments to IFRS 9 and IFRS 7 to improve the reporting of nature-dependent electricity contracts, such as power purchase agreements (PPAs). These contracts, which secure electricity from sources like wind and solar power, can vary due to uncontrollable factors like weather. The amendments clarify the 'own-use' requirements, permit hedge accounting for these contracts, and introduce new disclosure requirements to help users of the accounts understand their impact on an entity's financial performance and cash flows. The amendments are expected to be adopted by the CIPFA Code for [2026/27](#).

Amendments to IFRS 9 and IFRS 7 – Classification and measurement of financial instruments

These amendments clarify the requirements for the timing of recognition and derecognition of some financial assets and liabilities (including settling financial liabilities using an electronic payment system), adds guidance on the solely payment of principal and interest (SPPI) criteria, and includes updated disclosures for certain instruments. The amendments are expected to be adopted by the CIPFA Code for [2026/27](#).

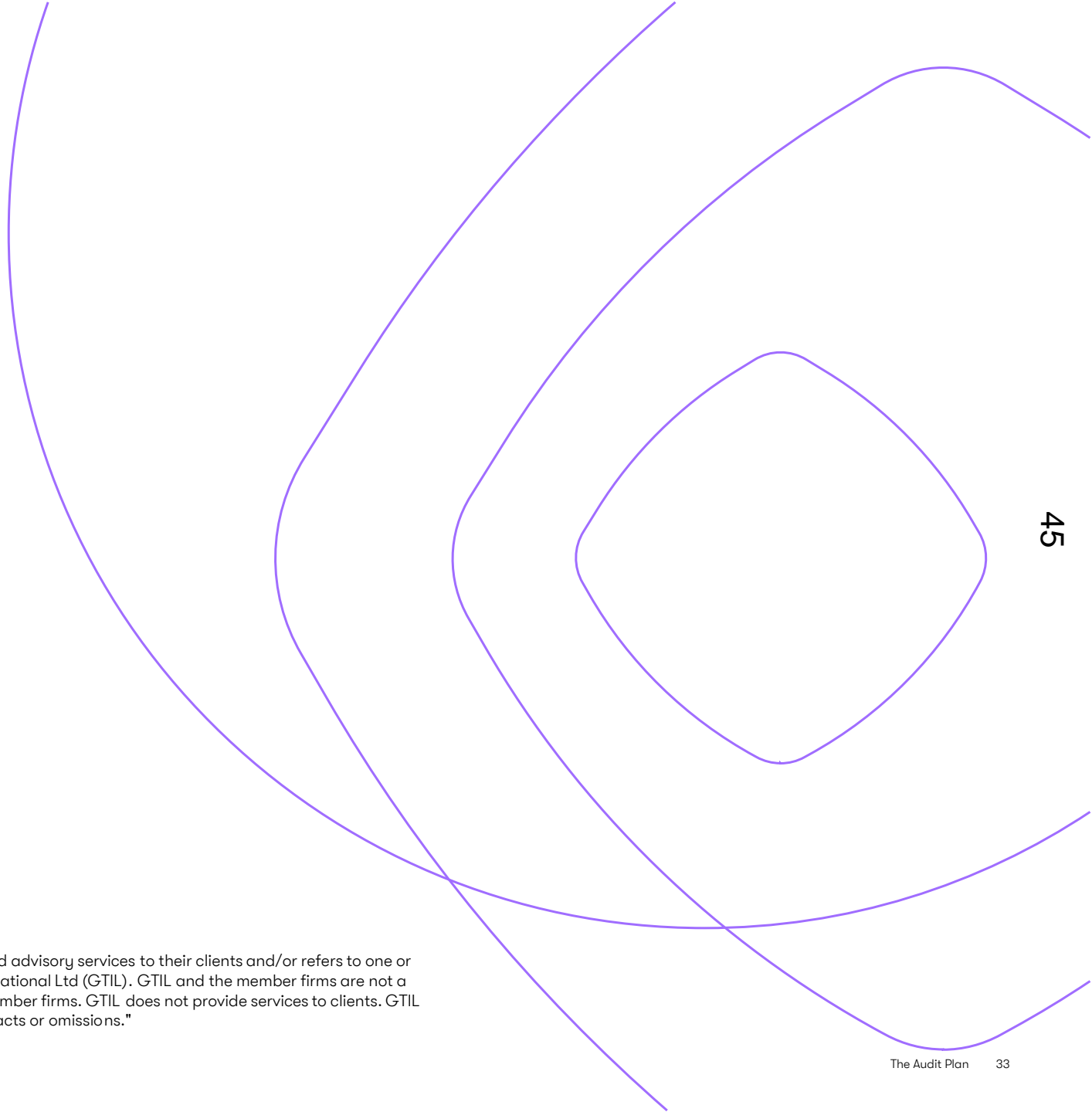
IFRS 18 Presentation and Disclosure in the Financial Statements

IFRS 18 will replace IAS 1 Presentation of Financial Statements. All entities reporting under IFRS Accounting Standards will be impacted.

The new standard will impact the structure and presentation of the comprehensive income and expenditure statement as well as introduce specific disclosure requirements. Some of the key changes are:

- introducing new defined categories for the presentation of income and expenses
- introducing specified totals and subtotals, for example the mandatory inclusion of 'Operating profit or loss' subtotal
- disclosure of management defined performance measures
- enhanced principles on aggregation and disaggregation which apply to the primary financial statements and notes.

IFRS 18 will be effective in the UK from 1 January 2027 and so could impact the CIPFA Code from [2027/28](#).



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The Audit Plan for Leicestershire Pension Fund

Year ending 31 March 2026

16 March 2026



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Introduction and headlines



Purpose

This document provides an overview of the planned scope and timing of the statutory audit of Leicestershire Pension Fund ('the Fund') for those charged with governance.

Respective responsibilities

The National Audit Office ('the NAO') has issued the Code of Audit Practice ('the Code'). This summarises where the responsibilities of auditors begin and end, and what is expected from the audited body. Our respective responsibilities are also set out in the agreed in the Terms of Appointment and Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA), the body responsible for appointing us as auditor of the Fund. We draw your attention to these documents in the links below.

- [Terms of Appointment from 2023/24 - PSAA](#)
- [Statement of responsibilities of auditors and audited bodies from 2023/24 audits - PSAA](#)

Scope of our audit

The scope of our audit is set in accordance with the Code and International Standards on Auditing (ISAs) (UK). We are responsible for forming and expressing an opinion on the Fund's financial statements that have been prepared by management with the oversight of those charged with governance (the Corporate Governance Committee), and we consider whether there are sufficient arrangements in place at the Fund.

The audit of the financial statements does not relieve management or the Corporate Governance Committee of their responsibilities. It is the responsibility of the Fund to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Fund is fulfilling these responsibilities.

Our audit approach is based on a thorough understanding of the Fund's business and is risk-based.

Introduction and headlines (Continued)



Significant risks

Those risks requiring special audit consideration and procedures to address the likelihood of a material financial statement error have been identified as:

- management override of control
- valuation of level 3 investments

We normally consider the value of the Fund's directly held investment property as a significant risk due to the complexity of the valuation and assumptions process. However, at this time, and consistent with the prior year, we do not anticipate the value being material at year end. We have therefore not determined there to be a significant risk of material misstatement at this time but we will keep this under review.

We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings (ISA 260) Report.

Materiality

We have determined planning materiality to be £93.6 million (Prior Year £91.8 million) for the Fund, which equates to 1.4% of your gross investment assets as at 31 March 2025.

Clearly trivial has been set at £4.7 million (PY £4.5 million).

We have determined a lower specific planning materiality for:

- Benefits payable of £24 million (In the PY a specific materiality for the fund account set at £27 million).
- Contributions of £30 million (In the PY a specific materiality for the fund account set at £27 million).

We have considered the need for an associated trivial amount linked to the above and determined it to be £1.2 million.

Audit logistics

Our interim visit took place in March 2026 and our final visit will take place in July-August 2026. Our key deliverables are this Audit Plan, Auditor's Report, Auditor's Consistency Statement and our Audit Findings Report. We have agreed a number of areas of interim audit testing as detailed on the following page.

Our proposed fee for the audit is £115,490 (PY: £96,820) for the Fund, subject to the Fund delivering a good set of financial statements and working papers and no significant new financial reporting matters arising that require additional time and/or specialist input.

The primary reason for the increase in the audit fee this year is the need for us to undertake work on the source data used by the actuary as part of the triennial valuation. As this occurs once every three years it does not form part of the annual scale fee (see pages 12 and 21 for details).

We have complied with the Financial Reporting Council's Ethical Standard (revised 2024) and we, as a Firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

Introduction and headlines (Continued)

Details of work to be conducted at interim:

We will be using an interim visit as a key part of the audit approach. Interim visits should be treated with the same importance as final accounts and will include regular catch-ups between management and the audit team to facilitate this work. This will include an element of on-site working. We have agreed the areas below with management prior to the commencement of our interim visit.

Description	Work commentary
Triennial valuation testing	We will select a sample of data submitted as part of triennial valuation and agree to supporting documentation.
Contribution testing	We will select a sample of contributions to test based on month 10 (January 2026) data provided and agree to supporting documentation.
Benefit testing	We will select a sample of benefits payable to test based on month 10 (January 2026) data provided and agree to supporting documentation.
Investment manager and banking counterparty confirmations	We will send out all 3 rd party confirmation requests in advance of year end.

Overview of audit risks

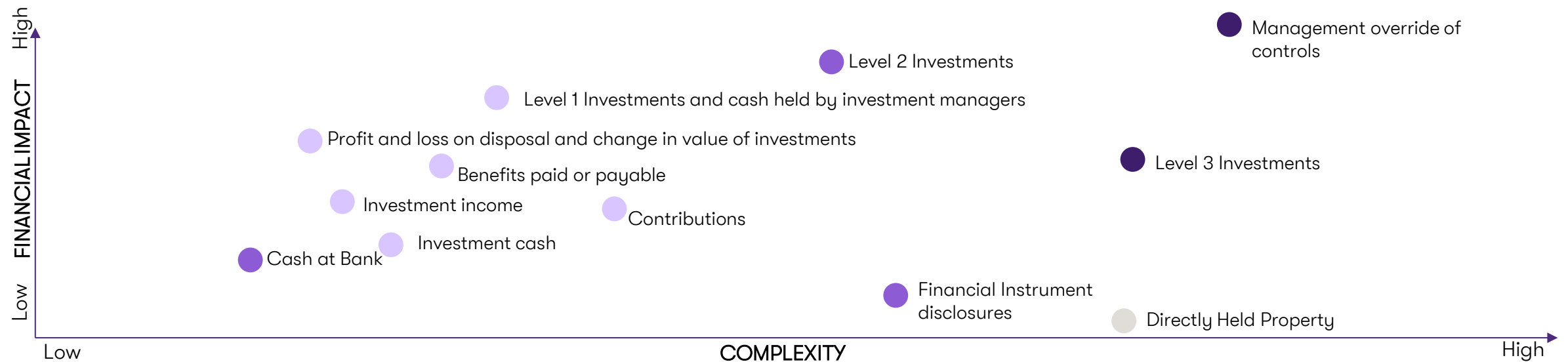
We have prepared our audit plan to reflect any changes and developments that have occurred within the year. We have assessed any developments identified during our initial planning processes and, along with our prior knowledge and understanding of the Fund, have determined the audit risks over the following pages. These audit risks have been determined ahead of receipt of a first draft of the financial statements and so, should anything come to light that may change this risk assessment, we will highlight this within our Audit Findings Report issued at the end of the audit.

Where the assertions relating to a balance span two categories of risk the balance is shown on the following page in the highest risk category.



Overview of audit risks

We have prepared our audit plan to reflect any changes and developments that have occurred within the year. We have assessed any developments identified during our initial planning processes and, along with our prior knowledge and understanding of the Fund, have determined the audit risks below. These audit risks have been determined ahead of receipt of a first draft of the financial statements and so, should anything come to light that may change this risk assessment, we will highlight this within our Audit Findings Report issued at the end of the audit.



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Glossary

● Significant risk	A financial statement or assertion level risk that in the engagement team’s professional judgement requires special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.
● Significant classes of transactions, account balances or disclosures	Significant classes of transactions, account balances, and disclosures, associated with risks of material misstatement but are not always significant risks.
● Material only	Material financial statement line items not associated with risks of material misstatement.
● Other audit risks	Other accounts that are not associated with any SCOT + or with a material only financial statement line item or disclosure.

Significant risks identified

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

Significant risk	Audit team's assessment	Planned audit procedures
Management override of controls <div data-bbox="107 496 308 554" style="background-color: #4a4a8a; color: white; padding: 5px; display: inline-block;">Significant</div> Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management override of controls is present in all entities.	We have therefore identified management override of controls, in particular journals, management estimates and transactions outside the course of business as a significant risk of material misstatement.	We will: <ul style="list-style-type: none"> • Evaluate the design effectiveness of management controls over journals • Analyse the journals listing and determine the criteria for selecting high risk unusual journals • Identify and test unusual journals made during the year and the accounts production stage for appropriateness and corroboration • Gain an understanding of the accounting estimates and critical judgements applied by management and consider their reasonableness with regard to corroborative evidence • Evaluate the rationale for any changes in accounting policies, estimates or significant unusual transactions; and, • Follow up progress on our recommendations on journal authorisation (for the journals below £20,000) and further tailor our audit response if necessary.



“In determining significant risks, the auditor may first identify those assessed risks of material misstatement that have been assessed higher on the spectrum of inherent risk to form the basis for considering which risks may be close to the upper end. Being close to the upper end of the spectrum of inherent risk will differ from entity to entity and will not necessarily be the same for an entity period on period. It may depend on the nature and circumstances of the entity for which the risk is being assessed. The determination of which of the assessed risks of material misstatement are close to the upper end of the spectrum of inherent risk, and are therefore significant risks, is a matter of professional judgement, unless the risk is of a type specified to be treated as a significant risk in accordance with the requirements of another ISA (UK).” (ISA (UK) 315).

In making the review of unusual significant transactions “the auditor shall treat identified significant related party transactions outside the entity’s normal course of business as giving rise to significant risks.” (ISA (UK) 550).

Significant risks identified (continued)

Significant risk	Audit team's assessment	Planned audit procedures
<p>Valuation of level 3 investments</p> <p>Significant</p> <p>The valuations of level 3 investments are a significant accounting estimate based on unobservable inputs and hence there is a risk of material misstatement due to error and/or fraud.</p>	<p>By their nature Level 3 investment valuations lack observable inputs. Management utilise the services of investment managers and/or custodians to provide estimates of the fair value as at 31 March 2026. These valuations therefore represent a significant accounting estimate by management in the financial statements due to the size of the balance (£2,093.6m as at 31 March 2025) and the sensitivity of the estimate to changes in key assumptions. We therefore identified valuation of Level 3 investments as a significant risk.</p>	<p>We will:</p> <ul style="list-style-type: none"> • document and evaluate management's processes for valuing Level 3 investments including how they meet the requirements of the financial reporting framework (CIPFA Accounting Code); • independently obtain and review investment manager reports (capital statements) as at the reporting date and compare to the financial statements • obtain and review the audited financial statements of the investment accounts; where these are at a different reporting date to the Fund's financial statements: <ul style="list-style-type: none"> ○ the valuations will be compared to the Fund's year end reporting date after accounting for cashflows, and ○ the corresponding investment manager report (capital statement) as at the investment accounts audit date will be obtained and compared with the audited accounts and significant differences followed up • review purchase and sale transactions of the investment near the reporting date where appropriate; • review the guidelines under which the investment has been valued at the date of the investment accounts and the Fund accounts; • review management's process for and classification of the assets; • obtain and review investment manager service auditor report on design and operating effectiveness of internal controls where appropriate. • undertake sample testing of purchases and sales to prime documentation across the period to support our reconciliation of the opening and closing balances where appropriate.

Significant risks identified (continued)

Significant risk	Audit team's assessment	Planned audit procedures
<p>The revenue cycle includes fraudulent transactions</p> <p>Rebutted</p> <p>Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue</p>	<p>We have identified and completed a risk assessment of all revenue streams for the Fund. We have rebutted the presumed risk that revenue may be misstated due to the improper recognition of revenue for all revenue streams, because:</p> <ul style="list-style-type: none"> • there is little incentive to manipulate revenue recognition • opportunities to manipulate revenue recognition are very limited • the culture and ethical frameworks of public sector bodies, including the Fund, mean that all forms of fraud are seen as unacceptable. <p>Therefore, we do not consider this to be a significant risk for the Fund.</p>	<p>We do not consider this to be a significant risk for the Fund and standard audit procedures will be carried out. We will keep this rebuttal under review throughout the audit to ensure this judgement remains appropriate.</p> <p>We also note that Practice Note 10 (PN10) states that as most public bodies are net spending bodies, then the risk of material misstatements due to fraud related to expenditure may be greater than the risk of material misstatements due to fraud related to revenue recognition. As a result under PN10, there is a requirement to consider the risk that expenditure may be misstated due to the improper recognition of expenditure. For the same reasons opposite we do not consider this to be a significant risk for the Fund and standard audit procedures will be carried out. We will keep this consideration under review throughout the audit to ensure this judgement remains appropriate.</p>



Management should expect engagement teams to challenge management in areas that are complex, significant or highly judgemental which may be the case for accounting estimates, going concern, related parties and similar areas. Management should also expect to provide engagement teams with sufficient evidence to support their judgements and the approach they have adopted for key accounting policies referenced to accounting standards or changes thereto.

Where estimates are used in the preparation of the financial statements management should expect teams to challenge management's assumptions and request evidence to support those assumptions.

Other matters

Other work

The Fund is administered by Leicestershire County Council (the ‘Council’), and the Fund’s accounts form part of the Council’s financial statements.

In addition to our responsibilities under the Code of Practice, we have a number of other audit responsibilities, as follows:

- We read any other information published alongside the Council’s financial statements to check that it is consistent with the Fund’s financial statements on which we give an opinion and is consistent with our knowledge of the Authority.

IAS 26 - *Retirement Benefit Plans* requires the “actuarial present value of promised retirement benefits” to be disclosed. However, it gives three options for disclosure:

- Option A – in the net assets statement, in which case it requires the statement to disclose the resulting surplus or deficit
- Option B – in the notes to the accounts
- Option C – by reference to this information in an accompanying actuarial report.

We note the Fund adopts Option C. We therefore consider this to be part of the other information that we read as noted above.

- We consider our other duties under legislation and the Code, as and when required, including:
 - giving electors the opportunity to raise questions about your 2025/26 financial statements, consider and decide upon any objections received in relation to the 2025/26 financial statements
 - issue of a report in the public interest or written recommendations to the Fund under section 24 of the Act, copied to the Secretary of State
 - application to the court for a declaration that an item of account is contrary to law under Section 28 or for a judicial review under Section 31 of the Act; or
 - issuing an advisory notice under Section 29 of the Act.
- We carry out work to satisfy ourselves on the consistency of the Fund’s financial statements included in the Fund’s Annual Report with the audited Fund’s accounts within the Council’s financial statements.

Other material balances and transactions

Under International Standards on Auditing, ‘irrespective of the assessed risks of material misstatement, the auditor shall design and perform substantive procedures for each material class of transactions, account balance and disclosure’. All other material balances and transaction streams will therefore be audited. However, the procedures will not be as extensive as the procedures adopted for the risks identified in this report.

Other matters (Continued)

2025 triennial valuation

Under Regulation 62 of the Local Government Pension Scheme Regulations 2013 the Fund must obtain an actuarial valuation of its assets and liabilities every three years. The latest valuation is as at 31 March 2025 (published February 2026). The purpose of the valuation is to set employer contribution rates for the period from 1 April 2026 to 31 March 2029. It also provides the source data for actuaries to prepare their estimate of the actuarial present value of promised retirement benefits at the Fund level, as required under *IAS 26 - Accounting and Reporting by Retirement Benefit Plans*, and provides the base for actuaries to roll forward their estimates and assumptions from the triennial valuation to annually estimate individual employers' pension liabilities between triennial revaluations as required by *IAS 19 - Employee Benefits*.

The data used by actuaries to produce IAS 19 liabilities and assets can be broadly split into two categories:

- 1) Individual member data used to calculate the triennial valuation liabilities and assets which the IAS 19 liabilities and assets are based on.
- 2) Data used to carry out the roll-forward calculation from the triennial valuation liabilities and assets to the IAS 19 liabilities and assets. This data is provided by administering authorities and the relevant employers.

As auditors, we therefore need to test the individual member data used by the actuaries in their triennial valuation calculations (Item 1) against independent records every three years and Item 2 testing is carried out annually. The work for Item 1 will involve picking a sample of members across actives, deferreds and pensioners and testing a number of separate data sets within each category. Item 2 testing is included within the annual scale fee but Item 1 is additional work that will be need to be subject to a fee variation. Our proposed fee variation is on Page 21.

Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

Matter & Description

Determination

We have determined planning materiality (financial statement materiality for the planning stage of the audit) based on professional judgement in the context of our knowledge of the Fund, including consideration of factors such as stakeholder expectations, sector developments, financial stability and reporting requirements for the financial statements

Other factors

An item does not necessarily have to be large to be considered to have a material effect on the financial statements

Reassessment of materiality

Our assessment of materiality is kept under review throughout the audit process

Planned audit procedures

We determine planning materiality in order to:

- establish what level of misstatement could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements
- assist in establishing the scope of our audit engagement and audit tests
- determine sample sizes, and
- assist in evaluating the effect of known and likely misstatements in the financial statements.

An item may be considered to be material by nature when it relates to instances where greater precision is required.

Additionally, there may be items which we feel would benefit from a lower specific materiality for those account balances (e.g. benefits payable within the Fund Account). Details of lower specific materialities applied can be found on the next page.

We reconsider planning materiality if, during the course of our audit engagement, we become aware of facts and circumstances that would have caused us to make a different determination of planning materiality.

Our approach to materiality (Continued)

Materiality	Amount (£)	Qualitative factors considered
Headline materiality for the Fund's financial statements	93,600,000	Headline Materiality for planning equates to 1.40% of your gross investment assets as at 31 March 2025. We deem this to be a level above which errors or omissions would alter the economic decisions of users of the accounts. Given the transparency of reporting and risks at the Fund we would be willing to move to a higher benchmark of 2% but we have capped this at 1.40% in order to be able to provide appropriate assurances to employer body auditors to support their work under IAS 19.
Lower specific materiality for Benefits Payable	24,000,000	We have considered the following. <ul style="list-style-type: none"> • Complexity of benefit structures • Stakeholder sensitivity, data quality, and high volume of transactions • The lower specific materiality for benefits payable equates to 10% of the benefits payable figure as at 31 March 2025.
Lower specific materiality for Contributions	30,000,000	We have considered the following. <ul style="list-style-type: none"> • Complexity of contribution structures • Stakeholder sensitivity, data quality, and high volume of transactions • The lower specific materiality for contributions equates to 10% of the contributions figure as at 31 March 2025.

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Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements; Judgments about materiality are made in light of surrounding circumstances, and are affected by the size or nature of a misstatement, or a combination of both; and Judgments about matters that are material to users of the financial statements are based on a consideration of the common financial information needs of users as a group. The possible effect of misstatements on specific individual users, whose needs may vary widely, is not considered. (ISA (UK) 320)

Progress against prior year audit recommendations

We identified the following issues in our 2024/25 audit of the Fund's financial statements, which resulted in 3 recommendations being reported in our 2024/25 Audit Findings Report. We have followed up on the implementation of our recommendations and 2 are still to be addressed.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue(s)
In progress	<p>Valuation of level 3 investment (financial assets)</p> <p>The following were our findings from testing.</p> <ul style="list-style-type: none"> • Colliers, did not provide the Fund with audited financial statements and type 2 controls report for 2 of the property funds (Henderson Fund and Legal & General fund) with a value £15.02million. • Lasalle (1 fund) and Partners Group (6 funds) did not provide us with the audited financial statements. The value of the funds are £422.87million <p>For testing Lasalle and Partners we were able to obtain the type 2 controls report and we deem the relevant valuation controls were designed and operating effectively.</p> <p>Other alternative procedures such as indexation were performed to assess the reasonability of the year end valuations.</p> <p>Management should liaise with the fund managers to provide the audited financial statements where they are produced. In the absence of such information, management should obtain and review the Type 2 controls report (where available) to gain comfort that the controls in place are operating effectively.</p>	<p>In January 2026, management confirmed they will continue to liaise with investment fund's management to acquire copies of audited financial statements, Type 2 controls reports, and/or other documentation as appropriate to support assurance in the valuations and controls of their funds.</p> <p>We will review this as part of our audit testing for 2025/26.</p>

Progress against prior year audit recommendations (continued)

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue(s)
Addressed	<p>Inadequate supporting documentation for journals tested</p> <p>Cash float/control accounts</p> <p>Our review of Journal CRST060624B amounting to £4.676million that was posted to correct the cash float balance managed by Colliers Global and record expenses incurred in managing the properties. The following was observed:</p> <ul style="list-style-type: none"> The expenses charged in the current year are both historic and current year expenses. A total c£3m expenditure is split across the years as follows: £1.6m 2022/23, £0.5m 2021/22, £0.2m 2020/21, £0.7m 2019/20 & 2018/19 (combined). This evidence the lack of timely review, reconciliation and posting of expenses in the correct periods and clearing of the control accounts. From review of the supporting evidence, we could only trace the balance of cash held by the IM of £546K. <p>Suspense accounts cleared without supporting evidence</p> <p>Our review of journal CRST220624A amounting to £519K was posted in the general ledger clearing historic suspense payments related to Property income i.e. these were overpayments or otherwise unknown/miscellaneous payments that pension fund had not been able to reconcile.</p>	<p>We are satisfied that this has taken place and as such the recommendation is closed.</p>
In progress	<p>Journal controls-lack of segregation of duties</p> <p>The journal entries process does not require approval for entering journals below £20,000. Failure to have a separate preparer and approver for journals could promote fraudulent financial reporting though we note this would require the entering of multiple journal entries below £20,000 for the impact to be material. The Pension fund should ensure that all journals are not self approved by the preparer.</p>	<p>In January 2026, management confirmed that access to enter and approve journals in Oracle is restricted to officers within the Corporate and Technical Finance team only. As noted, the level of journals posted below £20,000 remains low. Internal Audit have also reviewed the process and have provided substantial assurance regarding the authorisation process.</p> <p>We will review this as part of our audit testing for 2025/26.</p>

IT audit strategy

In accordance with ISA (UK) 315, we are required to obtain an understanding of the IT environment related to all key business processes, identify all risks from the use of IT related to those business process controls judged relevant to our audit and assess the relevant IT general controls (ITGCs) in place to mitigate them. Our audit will include completing an assessment of the design and implementation of ITGCs related to security management; technology acquisition, development and maintenance; and technology infrastructure.

The following IT applications are in scope for IT controls assessment based on the planned financial statement audit approach, we will perform the indicated level of assessment:

IT application	Audit area	Planned level IT audit assessment
Oracle Fusion	Financial reporting	<ul style="list-style-type: none"> Detailed ITGC Assessment. We plan to test the design and implementations of ITGCs.
Pension Administration System – Altair	Member Data	<ul style="list-style-type: none"> Detailed ITGC Assessment. We plan to test the design and implementations of ITGCs.

Logistics

The audit timeline

Key Dates

Audit phases:

Corporate Governance Committee (CGC)

27 March 2026

Deliverable : **Audit Plan**

Year end 31 March 2026

Draft accounts and AGS publication by:

30 June 2026

(CGC)

18 September 2026

Deliverable : **Progress report**

CGC

27 November 2026

Deliverable: **Audit Findings Report**

Sign off:

30 November 2026

Planning – January-March 2026

Interim – Mar-April 2026

Final – July & August 2026

Completion – September 2026

Key elements

- Planning meeting with management to set audit scope
- Agree timetable and deliverables with management
- Issue the Audit Plan to management and CGC

Key elements

- Document design effectiveness of systems and processes
- Review of key judgements and estimates
- Issue the Audit Plan to management and present to Corporate Governance Committee
- Any planned additional testing.

Key elements

- Audit teams onsite to complete fieldwork and detailed testing
- Audit of the financial statements
- Weekly update meetings with management

Key elements

- Draft Audit Findings issued to management
- Audit Findings meeting with management
- Audit Findings presentation to CGC
- Finalise and sign financial statements and audit report

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Audit Deliverables and Milestones

Below are some of the audit deliverables and milestones planned for 2025/26

	Responsibility	Planned Date*	Status
Initial Planning Inquiries	Grant Thornton and Pension Fund	February 2026	Complete
Audit Plan - We are required to issue a detailed audit plan to the Corporate Governance Committee setting out our proposed approach in order to give an opinion on the Council's 2025/26 financial statements.	Grant Thornton	Draft to Management 16/03/2026	In progress
Interim Testing Visit - We will select samples for testing and evidence will be provided to ensure testing is complete by 31 March 2026. This includes testing of the triennial membership data used to support the 2025 actuarial valuation.	Pension Fund	2 March to 31 March 2026	In progress
Draft Financial Statements - draft financial statements as required under the Accounts & Audit Regulations 2015 (as amended)	Pension Fund	29 June 2026	Not yet due
Complete set of Supporting Working Papers - Working papers that support the draft financial statements	Pension Fund	29 June 2026	Not yet due
Draft Pension Fund Annual Report - Draft of Pension Fund Annual Report as required under regulation 57 of the Local Government Pension Scheme Regulations 2013	Pension Fund	31 July 2026	Not yet due
Audit Progress Report - An Audit Progress Report will be reported to the Corporate Governance Committee.	Grant Thornton	18 September 2026 CGC	Not yet due
Audit Findings Report - The Audit Findings Report will be reported to the Corporate Governance Committee.	Grant Thornton	27 November 2026 CGC	Not yet due
Auditor's Report - This includes the opinion on your financial statements.	Grant Thornton	By 30 November 2026	Not yet due
Auditor's Consistency Statement - This includes the consistency statement for inclusion within the Pension Fund Annual Report.	Grant Thornton	By 30 November 2026	Not yet due

Our team and communications

Grant Thornton core team

Grant Patterson

Key Audit Partner

- Key contact for senior management and Audit Committee
- Overall quality assurance

Mary Wren

Senior Audit Manager

- Audit planning
- Resource management
- Performance management reporting

Aman Agarwal

In-charge

- Audit team management
- Day-to-day point of contact
- Audit fieldwork

	Service delivery	Audit reporting	Audit progress	Technical support
Formal communications	<ul style="list-style-type: none"> • Client Surveys 	<ul style="list-style-type: none"> • The Audit Plan • Audit Progress and Sector Update Reports • The Audit Findings • Auditor's Annual Report 	<ul style="list-style-type: none"> • Audit planning meetings • Audit clearance meetings • Communication of issues log 	<ul style="list-style-type: none"> • Technical updates
Informal communications	<ul style="list-style-type: none"> • Open channel for discussion 		<ul style="list-style-type: none"> • Communication of audit issues as they arise 	<ul style="list-style-type: none"> • Notification of up-coming issues

As part of our overall service delivery we may utilise colleagues who are based overseas, primarily in India and the Philippines. Those colleagues work on a fully integrated basis with our team members based in the UK and receive the same training and professional development programmes as our UK based team. They work as part of the engagement team, reporting directly to the In-charge and Manager and will interact with you in the same way as our UK based team albeit on a remote basis. Our overseas team members use a remote working platform which is based in the UK. The remote working platform (or Virtual Desktop Interface) does not allow the user to move files from the remote platform to their local desktop meaning all audit related data is retained within the UK.

Our fee estimate

Our fee estimate:

We have set out below our specific assumptions made in arriving at our estimated audit fees, we have assumed that the Fund will:

- prepare a good quality set of accounts, supported by comprehensive and well presented working papers which are ready at the start of the audit
- provide appropriate analysis, support and evidence to support all critical judgements and significant judgements made while preparing the financial statements
- provide early notice of proposed complex or unusual transactions which could have a material impact on the financial statements
- maintain adequate business processes and IT controls, supported by an appropriate IT infrastructure and control environment.

Description	Audit Fee for 2024/25 (£)	Proposed Fee for 2025/26 (£)
Leicestershire Pension Fund Audit	95,720	104,390
IAS 19 letters to auditors of bodies outside the NAO Code (£1,100 per letter and received one request in 2024/25 which we anticipate being repeated)	1,100	1,100
2025 triennial valuation data testing	0	10,000
Total (Exc. VAT)	*96,820	115,490

* Our initial planned fee for 2024/25 was £99,570 and included £2,750 relating to proposed use of expert for directly held investment properties. Our risk assessment in relation to directly held properties was subsequently changed and as such the additional charge was not incurred. Our final fee for the 2024/25 audit is £96,820.

Our fee estimate

Relevant professional standards

In preparing our fee estimate, we have had regard to all relevant professional standards, including paragraphs 4.1 and 4.2 of the FRC's [Ethical Standard \(revised 2024\)](#) which stipulate that the Engagement Lead (Key Audit Partner) must set a fee sufficient to enable the resourcing of the audit with partners and staff with appropriate time and skill to deliver an audit to the required professional and Ethical standards.

PSAA

Local Government Audit fees are set by PSAA as part of their national procurement exercise. In 2017, PSAA awarded a contract of audit for Leicestershire Pension Fund to begin with effect from 2018/19. This contract was re-tendered in 2023 and Grant Thornton have been re-appointed as your auditors. The scale fee set out in the PSAA contract for the 2025/26 audit is £104,390.

This contract sets out four contractual stage payments for this fee, with payment based on delivery of specified audit milestones:

- Production of the final auditor's annual report for the previous Audit Year or opinion issued
- Production of the draft audit planning report to Audited Body
- 50% of planned hours of an audit have been completed
- 75% of planned hours of an audit have been completed

Any variation to the scale fee will be determined by PSAA in accordance with their procedures as set out here [Fee Variations Overview – PSAA](#)

Independence considerations

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant matters that may bear upon the integrity, objectivity and independence of the firm or covered persons (including its partners, senior managers, managers and network firms). In this context, there are no matters that we are required to report.

We are required to report to you details of any breaches of the requirements of the FRC Ethical Standard, and of any safeguards applied and actions we have taken to address any threats to independence. We report that no breaches have been identified by team.

We confirm that there are no significant facts or matters that impact on our independence at planning as auditors that we are required or wish to draw to your attention and consider that an objective reasonable and informed third party would take the same view. The firm and each covered person and network firms have complied with the Financial Reporting Council's Ethical Standard and confirm that we are independent and are able to express an objective opinion on the financial statements. Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in February 2025 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

We confirm that we have implemented policies and procedures to meet the requirement of the Financial Reporting Council's Ethical Standard.

Independence considerations (continued)

As part of our assessment of our independence at planning we note the following matters:

Matter	Conclusions
Relationships with Grant Thornton	<p>We are not aware of any relationships between Grant Thornton and the Fund and/or Administering Authority that may reasonably be thought to bear on our integrity, independence and objectivity.</p> <p>In 2024/25 our firm provided services to LGPS Central in respect of providing an independent opinion on their AAF 01/20 report. We have concluded that these services would not have an impact on our independence, on the basis that these entities are legally and operationally independent from this pension scheme. In addition, these services are being provided by a team which is separate and independent from our audit team. The result of their work would not have any impact in the financial statements that are subject to our audit. We have considered that an objective reasonable and informed third party would concur with this conclusion.</p>
Relationships and Investments held by individuals	We have not identified any potential issues in respect of personal relationships with the Fund and/or Administering Authority or investments in the Fund and/or Administering Authority held by individuals.
Employment of Grant Thornton staff	We are not aware of any former Grant Thornton partners or staff being employed, or holding discussions in respect of employment, by the Fund/Administering Authority as a director or in a senior management role covering financial, accounting or control related areas.
Business relationships	We have not identified any business relationships between Grant Thornton and the Fund and/or Administering Authority.
Contingent fees in relation to non-audit services	No contingent fee arrangements are in place for non-audit services provided.
Gifts and hospitality	We have not identified any gifts or hospitality provided to, or received from, a member of the Fund's and/or Administering Authority's board, senior management or staff (that would exceed the threshold set in the Ethical Standard).

Fees and non-audit services

The following table below sets out the non-audit services charged from the beginning of the financial year, as well as the threats to our independence and safeguards have been applied to mitigate these threats.

The below non-audit services are consistent with the Fund's policy on the allotment of non-audit work to your auditor

None of the below services were provided on a contingent fee basis.

For the purposes of our audit we have made enquiries of all Grant Thornton teams within the Grant Thornton International Limited network member firms providing services to Leicestershire Pension Fund. The table summarises all non-audit services which were identified. We have adequate safeguards in place to mitigate the perceived self-interest threat from these fees in as detailed in the table below.

Grant Thornton UK LLP also acts as the statutory auditor of Leicestershire County Council. The fees for the audit and non-audit services charged for this entity are reported in its Audit Plan. We consider that such services and fees do not impair our independence.

Assurance Service Fees

Service	£	Threats Identified	Safeguards applied
Audit Related Assurance			
IAS 19 Assurance letters for Admitted Bodies outside of the NAO Code of Audit Practice (£1,100 per letter and received one request in 2024/25 which we billed in 2025/26 and anticipate being repeated)	£1,100	Self-Interest (because this is potentially a recurring fee) Self-Review Management	The level of this recurring fee taken on its own is not considered a significant threat to independence as the total fee for this work is £1,100 in comparison to the total proposed fee for the audit of £115,490 and relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level. We have not prepared the financial information on which our assurances will be used by the requesting auditor to form an opinion on as part of their opinion on the financial statements of the admitted body. Any decisions whether to change controls over, or edits required to, financial information arising from our findings will be a matter for informed management. The scope of the work does not include making decisions on behalf of management or recommending or suggesting a particular course of action for management to follow. We may make recommendations to the Fund in respect of control weaknesses, in the same way as we would in an audit of financial statements. Informed management understand the operation of systems and can challenge our recommendations as appropriate.

Communication of audit matters with those charged with governance

ISA (UK) 260, as well as other ISAs (UK), prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table here.

This document, the Audit Plan, outlines our audit strategy and plan to deliver the audit, while the Audit Findings will be issued prior to approval of the financial statements and will present key issues, findings and other matters arising from the audit, together with an explanation as to how these have been resolved.

We will communicate any adverse or unexpected findings affecting the audit on a timely basis, either informally or via an audit progress memorandum.

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	●	
Overview of the planned scope and timing of the audit, form, timing and expected general content of communications including significant risks and Key Audit Matters	●	
Planned use of internal audit	●	
Confirmation of independence and objectivity	●	●
A statement that we have complied with relevant ethical requirements regarding independence. Relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence	●	●
Significant matters in relation to going concern	●	●

Communication of audit matters with those charged with governance (continued)

Our communication plan	Audit Plan	Audit Findings
Views about the qualitative aspects of the Fund's accounting and financial reporting practices including accounting policies, accounting estimates and financial statement disclosures		●
Significant findings from the audit		●
Significant matters and issue arising during the audit and written representations that have been sought		●
Significant difficulties encountered during the audit		●
Significant deficiencies in internal control identified during the audit		●
Significant matters arising in connection with related parties		●
Identification or suspicion of fraud involving management and/or which results in material misstatement of the financial statements		●
Non-compliance with laws and regulations		●
Unadjusted misstatements and material disclosure omissions		●

Respective responsibilities

As auditor we are responsible for performing the audit in accordance with ISAs (UK), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance.

The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

Escalation Policy

The Backstop

The Department for Levelling Up, Housing and Communities have introduced an audit backstop date on a rolling basis to encourage timelier completion of local government audits.

As your statutory auditor, we understand the importance of appropriately resourcing audits with qualified staff to ensure high quality standards that meet regulatory expectations and national deadlines. It is the Authority's responsibility to produce true and fair accounts in accordance with the CIPFA Code by the statutory deadline and respond to audit information requests and queries in a timely manner.

Escalation Process

To help ensure that accounts audits can be completed on time in the future, we have introduced an escalation policy. This policy outlines the steps we will take to address any delays in draft accounts or responding to queries and information requests. If there are any delays, the following steps should be followed:

Step 1 - Initial Communication with Director of Corporate Resources (within one working day of statutory deadline for draft accounts or agreed deadline for working papers)

- We will have a conversation with the Director of Corporate Resources to identify reasons for the delay and review the Authority's plans to address it. We will set clear expectations for improvement.

Step 2 - Further Reminder (within two weeks of deadline)

- If the initial conversation does not lead to improvement, we will send a reminder explaining outstanding queries and information requests, the deadline for responding, and the consequences of not responding by the deadline.

Step 3 - Escalation to Chief Executive (within one month of deadline)

- If the delay persists, we will escalate the issue to the Chief Executive, including a detailed summary of the situation, steps taken to address the delay, and agreed deadline for responding.

Step 4 - Escalation to the Corporate Governance Committee (at next available meeting or in writing to CGC Chair within 6 weeks of deadline)

- If senior management is unable to resolve the delay, we will escalate the issue to the audit committee, including a detailed summary of the situation, steps taken to address the delay, and recommendations for next steps.

Step 5 - Consider use of wider powers (within two months of deadline)

- If the delay persists despite all efforts, we will consider using wider powers, e.g. issuing a statutory recommendation. This decision will be made only after all other options have been exhausted. We will consult with an internal risk panel to ensure appropriateness.

Aim

By following these steps, we aim to ensure that delays in responding to queries and information requests are addressed in a timely and effective manner, and that we are able to provide timely assurance to key stakeholders including the public on the Authority's financial statements.

Financial reporting changes

New or revised accounting standards that have been adopted by the CIPFA Code for 2025/26

Amendments to IAS 21 – Lack of Exchangeability

IAS 21 *The Effects of Changes in Foreign Exchange Rates* has been amended by the IASB to clarify how an entity should assess whether a currency is exchangeable and how it should determine an appropriate spot exchange rate when exchangeability is lacking. The amendments introduce more detailed guidance on identifying a lack of exchangeability and on estimating a spot exchange rate in such circumstances. These amendments have been adopted by the Code from 1 April 2025.

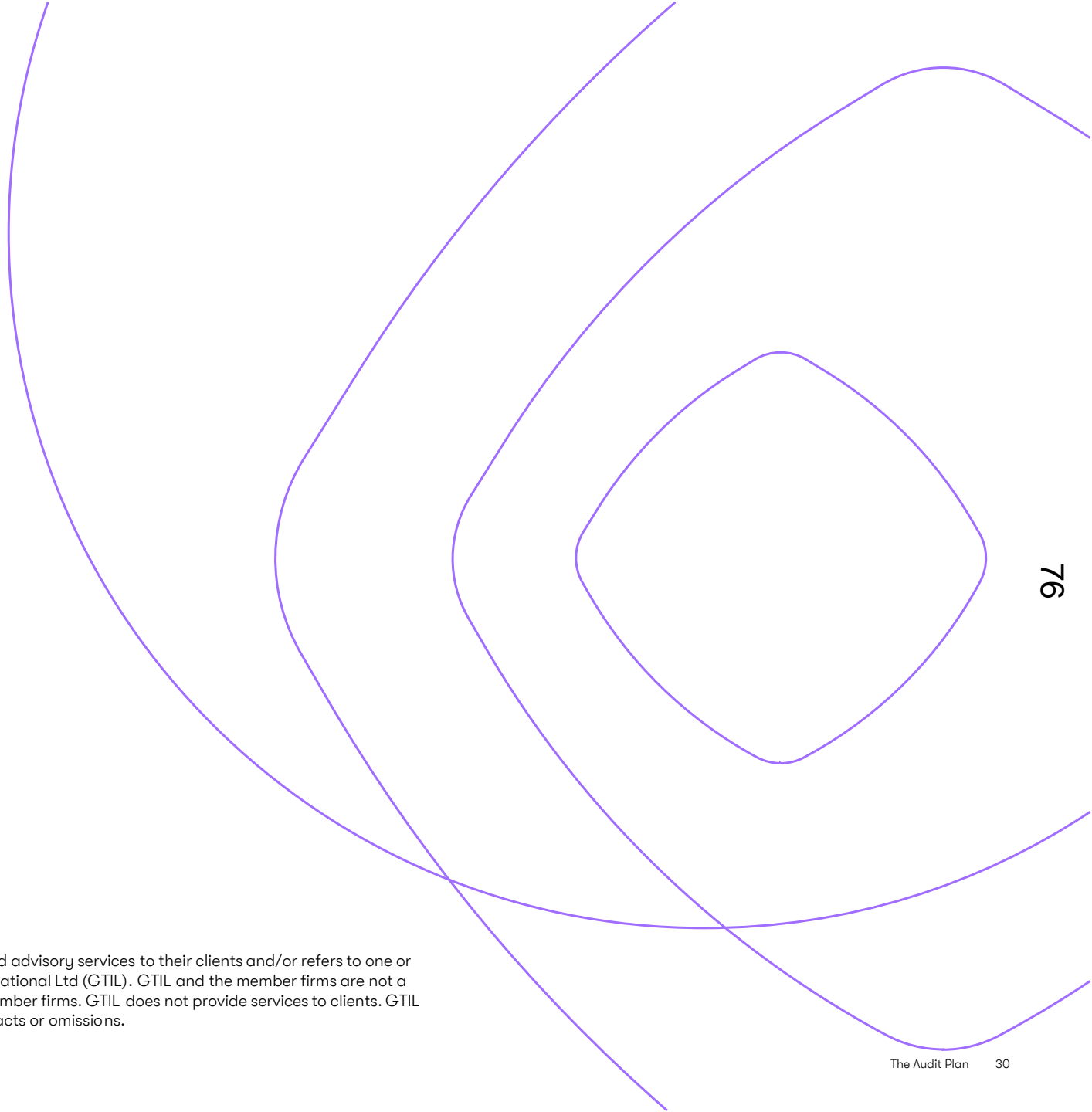
IFRS 17 – Insurance Contracts

IFRS 17 Insurance Contracts was issued by the IASB in May 2017 and has been adopted by the CIPFA Code for local authority accounting from 1 April 2025. The standard introduces a new comprehensive framework for the recognition, measurement, presentation and disclosure of insurance contracts, replacing IFRS 4. Key features of IFRS 17 include the introduction of revised measurement models for insurance liabilities, the contractual service margin to defer unearned profit, new presentation requirements and significantly enhanced disclosures aimed at improving transparency and comparability.

New or revised accounting standards that are expected to be adopted by the CIPFA Code in future years.

Amendments to IFRS 9 and IFRS 7 – Classification and measurement of financial instruments

These amendments clarify the requirements for the timing of recognition and derecognition of some financial assets and liabilities (including settling financial liabilities using an electronic payment system), adds guidance on the solely payment of principal and interest (SPPI) criteria, and includes updated disclosures for certain instruments. The amendments are expected to be adopted by the CIPFA Code for 2026/27.



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CORPORATE GOVERNANCE COMMITTEE 27 MARCH 2026

REPORT OF THE DIRECTOR OF CORPORATE RESOURCES

**INTERNAL AUDIT SERVICE – PROGRESS AGAINST 2025-26
INTERNAL AUDIT PLAN AND HIGH IMPORTANCE
RECOMMENDATIONS**

Purpose of Report

1. The purpose of this report is to provide the Corporate Governance Committee (the Committee) with: -
 - a. A summary of work undertaken by the Council's Internal Audit Service during the period 1 October 2025 to 28 February 2026.
 - b. An update on progress with implementing high importance (HI) recommendations at 28 February 2026.
 - c. Performance against the 2025-26 Internal Audit plan

Background

2. The Global Internal Audit Standards for the UK Public Sector (GIAS UKPS) require the Head of Internal Audit Service (HoIAS) to develop risk-based plans to determine the priorities of the internal audit activity, aligned with the Council's priorities. These plans should cover a broad scope, enabling the HoIAS to provide an annual conclusion on the overall adequacy and effectiveness of the Council's control environment.
3. At its meeting on 31 March 2025, the Committee approved a plan of 1,485 days for Leicestershire County Council (LCC) as follows: -

<u>Resource allocated</u>	<u>Days</u>
LCC audits (including contingency)	1,140
East Midlands Shared Services audits ¹	10
Counter Fraud (proactive & advisory, policies & procedures)	45
Managing LCC internal audit & counter fraud functions	290
Total allocated ²	1,485

¹ East Midlands Shared Services (EMSS) audits are planned and undertaken by Nottingham City Council Internal Audit. However, the Head of Internal Audit

Service for LCC engages with his counterpart at Nottingham to review plans and resources, individual audit reports, the annual report and conclusion, and arrangements for reporting to this Committee.

² A further **80 days** were allocated for the HoIAS to oversee the production of the Council's Local Code of Corporate Governance and Annual Governance Statement (AGS), monitor and report on the corporate risk management framework and manage the Insurance Service.

4. Under the County Council's Constitution, the Committee is required to monitor the adequacy and effectiveness of the system of internal audit, with a specific function to consider Internal Audit Plans. Internal audit is an essential component of the Council's corporate governance and assurance framework.

Summary of internal audit work undertaken

5. **Appendix 1** summarises internal audit work by the Internal Audit Service (the Service) for the County Council from 1 October 2025 to 28 February 2026. It includes audit movements since the last progress report (24 November 2025). Due to the longer reporting period, a significant number of audits are covered. For assurance audits (pages 1–7), a 'conclusion' is usually provided on the level of assurance that material risks are managed. The four assurance levels are: full, substantial, partial, and little.
6. Several audits have received or will receive a partial assurance rating, typically given when at least one High Importance (HI) recommendation is made. HI recommendations indicate material risk that remains unless addressed promptly. Management must implement agreed actions without delay. HI recommendations and negative assurance ratings are reported to the Committee and tracked until resolved. In some cases, multiple lower-graded recommendations may collectively warrant targeted follow-up. Until draft reports are issued and ratings confirmed, some audits will show as TBC.

	Number	%
Number of assurance audits completed this period	17	100
Of which:		
Number with substantial assurance	14	82
Number with partial/low assurance those being:	3	18
• Adults' Safeguarding		
• Children's Social Care Placements & Payments		
• Account Governance Review		

7. The Service also undertakes advisory type audits - see Appendix 1 (pages 8 to 10). Details, including where these incur a reasonable amount of resource, are also included. Examples include advice, commentary on management's intended control design and framework and potential implications of changes to systems, processes, and policies. During this period, the ICT Auditor has continued to undertake or has overseen a number of reviews of higher risk Information Security Risk Assessments (ISRA).

8. Grants that were certified during the period appear on page 10. The number of grants that need certification is declining. Page 10 also includes a brief reference to the work the Service has conducted on investigations. More detail on these will be provided in the Annual Counter Fraud Report (scheduled June 2026).
9. Pages 11 and 12 of Appendix 1 provides information on: -
 - a. 'Other control environment/assurance work', which gives a flavour of where internal auditors are utilised to challenge and improve governance, risk management and internal control processes which ultimately strengthens the overall control environment.
 - b. Where auditors are utilised to undertake work assisting other functions. There is Internal Audit Service representation on several corporate project groups.
10. Finally, to remain effective, and either undertake audits or feed information and guidance to others, Internal Audit staff regularly attend online training and development events and both midlands and national internal audit, risk and counter fraud network events. A summary of the events attended since the beginning of October 2025 is shown on pages 13 and 14.

Progress with implementing High Importance (HI) recommendations

11. The Committee monitors the implementation of High Importance (HI) recommendations. These are where material risk exposure is identified, **Appendix 2** shows the status as of 28 February 2026, including a brief summary of related issues. It also indicates whether managers agree to implement the recommendations and the target timescales. New or updated recommendations are highlighted in **bold font**. Items remain listed until auditors confirm implementation through re-testing where applicable. If deadlines are extended, management provides reasons and updates. A Chief Officer may be required to attend the Committee to provide information or answer questions
12. To summarise movements within Appendix 2: -
 - a. **New High Importance Recommendations**
 - i. Children & Family Services - Children's Placements and Payments
 - ii. Adults & Communities - Safeguarding
 - iii. Consolidated Risk (EMSS) – Account Governance Review

b. In progress (longest outstanding reported first & number of extensions and a brief reason for the extension)

<u>Department</u>	<u>Audit</u>	<u>Ext</u>	<u>Brief reason for extension</u>
Chief Executives	City Council Coroner & Recharges	2	Delays due to Legal Exchanges between City & County Council
Adults & Communities	Direct Payments	2	Staff diverted towards nationwide issues with the prepaid card provider
Adults & Communities	Residential Settings Claiming for Deceased or Fictitious Residents	1	Assistant Director on Jury Service/Annual Leave – unable to obtain update.
Chief Executives	Registrars - income reconciliation	2	Dependent on deployment of new modules reliant on ICT who were struggling to resource until new appointment in February.
Children & Family Services	Direct Payments	1	Staff diverted towards nationwide issues with the prepaid card provider
Consolidated Risk	Business Travel Documents	2	One of the two recommendations has been closed. For the other, comparison data shows this is still a non-compliance issue
Consolidated Risk	Business Continuity Plans	1	Two-year programme of work.

c. Closed/No longer relevant (longest outstanding reported first)

- i. Children & Family Services - Emergency Payments (Section 17 and 24 Payments)
- ii. Children & Family Services – SEN Assessments
- iii. Consolidated Risk – Business Travel Documents – 1 of 2 closed
- iv. Consolidated Risk - Identification, Knowledge and Prioritisation of Business Applications
- v. Adults & Communities Department - Safeguarding
- vi. Consolidated Risk ((EMSS) – Account Governance Review

When a HI recommendation is closed, the risk score in the Internal Audit planning model is increased to reflect that a follow up audit may be required ahead of normal frequency.

13. At its meeting on 24 November 2025, the Committee was informed that two major audits of Adults' and Children's direct payments (DP) systems were complete, with all HI recommendations accepted and action plans were in place. However, implementation of the recommendations had been delayed by significant LCC resources needing to be diverted towards nationwide issues with the prepaid card provider, Prepaid Financial Services (PFS). The issues were explained to the Committee at the time.
14. It's pleasing to report that the PFS issues have (largely) been resolved and good progress is being made with each of the recommendations but because of the large scale disruption the HoIAS has agreed extensions to implementation dates for Adults' (end of April) and Children's (end of May).
15. The HoIAS will continue to monitor progress and provide a further update to the Committee.

Progress against the 2025-26 Internal Audit plan

16. On 31 March 2025, the Committee approved 1,485 days for the 2025–26 Internal Audit Plan, noting the need for flexibility to adjust in response to changes in the Council's business, risks, operations, programs, systems, controls, and resource variations.
17. The HoIAS reviews progress against the approved plan and resource variances using data from the Service's time recording system. A position statement as of 28 February 2026 shows the pro-rata resource allocation for 11 months, time recorded to date, and percentage variance. All figures are in days and rounded.

Table 1: Resource allocated 1 April & time recorded at 28 February 2026

<u>Resource allocated & time recorded</u>	<u>1/4</u>	<u>Pro-rata 28/2</u>	<u>Time at 28/2</u>	<u>%</u>
LCC IA including contingency	1,140	1,045	752	72
EMSS IA - reports, HoIA annual plan etc	10	9	4	44
Counter Fraud - proactive & advisory	45	41	41	91
<u>Management of LCC IA & CF</u>	<u>290</u>	<u>266</u>	<u>279</u>	<u>105</u>
<u>Total allocated/recorded</u>	<u>1,485</u>	<u>1,361</u>	<u>1,076</u>	<u>79</u>
AGS, Risk Management & Insurance	80	73	122	167

18. Time spent on LCC audits is slightly low because of not recruiting to two vacancies planned from 1 June 2025. Whilst this was countered by employing an agency staff member from 1 August 2025 unfortunately due to personal reasons he left his contract early. Also, some overheads are disproportionately higher than planned.
19. Considerable time has been spent implementing the requirements of the new Global Internal Audit Standards and training which really impacts a small team. Additionally, time spent on the non-internal audit allocations (AGS, RM & Insurance) was significantly higher than pro-rata, especially overseeing Insurance Service matters (large issue, replacement MIS, renewals). There has also been heavy investment in reviewing and updating the Council's Local Code of Corporate Governance in preparation for preparing the AGS.
20. Overall compared to the same time last year, a further 134 days has been allocated to reviewing the Council's control environment.
21. The table below shows the position with undertaking/progressing audits

Table 2: Audits planned 1 April and position at 28 February 2026

Number of audits planned/approved 31 March 2025	131
Additions - originally omitted, split bulk allocations, new/unplanned	79
Total audits at 28 February 2026	<u>210</u>
Less deferred, cancelled or duplicated	-5
Net audits 28 February 2026	<u>205</u>

Position	No	%	Days used
Complete	119	58	414
In progress	53	26	318
Deferred	-	-	20
Sub-total finalised/in progress	<u>172</u>	<u>84</u>	<u>752</u>
Time available to complete audits in progress	-	-	-23
Not started – grants	0	0	0

Not started – audits/contingency	33	16	305
Balance to net audits 28 February 2026	205	100	1,031

22. The position for 2025-26 at 28 February is remarkably similar to 2024-25 albeit 19 more audits have been completed and conversely there are 15 less in progress.
23. Whilst the total days estimated to complete the full plan (1,031) is lower than the original 1,140 days originally planned and approved (table 1), it's unlikely this will occur for reasons such as current vacancies and also the management of overruns on audits in progress and cancellations/new requests.
24. The HoIAS will continue to review the plan position with the Assistant Director (Finance, Transformation and Commissioning) and the Committee will continue to receive six monthly progress reports including any significant changes to the plan and reasons.
25. The process for the HoIAS forming his overall conclusion on the Council's control environment (due to be reported in June) isn't prescribed. It is not solely based upon the number or outcome of internal audits undertaken but instead allows for the HoIAS to take account of (for example), external assurances, governance and risk management arrangements, performance reports and annual reports e.g. complaints.
26. The HoIAS considers that he will gather sufficient evidence to be able to provide a robust opinion for 2025-26. Whilst 5 planned audits have been deferred into the next year some larger scale replacement unplanned audits have provided useful insight into the control environment.

Resource implications

27. Two vacancies remain unfilled but has been compensated by employing an agency staff member. One of the vacant posts Senior Auditor post (which traditionally leads on the corporate risk management arrangements) has affected not only internal audit delivery but also the HoIAS who has had to undertake the risk management requirements.
28. The loss of the agency staff member and the retirement of a longstanding team member from 31 March 2026 will impact the resource base from the start of the new year.

Equality and Human Rights Implications

29. None

Recommendations

30. The updates on progress on work undertaken, the implementation of high importance recommendations and the performance against the plan (all at 28 February 2026) be noted.

Background Papers

The Constitution of Leicestershire County Council

Reports to: -

Corporate Governance Committee (31 March 2025) - Internal Audit Service Annual Plan 2025-26

<https://democracy.leics.gov.uk/documents/s189401/Internal%20Audit%20Service%20-%20Annual%20Plan%202025-26%20-%20final.pdf>

Appendix 1 – County Council Internal Audit Plan 2025-26

<https://democracy.leics.gov.uk/documents/s189402/Appendix%201%20-%20Internal%20Audit%20Annual%20Plan%202025-26.pdf>

Circulation under the Local Issues Alert Procedure

None.

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Appendices

- | | |
|------------|--|
| Appendix 1 | Summary of Internal Audit Service work undertaken between 1 October 2025 and 28 February 2026. |
| Appendix 2 | High Importance recommendations at 28 February 2026 |

Assurance Audits

<u>Department</u>	<u>Entity</u>	<u>Movement since previously reported (30/9/25)</u>	<u>Status at 28/2/26</u>	<u>Target for completion</u>	<u>Assurance rating</u>	<u>HI Rec'n</u>
Adults & Communities	Deprivation and Non-Declaration of Capital	Completed	Final Issued	-	Substantial	No
Adults & Communities	Safeguarding	Completed	Final Issued	-	Partial	Yes
Adults & Communities	Financial Assessment Team Processes	Completed	Final Issued	-	Substantial	No
Chief Executives	Developer Contributions (s106/s278)	Planning stage	Deferred	Continue in 26/27 with a revised scope	-	-
Chief Executives	CIVICA to Arcus Migration	Progressed	Final issued	-	Substantial	No
Children & Family Services	Commissioning Service – Quality Assurance Process	Progressed	Deferred	Agreed deferred to the 2026/27 Plan year.	-	-

Children & Family Services	Children's Social Care Placements & Payments	Completed	Final Issued	-	Partial	Yes
Children & Family Services	Fostering & Adoption	Progressed	Phase 1 – Review Stage.	13 March	TBC	TBC
Children & Family Services	Early Years Providers – Compliance Visits process	Completed	Final report issued	-	Substantial	No
Children & Family Services	Learning Disabilities Transitions from Children's Complex to Care Adults	Started	Due to corporate review being undertaken as part of 'Preparing for Adulthood' in this area, department requested that this audit be deferred	Agreed deferred to the 2026/27 Plan year.	-	-
Children & Family Services	Maintained Schools' – Themed Audit – Deficit Budgets	Fieldwork completed	Review stage	13 March	TBC	TBC
Children & Family Services	Fleckney CE Primary School	Completed	Final issued	-	Substantial	No

Children & Family Services	Little Bowden Primary School	Completed	Final issued	-	Substantial	No
Children & Family Services	St Mary's Church of England Primary School	Completed	Final Issued	-	Substantial	Yes
Children & Family Services	Safeguarding	Completed	Final Issued	-	Substantial	No
Children & Family Services	Replacement of Capita with Synergy	Progressed	Review Stage	31 March	TBC	TBC
Children & Family Services	SEN Payments	Started	Testing	30 April	TBC	TBC
Consolidated Risk	Responsible Payments – Review of Higher-Risk Clients	Started	Planning Stage	30 June	-	-
Consolidated Risk	Emerging Issues – MIS Data Quality - Thrive	Progressed	Draft Report Issued	31 March	Substantial	No
Consolidated Risk	Early Payment Scheme	Progressed	Year-end comparison testing prior to reporting	31 March	TBC	TBC
Consolidated Risk	Procure to Pay (P2P)	Progressed	Year-end comparison testing prior to reporting	31 March	TBC	TBC

Consolidated Risk	Implementation of Public Procurement Regulations (2024-25)	No change	Draft report being finalised	31 March	TBC	TBC
Consolidated Risk	Annual Governance Statement – Review Accuracy of Departmental Self Assessments	No change	Draft Issued.	31 March	Substantial	No
Consolidated Risk	Annual Governance Statement – Improvements / Actions	No change	Draft Issued.	31 March	Substantial	No
Consolidated Risk	Account Governance Review	Progressed	Final issued	-	Partial	Yes
Consolidated Risk	Replacement of Wisdom (EDRMS) & Associated Data Move	Progressed	Final Issued	-	Substantial	No
Consolidated Risk	PSN Accreditation Audit 2025/26	Progressed	Testing Stage	13 March	TBC	TBC
Consolidated Risk	Use of Artificial Intelligence	Progressed	Final Issued	-	Substantial	No
Consolidated Risk	Cyber Security	Progressed	Testing Stage	31 March	TBC	TBC
Consolidated Risk	Key ICT Controls Audit 2025/26	Progressed	Started Audit	31 March	TBC	TBC
Consolidated Risk	Two Factor Authentication (2FA/MFA)	Progressed	Started Audit	31 March	TBC	TBC
Consolidated Risk	Immigration & Asylum – Placements and Payments	Completed	Final Issued	-	Substantial	No

Consolidated Risk	Implementation of Public Procurement Regulations (2025-26)	Progressed	Draft report being compiled	31 March	TBC	TBC
Consolidated Risk	Records Management - Continuous Audit (Floor Walks)	Progressed	Final Floor Walk in March 2026	31 March	TBC	TBC
Consolidated Risk	Mandatory Learning - Health & Safety Specific	Progressed	Draft Report Stage	31 March	TBC	TBC
Consolidated Risk	Risk Management	Progressed	Draft report stage	31 March	TBC	TBC
Consolidated Risk	Prevent Duty – Venue Hire	Progressed	Draft Report stage	31 March	TBC	TBC
Consolidated Risk	Assurance Mapping	Started	Review of LCC Risk Registers completed. Expected assurance mapped and risk and assurance owners identified. Mapping this to IA	30 April	TBC	TBC

			universe to identify areas where future audits are required.			
Consolidated Risk	Procurement – Prompt Payment of Supply Chains	Started	Planning Stage	30 April	TBC	TBC
Consolidated Risk	Procurement Challenges – At Tendering and Contract Award Stage	Started	Planning Stage	31 May	TBC	TBC
Consolidated Risk	Procurement - Bid Rigging	Started	Planning Stage	30 April	TBC	TBC
Consolidated Risk	Declaration – Gifts & Hospitality & Conflict –Review of Declaration	Completed	Review Stage	30 April	TBC	TBC
Consolidated Risk	P-Cards	Completed	Review Stage	31 March	TBC	TBC
Corporate Resources	Procurement – Contract Awards to Single Specific Suppliers	Started	Planning Stage	31 March	TBC	TBC
Corporate Resources	Tax Digital/IR35	Completed	Final Issued	-	Substantial	No
Environment & Transport	Leicestershire CAN-De Project	Started	Work underway to complete final Independent Accountants	31 March	TBC	TBC

			Report (IAR) for the period June 2025 to project closure.			
Environment & Transport	SEN Transport	Completed	Final Issued	-	Substantial	No
Environment & Transport	Payment to Taxi Providers	Completed	Review Stage	13 March	Substantial	TBC
Environment & Transport	Refuse & Household Waste Sites (RHWS) - Operatives Ethics & Culture	Completed	Final issued	-	Substantial	No

Advisory audits

<u>Department</u>	<u>Entity</u>	<u>Final report (or position at 28/2/26)</u>
	Local Code of Corporate Governance – major review and refresh in conjunction with Monitoring Officer & Head of Democratic Services	Ongoing
	Annual Governance Statement 2024-25	Final published with Statement of Accounts
	Annual Governance Statement 2025-26	Ongoing
Consolidated Risk	National Fraud Initiative 2024/26 – analysis of matched data	Final report issued
Consolidated Risk	National Fraud Initiative 2024/26 – analysis of matched data Adult Social Care	Final report issued
Consolidated Risk	<p>ICT Policies and Procedures:</p> <ul style="list-style-type: none"> - Attendance at Information Assurance Group Meeting (including quarterly updates on Information Governance statistics) - Floor walk (ongoing programme of work) - Input into Information Security Related Breaches (reported to the ICO) as and when required. - Initial Assessment of ISRAs <p>Public Services Network (PSN)</p> <ul style="list-style-type: none"> - On going accreditation advice <p><i>Overall Value Added: Proactive timely control and efficiency advice.</i></p>	Ongoing

	<p>Information Security Risk Assessments (ISRA)</p> <p><i>Overall Value Added:</i></p> <ul style="list-style-type: none"> • <i>Ensure appropriate security controls are considered.</i> • <i>Ensure there is relevant commitment, approval and sign off.</i> • <i>Identification and acceptance of residual risks.</i> 	
Corporate Resources	IDEA Caseware - A review of Internal Audits use of the IDEA Data Interrogation Tool	Ongoing
Corporate Resources	Wisdom Mosaic Document Migration - LCC is moving away from the Wisdom EDRMS product. Therefore, all documentation from Wisdom needs to be migrated over to their respective systems of which Mosaic (Children's Case Management System) is one.	Signed off 06/01/2026
Corporate Resources	Arcus Trading Standards Solution - New Data and Case management System to be utilised by the Trading Standards Service to replace the current spreadsheets used by the Service.	Ongoing
Corporate Resources	Alteryx - Designer desktop product with intelligent suite add on is a data preparation and analysis tool	Signed off 13/11/2025
Corporate Resources	IG Bridge Oneview – used for pseudonymising information and securely sending information from a shared space. This work will be part of the efficiency review being carried out by Newton.	Signed off 12/01/2026

Corporate Resources	IlovePDF – is a suite of online and web based tools for managing PDF documents, offering a wide range of features such as editing, converting, compressing, merging, and splitting PDFs.	Signed off 13/12/2026
Corporate Resources	AI in Adobe - AI features in adobe Cloud for photo and video editing.	Signed off 18/02/2026

Grant certifications

<u>Department</u>	<u>Entity</u>	<u>Final report (or position at 28/2/26)</u>	<u>Conclusion/ Assurance rating</u>	<u>HI Rec'n</u>
Adults & Communities	Disabled Facilities Grant (24/25 31/7271 & 31/7605)	Certified 31/10/25	n/a	n/a

Investigations

The Internal Audit Service undertakes proactive (planned) and reactive (demand led) counter fraud activity. Whilst some time incurred was to close previous years' investigations, in the 5 months to the end of February, 12 cases had time recorded against them (22 days).

Other control environment/assurance work

<u>Department</u>	<u>Entity</u>	<u>Final report (or position at 28/2/26)</u>
Governance	Financial Controls Group membership focussing on the following key areas: <ul style="list-style-type: none"> • Dealing with applications for exception to corporate policy • Monitoring of compliance of policies (through clear metrics) • Review any future changes required to existing policies. • The facilitation of Oracle upgrades and issues arising Other related issues around financial performance (e.g. level of debts/write-offs)	Ongoing
Counter Fraud	Publishing of comms for International Fraud Awareness Week (IFAW)	Complete.
Risk management	Routine challenge to department risk registers/updating the corporate risk register Annual review and update of risk management policy statement & strategy	Ongoing Complete
Risk management	Chair of the cross service Property & Occupants Risk Management Group – 1/4ly meetings and involvement in project on venue hire 'PREVENT' controls	Ongoing

Work assisting other functions.

<u>Department</u>	<u>Entity</u>	<u>Position at 28/2/26</u>
Adult Social Care / Corporate Resources	Input to MTFS savings under development – Responsible Payments (Adult Social Care Direct Payments Fraud)	Ongoing
Public Health	Advice to department regarding counter fraud aspects in relation to the new Crisis & Resilience Fund.	Ongoing
East Midlands' Freeport	Advice to Freeport on fraud-related matters, e.g. Fraud Risk Assessment, Policies & Procedures, in our role as Accountable Body	Ongoing

Training, development and networks attended (and substantial other work undertaken) during the period

External Quality Assessment

- Continue to review action plan in line with implementing new global internal audit standards (GIAS)

Internal Audit Case Management System

- Re-Procurement Exercise nearing completion

Local Authorities Chief Auditors Network

- October and December meetings

Midlands Counties Heads of Internal Audit Groups

- Heads of Internal Audit Group
 - 2026-27 planning ideas
- ICT Audit Sub-Group
 - Inputs into IT Points of Practice:
 - Use of Audit Case Management Software
- Fraud Sub-Group
 - Virtual meetings held 14th October 2025 & 13th January 2026. Various issues discussed and emerging fraud risks.

Use of Co-Pilot and AI to support Internal Audit Service Delivery.

- Co-Pilot Webinar

Institute of Internal Auditors (IIA)

- Data Analytics and Artificial Intelligence Forum – Monthly attendance
- Fraud Forum – How to use AI in internal audit teams

CIPFA Better Governance Forum webinars

- Winter Internal Audit Update 2026 – GIAS, root cause analysis, forming annual conclusions, key financial risks
- Governance Practitioners Update 2026 – governance changes, obtaining assurance, LGR implications

CIPFA Webinar

- The Procurement Act 2023 – Progress, Pitfalls and Practical Insights

East Midlands Risk Management Group

National Anti-Fraud Network (NAFN) Webinars

- None this cycle

NatWest Bank Webinar

- Fraud Unmasked

CIFAS Webinar

- Internal Threat webinar – How to protect your organisation from the threat within
- Failure to Prevent Fraud

Cabinet Office Webinar

- Freeport Risk and Counter Fraud Training

National Fraud Initiative

- Shaping the NFI Webinar

High Importance (HI) Recommendations at 28 February 2026

<u>Audit Title (Director)</u>	<u>Summary of HI Finding(s) and Recommendation(s)</u>	<u>Management Response</u>	<u>Action Date (by end of) & extensions</u>	<u>Confirmed Implemented/ No longer applicable</u>
Reported March 2026				
Children’s Placements and Payments Children & Family Services	<p>Service management informed us at the start of the audit about significant delays in issuing Individual Placement Agreements (IPAs) and the reasons behind them. For most cases in our audit sample, no IPA was in place. Other issues identified included: (i) IPAs issued late, (ii) IPAs not signed by all required parties, and (iii) IPAs sent to providers but not returned.</p> <p>Recommended that Individual IPAs should exist for all (non-internal) placements. Whilst the clearing of backlogs has been a priority in the past year, root cause analysis should guide the department towards longer-term solutions, e.g. process automation.</p>	<p>Agreed. Priority is to rectify backlog – proposed that work is split into two phases.</p> <p>Phase 1 – work with Business Support to address backlog and put in place measures to keep overdue IPAs to a minimal in short-term (i.e. no more than 2 weeks out of date).</p> <p>Phase 2 – to scope out a more sustainable way to keep on top of IPA issuing so that backlog greater than two weeks’ worth doesn’t recur – to consider resourcing; where responsibility sits; and review of existing process (including considering automation).</p>	May 2026 (Phase 1) and July 2026 (Phase 2)	
Safeguarding Adults & Communities Department	<p>The Business Intelligence dashboard includes KPIs showing how long adult safeguarding enquiries have been open (over or under 6 weeks). However, we found no reference to these KPIs in any local safeguarding processes or procedure notes.</p>	<p>Recommendations agreed</p> <p>In response to CQC and the Safeguarding internal audit, timescales have been factored into the guidance for each stage. The timescales are based on current Leicester, Leicestershire, and Rutland (LLR) multi-</p>	January 2026	Closed

	Recommended the internal Safeguarding Quality Practice Standards should be updated to include a clear timeframe for each step of the process and the rationale behind these timeframes. This should include clear timeframes for both the initial threshold decision and the completion of safeguarding enquiries.	agency policies and procedures and the best practice guidance shared by CQC on good and outstanding local authorities. Internal audit has reviewed the updated guidance and can confirm that appropriate time frames have been built into the guidance.		
Account Governance Review Consolidated Risk ((EMSS)	The audit found that administrators for one system required improved segregation of duties. Recommendations were made accordingly.	Controls have been put in place, verified by the auditors, to manage and mitigate this risk.		Closed
Reported November 2025				
Residential Settings Claiming for Deceased or Fictitious Residents Adults & Communities Department	Where financial support is provided by LCC, providers are contractually required to notify the Council within three days of a service user's death. While notifications were timely, only 40% of care packages were closed within three days; most were delayed by weeks and some months. The Transformation Unit is analysing overpayments to identify teams causing the majority of delays. Management should review the Transformation Unit's analysis to pinpoint areas or individuals responsible for delays and take targeted action to improve care package closure times.	Adult Social Care (ASC) has looked at the potential areas of delay and recognise that not all providers notify LCC at the point of a person's death. To address this, we have made plans to be communicating out to all providers a reminder of their duty and obligation to inform LCC asap post a person's death in their care through existing communication channels. Proposals are also being made to set up a review process to provide assurance that providers are doing this. The additional identification is that there is lack of clarity on who is responsible for the oversight and review of the deceased notifications once received in ASC. Moving forward to address this we will identify a temporary responsibility to review these	September 2025 Extend to January 2026 Extend to May 2026	

		reports on a quarterly basis to ensure performance improvement for the timeliness of processing them, pending a dedicated resource being appointed.		
Registrar's Audit Chief Executives Department	Although none of the recommendations individually scored as 'high importance,' together they reveal control design weaknesses that prevent full income reconciliation, creating sufficient risk to require prompt management action. Three recommendations were made to improve efficiency.	The integration of the payment system is being dealt with by LCC ICT – a new member of staff has been assigned to this task so that this work can be expedited. Extra cost implications for this work have been approved. We are hopeful that we can still meet the projected target of end of March. The modules which can be used without the finance integration have been installed and staff are currently being trained in how to use them.	September 2025 Extend to March 2026 Extend to April 2026	
Direct Payments Children & Family Services	Four HI recommendations were made: - 1. Robust monitoring of direct payments and associated spend should be introduced as a matter of priority. A range of minimum monitoring requirements were recommended. 2. Where it is feasible to do so, there should be a consistency of approach with regard to processes with both C&FS direct payments and A&C direct payments. Examples were given. 3. A range of exception reports should be developed by the Financial Operations Team (in dialogue with the department) that can be used to	All recommendations were agreed at the time of issuing the final report 20 March 2025 and short timeframes were set for implementing actions. Explanation for extending the implementation dates has been given in previous reports but largely surround issues with the card provider (PFS) and a temporary inability to provide the data required to the department. Now that PFS issues have (largely) been resolved, good progress is being made with each of the recommendations, as follows: - 1. Fin Ops have reintroduced the process with C&FS to monitor spend, and a range of transaction reports and high balances reports have recently been provided to the department for review	#1 Originally June 2025; Extend to May 2026 #2 Originally June 2025; Extend to May 2026 #3 Originally June 2025; Extend to May 2026 #4 Originally March 2025; Extend to May 2026	

	<p>review outliers and potential anomalies that might require priority attention. A number of examples were given.</p> <p>4. There should be a priority review of all C&FS direct payment card balances against the value of the direct payment to identify excess balances appropriate for claw-back.</p>	<p>and, where relevant, further action. A follow-up meeting has been arranged for 5th March 2026 to discuss any potential issues/misuse, e.g. surplus funds or ineligible spend requiring claw-back. This process will be implemented as BAU.</p> <p>2. The processes for A&C and C&FS will be aligned where appropriate to do so i.e. PFS reports and alerts. This is being actioned but there remain a handful of issues with the PFS reporting suite that are the subject of current and ongoing dialogue between PFS and FinOps with the intended outcome of PFS fully resolving issues regarding reporting and alerts.</p> <p>3. As 1 (above) exception reports are now provided to C&FS for review and action and these will be further supplemented with PFS alerts, once fully functional. This process will be implemented as BAU.</p> <p>4. As 1 (above), Fin Ops have reintroduced the process with C&FS to monitor potential surplus funds, and a follow-up meeting has been arranged for 5th March 2026 to discuss any potential clawbacks of high balances – this process will be implemented as BAU.</p>		
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<p>Emergency Payments (Section 17 and 24 Payments)</p> <p>Children & Family Services</p>	<p>We could not test Section 24 payments as the Tracker spreadsheet has not yet been set up. Consequently, we cannot provide assurance that these payments were eligible or supported by evidence.</p> <p>It is essential to establish a Tracker spreadsheet similar to that used for Section 17 payments without delay, to record Section 24 payments and include approval details.</p>	<p>Process replication of Section 24 payments in terms of standards that outline eligibility, approval process and guide on maximum spend has now gone live. Dashboards are also in place. Internal Audit due to review.</p> <p>Internal audit has now reviewed the standards which incorporate Section 24 payments. A sample of payments were selected for audit testing. We can confirm that payments made were eligible and approved appropriately. Furthermore, the Dashboard, provides regular information to management on Section 24 expenditure.</p>	<p>August 2025.</p> <p>Extend to December 2025</p>	<p>Closed</p>
<p>SEN Assessments</p> <p>Children & Family Services</p>	<p>Only 10% of Education, Health and Care Plans (EHCPs) were issued within the statutory guidance timescale of 20 weeks. Our testing of a small sample indicated it was taking an average of 50 weeks from initiation to issuing EHCPs.</p> <p>Recommended that new plans should be finalised and issued within 20 weeks of being approved by Panel, as per statutory guidance.</p>	<p>February update:</p> <p>Target achieved, EHCPs issued now within 20 weeks since start of the year and backlog has been cleared. Management provided performance data from dashboard to substantiate position.</p>	<p>August 2026</p>	<p>Closed</p>

<p>Business Travel Documents</p> <p>(Consolidated Risk)</p>	<p>Two HI recommendations were made:</p> <p>Comms to be issued asking staff to submit vehicle documentation and for managers to check them and input them onto Oracle per the procedures (with priority being given to those who drive the most and departmental compliance targets).</p> <p>Subject matter experts from Health and Safety, Insurance, Legal Services and People Services should decide consistent approach regarding any issues of non-compliance</p>	<p>Agreed</p> <p>Evidence received of comms regarding policy and procedure sent to staff being adequately addressed</p> <p>System enhancements have not been developed; however Internal Audit has provided a workaround solution for People Services to consider for monitoring compliance against the policy. Current management information indicates a low rate of compliance.</p>	<p>#1 July 2025 – extend to January 2026</p> <p>#2 - January 2026</p> <p>Extend to May 2026</p>	<p>Closed</p>
<p>Identification, Knowledge and Prioritisation of Business Applications</p> <p>(Consolidated risk)</p>	<p>The process for identification and prioritisation of business applications should be established and documented. Further guidance should also be provided to Service Areas where required.</p>	<p>An Application Prioritisation Policy document is now in place detailing the process for the identification and prioritisation of business applications. This will be part of an addendum within the Business Continuity Management Policy as agreed with the Business Continuity Team. The Application Prioritisation Policy was signed off by the Assistant Director – IT, Communications & Digital, Commercial and Customer Services on 11 December 2025.</p>	<p>December 2025</p>	<p>Closed</p>
<p>Business Continuity Plans</p> <p>(Consolidated risk)</p>	<p>Four HI risk recommendations were made:</p> <p>1.A review should be undertaken to assess LCC’s current insurance requirements to make sure that adequate cover in place in the event of a major incident.</p>	<p>February updates</p> <p>1.A proposal from the Council’s broker for forensic accounting support to review loss incidents at County Hall and a waste site is being assessed. A decision to proceed is expected before the Committee meets. The review will take up to 12 weeks, allowing any changes to business interruption cover to be made ahead of annual renewals.</p>	<p>March 2026</p> <p>Extend to June 2026.</p>	

	<p>2.A review should be undertaken to ensure all critical service areas have completed the revised Business Continuity Planning template to ensure that the Business Impact Assessment is completed.</p> <p>3.Departmental BCP's should be reviewed and updated and a copy securely filed off site.</p> <p>4.A process should be implemented to monitor whether BC plans have been tested or not and whether the plans are fit for purpose. Where plans have not been tested, plan owners should be encouraged and supported to undertake the tests.</p>	<p>2. Following on from the last report all of the Public Health, Law and Governance and E&T plans have now had their capability assessments completed, with very little follow up. This means the review of Corporate Resources Tier 1 Critical BC plans can be started early (originally due to be started in April). Following successful completion of CR plans the two care directorates plans will be reviewed.</p> <p>3. All plan owners are recommended to store a copy of their BC plans on Resilience Direct (RD) which is secure government data base used by all emergency services and responders. At the next review date of the BC policy the wording will be changed from recommended to store on RD to required to store on RD. Once this change has been completed an audit will be undertaken to ensure that all plans are stored on RD.</p> <p>4. There is still work to be undertaken regarding testing of plans and the BC officer responsible for project is considering how this may be achieved however, testing of plans does sit with directorates and plan owners. It is worth noting that in the IT outage of October '25 virtually all team plans were used primarily for call cascading for teams.</p>	<p>Two-year programme of work. Target completion date is July 2027. Updates will be provided at the appropriate time to Committee</p> <p>As above – updates will be provided at the appropriate time to Committee</p> <p>As above – updates will be provided at the appropriate time to Committee</p>	
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Reported March 2025				
City Council Coroner & Recharges Chief Executives Department	One HI recommendation was made to draw up and agree a service level agreement (SLA) and associated content	Still awaiting final approval and sign off from Leicester City Council.	March 2025 November 2025 Extend to April 2026	
Direct Payments Adults & Communities	Three HI recommendations were made: - An annual review of DP cards with cash withdrawals “switched on” should be undertaken to ensure there remains a good reason to continue to allow them. Annual reviews, including a review of direct payments should be undertaken on a timely basis, to ensure that the needs of service users are met and that the level of direct payment remains appropriate to meet those needs. Action taken on excess balances should be reviewed and balances clawed back as appropriate. Managerial oversight should be introduced to ensure prompt action is taken.	February update 1. In early February 2026, 127 DP recipients who use nominated bank accounts (i.e. they don’t have a DP card) were contacted, requesting 12 months of bank statements. Once received, potential surplus funds and spend will be reviewed and followed up with recipients including promoting DP cards. Bank statements are being sent to LCC for processing, and with year-end approaching, the ATM cash-withdrawal review is planned for April/May 2026. Progress and figures will be tracked for reporting 2. 31% of Direct Payment care and support plan reviews are overdue (up from 24% in March 2025). To address this,	July 2025 March 2026 Extend to April 2026	

		<p>additional staff joined the A&C Direct Payment Support Team in January 2026. Their focus is delivering a programme of DP Card Financial Reviews across all account types (PFS, nominated, third-party). Over the next two years, all DP accounts will receive at least one standalone financial review, with the aim of establishing an annual 12-month review cycle.</p> <p>3. Surplus fund reporting restarted in September 2025 after a July–August pause caused by PFS issues. Reports now separate cases with and without an allocated worker, with managers copied in and reminded by an Assistant Director to act. TU work includes designing automated reporting. Also recently recruited four staff who will focus on unallocated cases.</p>		
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CORPORATE GOVERNANCE COMMITTEE – 27 MARCH 2026

REPORT OF THE DIRECTOR OF CORPORATE RESOURCES

INTERNAL AUDIT SERVICE – ANNUAL PLAN 2026-27

Purpose of Report

1. The purpose of this report is to present the Internal Audit Plan for 2026-27 for approval by the Committee

Background

2. A requirement of the Global Internal Audit Standards (UK public sector) is that a Chief Audit Executive (at Leicestershire County Council this is the Head of Internal Audit Service (HoIAS)), must prepare at the organisation level an overall conclusion encompassing governance, risk management and control at least annually in support of wider governance reporting, mindful of any specific sector obligations or processes. In order to form the conclusion, the HoIAS creates an internal audit plan that supports the achievement of the Council's objectives. The scope of internal audit work needs to be wide.
3. Under the County Council's Constitution, the Corporate Governance Committee (the Committee) is required to monitor the adequacy and effectiveness of the system of internal audit, with a specific function to consider Internal Audit Plans. Internal audit is an essential component of the Council's corporate governance and assurance framework.
4. Since 2024-25 a more structured needs assessment model has been used to inform the Internal Audit plan. The model determines which audits take priority, how often they're undertaken and allows for tracking in year changes and movements, and whether they should be afforded higher priority over 'originally' planned audits. This provides better assurance that scarce internal audit resource is being targeted to the highest priority areas
5. A baseline annual plan for 2024-25 (year 1), and the start point of regular/continuous update of the risk model, was agreed by the Committee on 16 September 2024. The 2026-27 plan is year 3 of the sequence.

The Internal Audit Plan 2026-27

6. The HoIAS has revised the resource model, including plans to recruit two vacancies by June with agency support in the interim. A third vacancy will be reviewed over the summer. Risks include limited availability of skilled applicants and hesitation linked to Local Government Reorganisation. Other, and factors such as unplanned leavers and long-term absences. A planned service redesign and new internal audit standards are also impacting the model. A small unallocated contingency has been retained.
7. A summary of how the County Council audit plan for 2026-27 (including audits relating to EMSS), is constructed follows (figures in days): -

	2026-27	2025-26
Net resource available	1,362	1,485
Resource allocated		
LCC audits (including contingency)	1,050	1,140
Counter Fraud (proactive & advisory, policies & procedures)	45	45
EMSS audits (reports, HoIA annual report/opinion, external auditor)	10	10
Sub-total LCC IA & CF and EMSS	1,105	1,195
Planning, allocation & reporting	80	81
Servicing the Committee & Advising Officers ¹	64	102
Developing the IA and CF Service	89	77
LCC Corporate requirements	24	30
Sub-total managing LCC IA & CF function	257	290
Total allocated to LCC IA & CF and EMSS	1,362	1,485
LCoCG, AGS, Risk Management & Insurance ²	100	80

¹ The HoIAS provides proactive and reactive advice, guidance and insight on all matters of governance, risk management and internal control.

² Separately from audit and counter-fraud work, a further 80 days are allocated for the HoIAS to oversee and report to the Committee on the Local Code of Corporate Governance, the Annual Governance Statement, corporate risk management and the Insurance Service. This supports the HoIAS in forming his overall conclusion on the Council's control environment, due in June 2026.

8. On today's agenda the HoIAS has provided an update on the 'progress against plan 2025-26'. The report explains that at the end of February 2026 due to a variety of reasons there are a number of planned audits that haven't started. The starting point for the 2026-27 plan was to ascertain whether the risks relating to not conducting those audits still exists and if so, how they compare against planned audits for year 3 and audits identified as new/emerging risks.
9. Directors were requested to review the audits assigned to their departments and there is still some follow up to conclude this exercise.
10. A provisional audit plan for 2026–27 is provided in Appendix 1. Audits that contain 'Operation' in their title are investigations. The total resource available for County Council audit work is 1,050 days, including 166 days of contingency. Additional allowances include 10 days for reviewing EMSS audit activity (undertaken by Nottingham City Council) and 45 days for proactive counter-fraud work. This brings the total planned audit and counter-fraud days to 1,105. All day allocations are indicative and may change as the year progresses.
11. The plan can be further analysed by departments (below) and by type: -

<u>By department</u>	<u>Days</u>
Adults & Communities	100.5
Children & Family Services	103.5
Consolidated Risk ¹	474.0
Corporate Resources	111.5
Environment & Transportation	61.0
Public Health, Law & Governance ²	33.5
<u>Total specific LCC audits</u>	<u>884.0</u>
Contingency	166.0
<u>Total audit time</u>	<u>1,050.0</u>
Counter Fraud (proactive)	45.0
EMSS (NCCIA)	10.0
<u>Total relevant to LCC</u>	<u>1,105.0</u>

¹ Consolidated risk is an internal term used to define audits that cross departmental boundaries. This largely relates to audits involving financial, IT and HR policies and processes.

² This is the former Chief Executive's and Public Health departments which are now merged, but the detailed plan in the appendix refers to the former departments.

<u>By type</u>	<u>Days</u>
Annual	201.0
Deferred into 2026-27	37.5
Follow up current HI rec's	18.0
In progress at 28 February	122.5
New audits	163.0
Due from original 3 year plan	342.0
<u>Total specific LCC audits</u>	<u>884.0</u>

12. 257 days has been estimated to manage the LCC Internal Audit & Counter Fraud function so bringing the total resource allocation to 1,362 days (123 days less than for 2025-26). The number of projected audit days will increase if vacancies are filled quicker than planned and if some overheads aren't incurred as projected.
13. Though the plan is compiled and presented as a plan of work, it must be recognised that it will only be a statement of intent, and there is a need for flexibility to review and adjust it as necessary in response to changes in the Council's business, risks, operations, programs, systems, and controls. The plan can vary very quickly and may need to be adjusted if resources change, or unplanned work arises for instance.
14. The plan includes a contingency to include emerging risks and issues. This will be monitored through the year and amendments made to the plan as and when required.
15. Resource allocation and progress will be reviewed quarterly with the Assistant Director (Finance, Transformation and Commissioning) and requests for deferrals will be considered before reporting to CMT and the Committee.

Performance Measures and Targets

16. The HoIAS uses a range of measures to support the measurement and management of performance. These are chosen to support the delivery of our strategy.

<u>Measures</u>	<u>Targets</u>
Service delivery	<ul style="list-style-type: none"> • Annual audit plan to be agreed by CMT and the Committee by 31 March for the following year. • Annual report and conclusion to be delivered by 30 June each year. • 90% of audits in the Plan (as adjusted) to be delivered to at least draft report stage by 31 May each year

Stakeholder satisfaction	Post audit questionnaires to clients score key elements of the audit. Target = 85% satisfaction.
Professional standards	<ul style="list-style-type: none"> • Annually - Conform to the Global Internal Audit Standards (UK public sector) • Five yearly – attain a positive independent External Quality Assessment
Training and Development	<p>Complete annually: -</p> <ul style="list-style-type: none"> • All corporate mandatory training • Training identified through the Annual Performance Review • Ethics training/refresher declarations • Any additional training identified through the GIAS (UK public sector) • Continue drive to develop use of AI and data analytics

Resource implications

17. The resource plan contains three vacancies which will temporarily be filled by agency appointments pending any full-time recruitment or use of the respective budget to assist service redesign.
18. Considerable time continues to be spent implementing the requirements of the new Global Internal Audit Standards and training which impacts a small team.

Equality and Human Rights Implications

19. None

Recommendations

20. The provisional Internal Audit Annual Plan 2026-27 be approved

Background Papers

The Constitution of Leicestershire County Council

Circulation under the Local Issues Alert Procedure

None.

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Appendices

Appendix 1

Provisional Internal Audit Plan 2026-27

<u>Dept</u>	<u>Audit area/Internal Audit Work Identified</u>	<u>Actual plan</u>	<u>Status @ 28/2/26</u>	<u>Days needed 26/27</u>
A&C	Disabled Facilities Grant	Annual	Annual	2
A&C	Residential settings claiming for deceased or fictitious residents - Follow up of High Importance recommendations	Follow up	Follow up	1.0
A&C	Direct Payments - Follow up of High Importance recommendations	Follow up	Follow up	3
A&C	Operation Galveston	Added to Yr2	In progress	0.5
A&C	Counter Fraud - Mortality Screening Service - 6 monthly	New	New	5
A&C	Connect to Work Funding	New	New	5
A&C	Assisted Technology	New	New	12
A&C	System C - AI Needs Assessments	New	New	12
A&C	Procurement – Home Care for Leicestershire	Yr2	Yr2	12
A&C	Homecare - delivery	Yr2	Yr2	12
A&C	Fee Review Implementation - Residential	Yr3	Yr3	12
A&C	Deprivation of liberty standards - Adults	Yr3	Yr3	12
A&C	External Inspections - follow up of recommendations	Yr3	Yr3	12
C&FS	Basic need grant determination	Annual	Annual	4

<u>Dept</u>	<u>Audit area/Internal Audit Work Identified</u>	<u>Actual plan</u>	<u>Status @ 28/2/26</u>	<u>Days needed 26/27</u>
C&FS	Maintained school audits - balance	Annual	Annual	0
C&FS	Commissioning Service QA process including KPIs, ICMs and Quality Framework	Yr1	Deferred	0
C&FS	Learning Disabilities Transitions - from Children's Complex Care to Adults Childrens Social Care Placements & Payments - Follow up of High Importance	Yr2	Deferred	10
C&FS	recommendations	Follow up	Follow up	2
C&FS	Direct Payments - Follow-up of High Importance recommendations	Follow up	Follow up	3
C&FS	Maintained Schools' – Themed Audit – Deficit Budgets - Follow up of High Importance recommendations	Follow up	Follow up	1
C&FS	SEN payments	Yr1	In progress	4
C&FS	Fostering & Adoption	Yr1	In progress	4
C&FS	Operation Jacksonville	Added to Yr2	In progress	0.5
C&FS	Maintained Schools' – Themed Audit - Bankline	Yr1	In progress	5
C&FS	Maintained Schools' – Themed Audit - tbc	Annual	Annual	10
C&FS	Fair Pricing and Care Cubed Tool	New	New	12
C&FS	SEN Transport	Yr1	Yr1	12
C&FS	Early Years Funding	Yr3	Yr3	12

<u>Dept</u>	<u>Audit area/Internal Audit Work Identified</u>	<u>Actual plan</u>	<u>Status @ 28/2/26</u>	<u>Days needed 26/27</u>
C&FS	Reporting & data management for statutory requirements	Yr3	Yr3	12
C&FS	Children's Residential Project	Yr3	Yr2	12
CEx	Developer contributions - s106 and s278	Yr1	Deferred	7.5
CEx	Registrars - Follow up of High Importance Recommendations	Follow up	Follow up	1
CEx	City Council & Recharges (Coroners) - Follow up of High Importance Recommendations	Follow up	Follow up	0.5
CEx	Members Code of Conduct	New	New	12
Con				
Risk	Public Services Network (PSN) Accreditation & Associated Remedial Action	Annual	Annual	5
Con				
Risk	Risk Management	Annual	Annual	20
Con				
Risk	Assurance Mapping - Map Out Key Assurances	Annual	Annual	20
Con				
Risk	Follow up Recommendations - Balance	Annual	Annual	40
Con				
Risk	Floor Walks	Annual	Annual	5
Con				
Risk	Key ICT Controls	Annual	Annual	12
Con				
Risk	Addressing External Auditor Control Weakness Recommendations	Annual	Annual	5
Con				
Risk	Key feeder systems	Annual	Annual	12

<u>Dept</u>	<u>Audit area/Internal Audit Work Identified</u>	<u>Actual plan</u>	<u>Status @ 28/2/26</u>	<u>Days needed 26/27</u>
Con				
Risk	Major ICT Projects - highlight reports	Annual	Annual	12
Con				
Risk	Workforce Planning (including succession planning)	Yr2	Deferred	8
Con				
Risk	Equalities & Human Rights	Yr2	Deferred	12
Con				
Risk	Business Travel Document Checks – Follow Up of High Importance Recommendations	Follow up	Follow up	1
Con				
Risk	Business Continuity Plans - Follow Up of High Importance Recommendations	Follow up	Follow up	5
Con				
Risk	Counter Fraud NFI	Yr1	In progress	16
Con				
Risk	Freeport Accountable Body arrangements	Yr1	In progress	2
Con				
Risk	ICT Policies and Processes & attend groups	Annual	In progress	12
Con				
Risk	Local Government Reorganisation	Added to Yr2	In progress	20
Con				
Risk	Cyber Security	Annual	In progress	12
Con				
Risk	Records Management - Continuous Audit (Floor Walks)	Added to Yr2	In progress	2
Con				
Risk	Responsible Payment - Review of Higher-Risk Clients	Added to Yr3	In progress	15
Con				
Risk	Data Protection	Yr1	In progress	8
Con				
Risk	Prevent Duty - Venue Hire	Added to Yr2	In progress	2

<u>Dept</u>	<u>Audit area/Internal Audit Work Identified</u>	<u>Actual plan</u>	<u>Status @ 28/2/26</u>	<u>Days needed 26/27</u>
Con				
Risk	Declarations - Gifts & Hospitality and Conflicts	Yr1	In progress	2
Con				
Risk	Procurement – Post-Contract Award Stage - Prompt Payment of Supply Chains	Yr1	In progress	4
Con				
Risk	Procurement Challenges – At Tendering and Contract Award Stage	Yr1	In progress	4
Con				
Risk	Bid Rigging	Yr2	In progress	3
Con				
Risk	Irregular Employee Tax Codes	New	New	6
Con				
Risk	Data Analytics within Key Systems	New	New	12
Con				
Risk	Cyber related work for specific application e.g. LAS & Mosiac, Synergy etc	New	New	12
Con				
Risk	AI Deployment in systems	New	New	12
Con				
Risk	AI Deployment - Governance	New	New	12
Con				
Risk	Replacement of Wisdom EDRMS to LAS	New	New	5
Con				
Risk	Investing in Leicestershire Properties Programme	Yr1	Yr1	12
Con				
Risk	Capital Strategy/Programme	Yr1	Yr1	12
Con				
Risk	Self-Assessment against CIPFA Code of Practice - Managing the Risk of Fraud & Corruption	Yr1	Yr1	2
Con				
Risk	Recruitment & Retention	Yr2	Yr2	12

<u>Dept</u>	<u>Audit area/Internal Audit Work Identified</u>	<u>Actual plan</u>	<u>Status @ 28/2/26</u>	<u>Days needed 26/27</u>
Con				
Risk	Corporate Asset Management Plan (inc Asset Valuations)	Yr2	Yr2	12
Con				
Risk	Workforce Wellbeing	Yr3	Yr3	12
Con				
Risk	Insider Fraud/Employee Fraud	Yr3	Yr3	12
Con				
Risk	On-Line Payments to LCC - General Invoices	Yr3	Yr3	12
Con				
Risk	Payment Card Industry (PCI) Standards - Compliance	Yr3	Yr3	12
Con	Workforce Performance Management (including conduct and Disciplinary Action &			
Risk	Development)	Yr3	Yr3	12
Con				
Risk	Management of Change (inc. Business Cases) - Newton recommendations	Yr3	Yr3	10
Con				
Risk	Service planning	Yr3	Yr3	12
Con				
Risk	Declaration of Third Party Related Transactions	Yr3	Yr3	12
Con				
Risk	Whistle Blowing Procedures	Yr3	Yr3	12
Cor				
Res	Information Security Risk Assessments - balance	Annual	Annual	20
Cor				
Res	Public Services Network	Annual	Annual	5
Cor				
Res	IT Policies & Associated Governance Groups	Annual	Annual	5
Cor				
Res	Financial Controls Group	Annual	Annual	12

Provisional Internal Audit Annual Plan 2026-27

Appendix 1

<u>Dept</u>	<u>Audit area/Internal Audit Work Identified</u>	<u>Actual plan</u>	<u>Status @ 28/2/26</u>	<u>Days needed 26/27</u>
Cor				
Res	Operation Houston	Added to Yr2	In progress	0.5
Cor				
Res	Contract awards to specific single supplier	Yr2	In progress	5
Cor				
Res	School Meals dissolution plan & actions	New	New	5
Cor				
Res	Inspired Energy - Contract Monitoring	New	New	12
Cor				
Res	Replacement of Wisdom EDRMS to Oracle	New	New	5
Cor				
Res	Construction & Design Management Regulations - Adherence	Yr2	Yr2	12
Cor				
Res	Debt collection and write off - revised process	Yr2	Yr2	12
Cor				
Res	Fraud Risk Assessment	Yr3	Yr3	6
Cor				
Res	Hardware & Software Assets	Yr3	Yr3	12
E&T	Operation Raleigh	Added to Yr2	In progress	0.5
E&T	Operation Sacramento	Added to Yr2	In progress	0.5
E&T	MTC System - Assisted Transport	New	New	12
E&T	Local Transport Consolidated Funding - revised assurance requirements	Annual	Annual	12
E&T	Council's Environment Strategy and Action Plan	Yr1	Yr1	0

<u>Dept</u>	<u>Audit area/Internal Audit Work Identified</u>	<u>Actual plan</u>	<u>Status @ 28/2/26</u>	<u>Days needed 26/27</u>
E&T	Carbon Reduction Targets	Yr1	Yr1	0
E&T	Climate change and carbon emissions	Yr1	Yr1	0
E&T	Midlands Highways Alliance	Yr3	Yr3	12
E&T	Blue badges / concessionary travel passes / parking permits	Yr3	Yr3	12
E&T	LHO fuel stock, and security of fuel	Yr3	Yr3	12
PH	Operation Bombardier (2020/21)	Follow up	Follow up	0.5
PH	Crisis & Resilience Fund	New	New	12
Total				884.0
Contingency to include emerging risks and issues				166.0
Total Days available				1050.0



CORPORATE GOVERNANCE COMMITTEE – 27 MARCH 2026

REPORT OF THE DIRECTOR OF CORPORATE RESOURCES

RISK MANAGEMENT UPDATE

Purpose of the Report

1. One of the roles of the Corporate Governance Committee (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. This report covers:
 - The Corporate Risk Register (CRR) – updates on risks
 - Emerging risks
 - Iran war
 - Local Government Reorganisation (update)
 - Internal audit of the Council's risk management processes

Corporate Risk Register (CRR)

2. Within the County Council's Constitution (revised November 2025), the Terms of Reference at Section 2: Governance and Risk places a responsibility on the Committee 'To review and monitor the effective development and operation of risk management in the Council including the Council's risk management framework'.
3. The Council maintains Departmental Risk Registers and a Corporate Risk Register (CRR). These registers contain the most significant risks which the Council is managing, and which are 'owned' by Directors and Assistant Directors.
4. The CRR is designed to capture strategic risk that applies either corporately or to specific departments, which by its nature usually has a longer time span. The CRR is a working document and therefore assurance can be provided that, through timetabled review, high/red risks will be added to the CRR as necessary. Equally, as further mitigation actions come to fruition and current controls are embedded, the risk scores will be reassessed, and this will result in some risks being removed from the CRR and managed within the relevant departmental risk register.
5. Updates to the current risks on the CRR (last presented in full to the Committee on 24 November 2025), are shown in **Appendix A**. Corporate risks reflect the

Council's Strategic Plan (2022-26), which was approved by the County Council on 18 May 2022 and refreshed for 2024-26.

Risks which have been removed in the last two years, and a brief reminder of the risk scoring process are at the end of the appendix.

Movements since the CRR was last presented in full are detailed below: -

Risks added

Children & Family Services

6. **1.15 - If there is insufficient DfE capital funding, then the Council could fail to meet its place planning requirements including SEND**

Rationale: The Council depends on DfE capital funding to provide sufficient school places, including for SEND pupils. If funding is inadequate, the Council may be unable to create or adapt places to meet statutory sufficiency duties, leading to unmet demand, pressure on existing provision, increased costs, greater use of out-of-area placements, and potential non-compliance.

Note: there is brief mention of the issue of capital funding with schools within the Economic Growth risk (1.12) but nowhere near as detailed as the C&FS description

7. **1.16 - If maintained Primary Schools submit significant licensed deficit budgets over time creating a financial burden for the Council; then individual schools may fail.**

Rationale: The Council must oversee the financial sustainability of maintained schools. Ongoing or significant licensed deficits in Primary Schools increase the Council's financial exposure. If these deficits grow or become unmanageable, schools may become financially unsustainable, leading to potential closure, disruption to pupils, and additional intervention costs for the Council.

Risk re-defined

Environment & Transport (E&T) & Children & Family Services (C&FS)

8. **4.5 - From:** If Special Educational Needs Assessments are delayed and Education Health and Care Plans are not issued on time with appropriate school placements for children identified, Transport Operations could fail to provide a timely statutory service.

4.5 - To: If demand for bespoke placements for children and young people with EHCPs continues to rise, then the current E&T Transport Policy could become unsustainable and will need to be revised in order to avoid significant risks to finance, policy, operation, and public perception.

Rationale: Considerable progress has been made in reducing C&FS backlogs and the emphasis on the risk has changed. Further details are contained in Appendix A.

Presentation

9. A presentation will be provided on the emerging risk of the significant increase in demand for reactive highway maintenance repair work to address the highest ever levels of road defects E&T has seen over a winter season. This is having significant implications on service levels, ongoing condition of the highway network and budgets.

Emerging risks

Iran war

10. E&T is seeing risks and issues emerging from the Iran conflict in increasing cost of fuel which will significantly impact highways, transport and waste operations putting strain on budgets as well as indications that certain products will not only be more expensive but may become difficult to procure, for example oil based bitumen is a key component of our surface dressing programme carried out March to September. If E&T cannot deliver its programme of works, the road network condition will further deteriorate.
11. Should the increases in oil and gas prices be sustained there are wider risks and issues emerging to the Council around: -
 - a. Oil and gas both in terms of soaring prices and availability which could affect: -
 - i. Community hardship leading to increased demand for welfare and social care support and impacts on financial assessments.
 - ii. Cost of service provision, particularly social care and capital projects, with requests for support to cover rising cost of living.
 - iii. Mileage reimbursement costs for when staff use their cars for essential visits, including visiting children placed out of county and facilitating contact for children in care with birth family members.

The Council will receive some Government support through the Crisis Resilience Fund from April to support low-income households with the increase in the cost of heating oil.

- b. Although there has been no request for humanitarian assistance this cannot be ruled out the longer the war goes on, for example, if there are British nationals that will require evacuation and assistance.

Local Government Reorganisation (update)

12. The Council submitted its proposal on the specified date (28 November 2025) to bring together Leicestershire and Rutland under a single council. The proposal avoids the need to split up boundaries and services and aims to empower communities, reinvest money into frontline services and preserve heritage.
13. Before any Local Government Reorganisation (LGR) can be implemented, by law the Government must first consult. On 5 February 2026 the Government launched a statutory consultation asking residents, businesses, public sector organisations and other bodies for their views on each of the three different LGR proposals put forward for Leicester, Leicestershire and Rutland. The County Council has used organic social media posts and information on its website to signpost people to the Government's dedicated consultation web page for Leicestershire, Leicester and Rutland and is encouraging the public to respond to the consultation which closes on 26 March.
14. In addition to the statutory consultation invite, MHCLG also engaged in conversations with officers to understand key points in the proposal and any views on the other submissions
15. The Council is engaging with colleagues from the City, Rutland and district councils to establish the governance and working group structures to commence implementation activity. This will utilise existing arrangements where possible. To support implementation a Leicestershire LGR Lead will be appointed to work across all impacted councils to co-ordinate activity.

Internal audit of risk management process

16. A recent internal audit of the Council's risk management processes was undertaken by an agency member of staff who had previous experiences of auditing risk management arrangements in Welsh councils. Being an agency staff, with no long term commitment to the Council the auditor was considered sufficiently independent and objective to form a rounded conclusion.
17. The audit returned substantial assurance with an overall conclusion that the Council's risk management framework is broadly effective, with 14 medium-priority actions required to improve consistency, governance clarity, and operational maturity.
18. The proposed actions will be reviewed with the Assistant Director (Finance, Strategic Property & Commissioning) and any material changes will be reported to a future meeting of the Committee.

Recommendations

It is recommended that the Committee:

- a. Approves the status of the corporate and strategic risks facing the County Council.

- b. Makes recommendations on any areas which might benefit from further examination.
- c. Notes the emerging risks on the Iran war and the update on Local Government Reorganisation
- d. Notes the outcome of the internal audit of the Council's risk management processes

Resources Implications

None.

Equality and Human Rights Implications

None.

Circulation under the Local Issues Alert Procedure

None.

Background Papers

Reports of the Director of Corporate Resources – 'Risk Management Update' – Corporate Governance Committee, 20 May, 16 September and 6 December 2024, 24 January, 31 March, 23 June, 19 September and 24 November 2025 and 23 January 2026.

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Corporate Resources Department,



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


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
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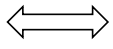
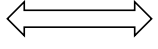
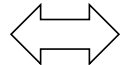
Appendix A - Corporate Risk Register Update (February/March 2026)

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CRR Risk No.	Dept	Risk Description	Current Risk Score			*Target Risk Score			Update February/March 2026	** Direction of Travel (Residual Risk Score over the next 12 months)
			Impact	Like lihood	Risk Score	Impact	Like lihood	Risk Score		
1. Medium Term Financial Strategy										
1.1	ALL	If we fail to deliver the MTFS savings, have an unexpected loss in income and /or fail to control demand and cost pressures then this will put the Council's financial sustainability at risk with major implications for service delivery.	5	5	25	5	3	15	<p>The Council has an MTFS gap of circa £85m, and a budget approved for 2026/27 with a gap of £15m, to be funded from reserves. The Fair Funding and Spending Reviews have marginally increased the level of funding the Council receives, but it remains one of the lowest funding Councils in the country.</p> <p>The Council's High Needs Deficit remains a significant risk. Whilst the government has announced that it will fund 90% of SEND deficits as at 31st March 2026, that is subject to submission and approval of a SEND Reform Plan to DFE. There is no clarity on how deficits built up from 1st April 2026 will be funded.</p> <p>The Council has commissioned an external efficiency review to review its current cost base and identify further opportunities for savings and increased income. The review is due to complete in early March and the savings identified so far have been included in the revised MTFS which was approved by Cabinet and Council in February.</p> <p>A&C</p> <p>The Direct Payment card supplier issue experienced earlier in the financial year is resolved and excess, surplus balances are being recovered, however a shortfall is likely to remain within this financial year to be recovered in 26-27.</p> <p>The Integrated Care Board (ICB) is actively working to manage their financial commitment including Continuing Health Care, joint funding and Section 117 funding agreements. ASC have a dedicated team to work with the ICB commissioned team completing their reviews.</p>	 <p>Expected to remain high/red</p>
1.5	C&FS	Children's Social Care IF the number and type of high-cost social care placements (e.g. external fostering, residential and 16+ supported accommodation) increases (especially in relation to behavioural and CSE issues) THEN there may be significant pressures on the Children's Social Care placement budget, which funds the care of vulnerable children.	5	4 (decrease from 5)	20	4	4	16	<p>3 young people have been placed in welfare secure. These placements are expensive.</p> <p>On a positive note actions to review additional staffing for children in residential care has seen some decrease from £120k to £50k. £50k has been a standard level for the past few months</p> <p>Work that is being done around costs increases in volume and expensive costs, average costs for residential placements is plateauing. Growth predictions for MTFS has been revised based on this.</p> <p>Fee uplift process is being done again, proactive reviews taken place, residential step downs (smarter commissioning workstream in MTFS) this is keeping the average unit costs stable</p>	 <p>Expected to remain high/red</p>

CRR Risk No.	Dept	Risk Description	Current Risk Score			*Target Risk Score			Update February/March 2026	** Direction of Travel (Residual Risk Score over the next 12 months)
			Impact	Like lihood	Risk Score	Impact	Like lihood	Risk Score		
1.6	C&FS	Special Educational Needs IF demand for and the complexity of Education Health and Care Plans (EHCP) continues to rise, and corrective action is not taken, there is a risk that the high needs block budget deficit will continue to increase and create a significant burden on the Council.	5	5	25	4	4	16	6 priority actions/areas have been identified and delivery plans are being developed.	 Expected to remain high/red
1.9	ALL	If the immigration status of refugees and asylum seekers (including unaccompanied asylum-seeking children (UASC)) who arrive in the County is not resolved, then the Council will have to meet additional long-term funding in relation to its housing and care duties, with the biggest cost and staffing impacts on C&FS.	4	4	16	4	3	12	No change in terms of impact or the score. Whilst there is a lot of political national noise, none of it is within the Council's control or influence.	 Expected to remain high/red
1.12	E&T	If housing and economic growth across Leicester and Leicestershire is not properly planned with effective funding mechanisms for essential infrastructure, services such as education, transport, waste, and libraries may not be delivered. This could lead to unsustainable development and harm existing communities. Where statutory duties like education or road safety are affected, the financial and delivery burden may fall on the County Council, exceeding current funding capacity.	5	4	20	4	3	12	The Council is seeking to introduce a coordinated risk management strategy to reduce the potential gap in services if development does not sufficiently contribute to the delivery of necessary infrastructure. This strategy will be developed across the relevant services and in the short to medium term includes: - * Ensuring robust responses to local plan consultations that provide a sound policy basis for seeking appropriate contributions and sufficient funding mechanisms such as CIL. * Reviewing and consulting on an updated developer contributions strategy * Clear prioritisation of infrastructure and developer contribution requirements to manage impact of viability shortfall on developments * Seeking delivery of key infrastructure through condition rather than s.106 wherever possible. * Further actions as identified through the work of the Growth Service In the longer-term opportunities to reduce conflict and maximise the extent to which development is delivered effectively and sustainably include LGR and the development of an Spatial Development Strategy. The Council will seek to prepare for these opportunities as far as possible in advance working effectively with partners and stakeholders. For schools, as well as a risk of insufficient developer contributions, the gap between capital allocation and sufficiency in school places (including SEND) is significant. Matter is going to challenge capital funding allocation.	 Expected to move to medium/amber




CRR Risk No.	Dept	Risk Description	Current Risk Score			*Target Risk Score			Update February/March 2026	** Direction of Travel (Residual Risk Score over the next 12 months)
			Impact	Like lihood	Risk Score	Impact	Like lihood	Risk Score		
1.13	C&FS	If suitable placements are unavailable for UASC (unaccompanied asylum-seeking children) who arrive in the County, either planned or unplanned, then there will be significant pressures meeting the department's statutory duties with regards to UASC as well as financial pressures in meeting their complex needs	5	4 (decrease from 5)	20	4	3	12	Able to secure suitable homes for UASC young people as and when required. Unit costs have reduced for UASC young people. Back out to the market for a mini-tender for UASC which means the Department can buy places at a lower price and will be able to buy blocks at a time to address the volume.	 Expected to remain high/red
1.14	CEx	If the East Midlands Gateway 2 (EMG2) Segro Development Consent Order (DCO) application is approved by the Secretary of State without mitigating infrastructure, then this could significantly impact the Council's services and responsibilities and could stifle wider growth in the International Gateway, including significantly impacting on the ability to deliver Local Plan growth in North West Leicestershire District Council	4	4	16	2	2	4	The East Midlands Gateway Development Consent Order application was accepted by the Planning Inspectorate in November 2025. The Relevant Representations of the County Council were submitted in January 2026 in line with statutory timeframes. It is anticipated that the Planning Inspectorate will shortly publish the date of a preliminary meeting which will set out the statutory timetable for examination of the application. Whilst Officers continue to work with the Applicant to resolve outstanding matters of concern, there currently remains no agreed scheme of highway and transport mitigation. It is hoped that agreement can be reached during the statutory 6-month examination period.	Expected to move to medium/amber
1.15	C&FS	If there is insufficient DfE capital funding then the Council could fail to meet its place planning requirements including SEND (NEW)	5	4	20	2	3	6	Capital shortfall of £105.1m against total cost of £231.2m for 17 new schools. Funding shortfall caused by changes in pupil yield and construction cost inflation. Change in methodology has seen DfE Basic Need funding significantly reduce. £21.7m required to fund 1,050 school places needed by 2028/29. In terms of mitigation, we are progressing with standardised designs and value engineering and phased delivery, refresh of Planning Obligations Policy, and considering alternative delivery methods to reduce place shortfall Ongoing review of funding offered by DfE in place of Farley Way C&I Special Free School, with conversations planned with academy trust and consideration of alternative options for use of funding	
1.16	C&FS	If maintained Primary Schools submit significant licensed deficit budgets over time creating a financial burden for the Local Authority; then individual schools may fail (NEW)	5	4	20	4	3	12	The School Sustainability Programme is leading a strategic review which will include the management of deficit budgets for maintained schools through a new Schools in Financial Difficulty Process. The programme will include wider considerations of school viability including financial, education quality and pupil numbers. A programme team is under development with further conversations ongoing to secure transformation funding to enable appropriate support to be provided to schools to recover from deficits	

CRR Risk No.	Dept	Risk Description	Current Risk Score			*Target Risk Score			Update February/March 2026	** Direction of Travel (Residual Risk Score over the next 12 months)
			Impact	Like lihood	Risk Score	Impact	Like lihood	Risk Score		
2. Health & Social Care Integration										
2.4	A&C C&FS PH	If health and care partners fail to work together to address the impact of system pressures effectively, there is a risk of an unsustainable demand for care services and a risk to the quality of those services to meet need	4	4	16	5	2	10	<p>A&C - Changes to NHS community and crisis services to avoid hospital admissions may impact on social care commissioning and provision. There has been a slight increase in discharge to assess placements following hospital discharge, beyond anticipated demand levels, however this is being managed within current resources. Discussions are in place with health, to identify ongoing demand and solutions</p> <p>C&FS - The implementation plan around changes to the ICB is now being consulted upon within the ICB. The partnership continues to meet to work through key areas such as SEND and safeguarding for children there remains an element of uncertainty whilst the consultation/implementation plan takes place.</p> <p>PH -No further update</p>	 <p>Expected to remain high/red</p>
3. ICT, Information Security										
3.7	CR	If the council does not effectively manage its exposure to cyber risk, then there's a substantial risk of a successful cyber-attack which could severely damage the Council's reputation and affect service delivery which might result in incurring significant costs, both in order to successfully recover systems (downtime, incident response and possible ransom payment) and potential personal liability claims and regulator fines.	5	5	25	5	4	20	<p>A recent review of Information Security & Acceptable Use Policy undertaken and approved by DMT - policy now enforces stricter controls for staff using corporate end user equipment i.e. laptops and smartphones.</p> <p>Work underway to prepare the submission to cabinet office to maintain PSN code of connection.</p>	 <p>Expected to remain high/red</p>
4. Commissioning & Procurement										
4.4	CR	If there is an actual or perceived breach of procurement guidelines then there may be a challenge which results in a financial penalty.	4	4	16	3	4	12	<p>In January 2026 the update to the contract procedure rules was passed through Corporate Governance Committee and the Constituion has been updated. The update helps mitigate risk by:</p> <ul style="list-style-type: none"> - Strengthening legal compliance with Procurement Act 2023 - Improving governance and oversight for higher-risk contracts - Reducing ambiguity, which is a major source of procedural breaches - Enhancing transparency, helping avoid challenge and reputational damage - Supporting consistent practice across departments - Enabling proportionate controls, matching risk levels to approval routes . <p>A report to the Director of Corporate Resources in December 2025 on the Target Operating Model, identified a cross over with the efficiency review, therefore this will be considered and will be worked through before the end of March 2026.</p>	 <p>Expected to remain high/red</p>

CRR Risk No.	Dept	Risk Description	Current Risk Score			*Target Risk Score			Update February/March 2026	** Direction of Travel (Residual Risk Score over the next 12 months)
			Impact	Like lihood	Risk Score	Impact	Like lihood	Risk Score		
4.5	E&T C&FS	If demand for bespoke placements for children and young people with EHCPs continues to rise, then the current E&T Transport Policy could become unsustainable and will need to be revised in order to avoid significant risks to finance, policy, operation, and public perception. (Re-defined)	4	4	16	3	3	9	For new EHCP assessments SENA are now working within statutory timescales and the total 'active' cases sits at around 5-600 at all times with an anticipated 40 plans per week needing finalising. These will naturally feed through to transport where there is a policy requirement for provision. This continual feed of finalised plans then requires a continual review of transport arrangements to ensure operational efficiency. The added challenge for CFS with now being within statutory timescales is the demand for special schools outweighs sufficiency of places, leading to an increase in bespoke packages for children and young people. These arrangements are often considerably more cost efficient from an education point of view, but considerably less so from a transport point of view. In addition, Transport Policy does not have provision for such arrangements. For the service areas to explore expected numbers in more detail in order to assess possible impacts and policy requirements.	↓ Expected to move to medium/amber
5. Safeguarding – category retired										
6. Category retired										
7. People										
7.1	CR (ALL)	If sickness absence is not effectively managed then staff costs, service delivery and staff wellbeing will be impacted	4	4	16	3	4	12	The absence rate continues to sit slightly higher than the Council's target, although continues to not have a significant impact on the delivery of most services. Line manager engagement planned in May 26 around return to work activity and tasks to support effective interviews, provision of support and management	↔
7.2	ALL	If departments are unable to promptly recruit and retain staff with the right skills and values and in the numbers required to fill the roles needed, then the required/expected level and standard of service may not be delivered, and some services will be over reliant on the use of agency staff resulting in budget overspends and lower service delivery.							Risks currently scoring 15 and above	↔ Expected to remain high/red
			5	3	15	3	5	15	C&FS - Continue to wait for national guidance focused on the Assisted and Supported Year in Employment (ASY)E support offer that we have to implement, we are currently looking at the scope of our recruitment adverts and undertaking some work with our media teams to make sure our messages are picked up.	
			4	4	16	3	3	9	CR - A corporate work experience scheme continues to be developed, designed to strengthen the future talent pipeline. Apprenticeship levy utilisation continues to be a priority, although it is important to note that government funding for new Level 7 was withdrawn from January 2026. The Council continues to await Government guidance, which will inform the next phase of development. Work is continuing to improve recruitment and retention practices as well as proving more data which will help inform future activity.	
			4	4 (decrease from 5)	16	3	3	9	E&T - No change to risk score. Further Market premia and retention payments agreed to help mitigate risk.	
			4	4	16	3	3	9	A&C - Homecare Assessment and Reablement Team (HART) recruitment costings have been agreed. Work is now underway to develop updated terms and conditions of the service to increase HART's capacity.	
									Risks currently scoring below 15	
			3	3	9	3	2	6	CE - No update provided	
			3	4	12	3	3	9	PH - Challenges remain low but we continue to recruit and develop our own workforce.	

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CRR Risk No.	Dept	Risk Description	Current Risk Score			*Target Risk Score			Update February/March 2026	** Direction of Travel (Residual Risk Score over the next 12 months)
			Impact	Like lihood	Risk Score	Impact	Like lihood	Risk Score		
7.3	A&C	If the Department fails to develop and maintain a stable, sustainable, and quality social care market to work with, then it may be unable to meet its statutory responsibilities.	5	3	15	5	2	10	Home Care procurement evaluation is in progress with a positive response from the market (numbers of providers) Community Life Choices (day service opportunities) tender to be published in late February / early March Supported Living programme has started to scope a new commission for late 2027 Ongoing work on Working Age Adults Step Through Model / Dementia Support Services / Carers Services in place Work with Newton on scoping commissioning approaches has commenced which includes Extra Care services	↑ Expected to remain high/red
7.5	A&C	If there is continuing increase in demand for assessments (care needs and financial) then it may not be met by existing capacity.	4	4	16	4	3	12	Artificial Intelligence pilot to support the completion of adult social care assessments has started. A temporary, agency social worker resource has led to a decrease in people waiting for assessments. Lead Practitioners in Adult Social Care are completing an analysis of demand in social care teams to support right staff in the right place. Redesign underway of the internal, safeguarding recording processes. Once approved, this aims to enhance the data reporting for Adult Safeguarding Enquiries.	↔ Expected to remain high/red
7.7	C&FS	If current demand for Education, Health and Care Needs Assessment and updating of EHCPs after annual review exceeds available capacity of staff within SEND Services (particularly educational psychology and SEN Officer) then this leaves the Council vulnerable to complaints of mal-administration. The situation is worsened by a lack of specialist placements which means that children with complex needs may not be placed in a timely way and hence may not receive the support to which they are entitled through their EHC Plan.	5	5	25	4	4	16	There are currently 411 children with EHCPs awaiting alternative placements Data indicates that around 90% of the 475 children and young people in Independent Specialist Placements (ISP's) are placed there due to insufficient specialist provision. The government published its long-awaited Schools White Paper including reforms to the SEND system on 23 February, and will now consult on its plans over the next twelve weeks.	↔ Expected to remain high/red
8. Business Continuity										

CRR Risk No.	Dept	Risk Description	Current Risk Score			*Target Risk Score			Update February/March 2026	** Direction of Travel (Residual Risk Score over the next 12 months)
			Impact	Like lihood	Risk Score	Impact	Like lihood	Risk Score		
8.1	ALL	<p>A) If there is a failure to restore services or maintain services in a major disruption e.g. pandemic, power outage, cyber incident, etc., then the Council is at risk of not being to deliver identified critical services</p> <p>B) If suppliers of external critical services do not have robust business continuity plans in place, then the Council may not be able to deliver services.</p>	5	3	15	5	2	10	<p>Internal Business Continuity (BC) arrangements</p> <p>Following on from the last report all of the Public Health, Law and Governance and E&T plans have now had their international standard (ISO 220301) capability assessments completed, with very little follow up. This means the review of Corporate Resources Tier 1 Critical BC plans can be started early (originally due to be started in April). Following sucessful completion of CR plans the two care directorates plans will be reviewed. There is still work to be undertaken regarding testing of plans and the BC officer responsible for the project is considering how this may be achieved however, testing of plans does sit with directorates and plan owners.</p> <p>External (Critical Service Provider) Business Continuity (BC) plans</p> <p>There are still a number of plans that require a final ISO assessment. Each Resilience Planning Group (RPG) member will take responsibility for their department plans, and will inform the Resilience & BC team as to whether these are still current and fall within the tier 1 and 2 definitions, or whether they are willing to accept the risk (with reasons) in writing - This is still ongoing however, a number of plans have been either withdrawn as they do not meet the definiton of a Tier 1 risk.</p> <p>Discussions continue with Commissioning Support Unit over assessing external critical service provider BC plans at procurement stage rather than after contracts are awarded - A job description has been completed for this role and inital approval has been provided but still awaiting final approval.</p> <p>Note - The review of the plans now takes into account IT disaster recovery plans in relation to Business Apps with a revised BC template.</p>	 <p>Expected to remain high/red</p>
9. Environment										
9.1	CR	If the Ash Dieback disease causes shedding branches or falling trees then there is a possible risk to life and disruption to the transport network	5	3 (Down from 4)	15	5	2	10	<p>The infection rate has stabilised at approximately 62%, and established mitigation measures (e.g., cyclical survey programme and associated programmes of work, communicating with third-party land owners and raising awareness) have enabled a reduction in the risk probability to 3. The updated work programme, informed by the August 2025 survey data, commenced in December 2025 and will continue through Spring 2026 to align with the start of the nesting season.</p> <p>To date, around 500,000 trees have been planted, which will help mitigate the impact of the disease.</p>	 <p>Expected to remain high/red</p>
9.2	E&T	If there was a major issue which results in unplanned site closure (e.g. fire) then the Council may be unable to hold or dispose of waste	5	4	20	4	2	8	<p>The Whetstone Waste Transfer station (WTS) re-opened in January. However, further WTS works and closures will be required in 2026/27 which mean the risk cannot be lowered until these are completed.</p>	 <p>Expected to move to medium/amber</p>

CRR Risk No.	Dept	Risk Description	Current Risk Score			*Target Risk Score			Update February/March 2026	** Direction of Travel (Residual Risk Score over the next 12 months)
			Impact	Like lihood	Risk Score	Impact	Like lihood	Risk Score		
9.4	E&T	If services do not take into account current and future climate change in their planning, they may be unable to respond adequately to the predicted impacts, leading to significantly higher financial implications and service disruption, as well as making future adaptation more costly.	4	5	20	4	3	12	The Climate Resilience Delivery Plan (previously the Net Zero Action Plan) has been produced in accordance with the Cabinet's decision from July 2025 to change the focus of activities from carbon reduction to climate adaptation and respond to severe weather events and projects. The Delivery Plan includes actions reflecting the £2m programme of flood mitigation and climate adaptation and resilience, as agreed by the Cabinet in October 2025. It was approved by Cabinet at its meeting on 3 February 2026.	↔ Expected to remain high/red
9.5	E&T	If there are significant changes / clarifications to legislation, policy or guidance then performance could be impacted and cost increases.	5	3	15	4	4	16	<p>Highways</p> <p>No further update - reorganising the inspection routes following the hierarchy review is in progress.</p> <p>Waste</p> <p>There are three main potential areas of legislative change: near elimination of biodegradable Municipal Waste from landfill, Deposit Return Scheme, and the Emissions Trading Scheme (ETS). These have been consulted on which could increase costs for waste management. The most significant risk remains around ETS which has already been identified within the current MTFS.</p> <p>Note considerations around risk of the impact from Local Government Reorganisation has not yet been quantified but could be a high impact.</p>	↔ Expected to remain high/red
10. Category Retired										

Department
 A&C = Adults & Communities
 CE = Chief Executives
 CR = Corporate Resources
 C&FS = Children and Family Services

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

*Target risk score - This is the desired score to be achieved after additional mitigation procedures/controls have taken place.

**The arrows explain the direction of travel for the risk, i.e. where it is expected to be within the next twelve months after further mitigating actions, so that:

- o A horizontal arrow shows that not much movement is expected in the risk.
- o A downward pointing arrow shows that there is an expectation that the risk will be mitigated towards 'medium' and would likely be removed from the register.
- o An upwards pointing arrow would be less likely, but possible, since it would show an already high scoring risk is likely to be greater

RISKS REMOVED SINCE MAY 2023

CRR Risk No	Dept.	Risk Description	Current Risk Score	Reason	Date of Removal
7.5	A&C	If there is continuing increase in demand for assessments (care needs and financial) then it may not be met by existing capacity.	14/L3	Change in likelihood score from 4 to a 3 as assessment backlog has been reduced by 50%. Will now be managed at departmental level. <ul style="list-style-type: none"> Assessment backlog reduced - now under 400. Temporary staff recruited to assist in recovery. Focus on updating and simplification of Adult Social Care Finance practice guidance. 	26/01/2024 Added back to CRR 31 March 2025
4.2	E&T	If Arriva is successful in its concessionary travel appeal or the City in its challenge on the methodology of reimbursing operators, then reimbursement costs for the scheme could increase.	15/L3	Settlement was reached which was acceptable and within the region of what was anticipated and allowed for.	20-May-24
7.4	A&C	If LCC's Charging Policy is challenged on the principles of the Norfolk Ruling, then there could be judicial review leading to significant financial impact and reputational damage.	15/L3	Following consultation, a report was produced for, and approved by, Cabinet 9 Feb 2024. Updated policy to go live 8 April 2024. Likelihood score reduced from 3 to 2. No longer represents a red RAG rating	20-May-24
C	ALL	If the current cost of living crisis continues and even intensifies, or if UK Government interventions cease, then the people and businesses of Leicestershire as a whole will be significantly impacted, and the County Council will have to take some difficult decisions.	15/L4	Inflation has stabilised and whilst there are still wider impacts ingrained within the MTFS and Children's services corporate risks, the day to day management of the cost of living crisis will be managed at department levels.	16-Sep-24
7.8	ALL	If we fail to develop, implement and maintain robust health & safety systems then there is a risk of breach and potential dangerous occurrences	15/L4	All RIDDORS are investigated and managed by the Health Safety & Wellbeing Service (H,S&W) and reported to the Health and Safety Executive. Departments are responsible for their own risk management and subject to audits by the H,S&W Service	16-Sep-24
7.6	A&C	If A&C fail to provide robust evidence of good practice for the CQC inspectors, then this will result in a poor inspection outcome and incur reputational risk alongside extra resources and possible external governance to undertake any actions required to make the improvements necessary to fulfil statutory requirements.	15/L3	The following actions apply to mitigate against the risk. 1. A review and update of the Self-Assessment is completed and there are plans in place. 2. Progress with the activities identified in our improvement plan are being monitored and reported via agreed governance processes. 3. The documents required for the CQC Information Return are being compiled and updated to ensure any gaps are identified and addressed prior to CQC inspection notification. 4. Communications plan developed and activities	06-Dec-24
1.11	CE	If transition to the operational stage were not finalised, then the County Council would not be fulfilling its role as lead authority and accountable body for the East Midlands Freeport.	15/L3	Assurance was provided that the process is sufficiently advanced in the 'transition to operational' that it would be safe to remove the risk, but it will continue to be managed at department level.	24-Jan-25
1.7	CR	If the Council is not compliant with the HMRC IR35 regulations regarding the employment status for tax of self-employed personnel, then there is a risk of backdated underpaid tax and NI, interest and large financial penalties.	14/L4	The risk was reviewed in February and there is confidence that with regular reporting requirement established, improvements and declaration of compliance of IR35 are in place and part of BAU but it will continue to be managed at department level.	31-Mar-25
9.6	E&T	If we fail to comply with the Operator's Licence, then the licence could be revoked/curtailed.	15/L3	Current Operator Compliance Risk Score (OCRS) is less than 1 and compliance is good overall, if events occur that may increase likelihood following incidents, audits or other events then this will be updated accordingly. The risk will continue to be managed at department level.	31-Mar-25
3.8	CEX	If there is a failure to provide appropriate strategic and operational business intelligence then the council's policy and strategy will not be evidence-led and day-to-day service delivery, costs and reputation may be negatively impacted, including meeting statutory requirements.	14/L4	The Business Intelligence team has successfully migrated all data to a new physical server so the risk as originally outlined no longer applies.	19-Sep-25
4.5 (re-defined)	E&T C&FS	If Special Educational Needs Assessments are delayed and Education, Health and Care Plans are not issued on time with appropriate school placements for children identified, Transport Operations could be failing to provide a timely statutory service.	14/L4	Considerable progress has been made in reducing C&FS backlogs and the emphasis of the risk has changed. Further details are contained in Appendix A	27-Mar-26

Risk Impact Measurement Criteria

Scale	Description	Department Service Plan	Internal Operations	People	Reputation	Impact on	Impact from* ¹	Financial per annum / per loss ^{*2}
						the Environment		
1	Negligible	Little impact to objectives in service plan	Limited disruption to operations and service quality satisfactory	Minor injuries	Public concern restricted to local complaints	None or insignificant damage		<£50k
2	Minor	Minor impact to service as objectives in service plan are not met	Short term disruption to operations resulting in a minor adverse impact on partnerships and minimal reduction in service quality.	Minor Injury to those in the Council's care	Minor adverse local / public / media attention and complaints	Minor local impact	Minor damage	£50k-£250k Minimal effect on budget/ cost
3	Moderate	Considerable fall in service as objectives in service plan are not met	Sustained moderate level disruption to operations / Relevant partnership relationships strained / Service quality not satisfactory	Potential for minor physical injuries / Stressful experience	Adverse local media public attention	Moderate local impact	Moderate damage and risk of injury	£250k - £500k Small increase on budget/ cost. Handled within the team/service
4	Major	Major impact to services as objectives in service plan are not met.	<u>Serious</u> disruption to operations with relationships in major partnerships affected / Service quality not acceptable with adverse impact on front line services. Significant disruption of core activities. Key targets missed.	Exposure to dangerous conditions creating potential for serious physical or mental harm	Serious negative regional criticism, with some national coverage	Major local impact	Major damage and risk to life	£500-£750k. Significant increase in budget/cost. Service budgets exceeded
5	Very High/ Critical	Significant fall/failure in service as objectives in service plan are not met	Long term serious interruption to operations / Major partnerships under threat / Service quality not acceptable with impact on front line services	Exposure to dangerous conditions leading to potential loss of life or permanent physical/mental damage. Life threatening or multiple serious injuries	Prolonged regional and national condemnation, with serious damage to the reputation of the organisation <u>i.e.</u> front-page headlines, TV. Possible criminal, or high profile, civil action against the Council, <u>members</u> or officers	Major regional or national impact.	Wide scale damage and risk to life	>£750k Large increase on budget/cost. Impact on whole council

* Note that a different financial rating is used for the pension fund investments

Risk Likelihood Measurement Criteria

Rating Scale	Likelihood	Example of Loss/Event Frequency	Probability %
1	Very rare/unlikely	EXCEPTIONAL event. This will probably never happen/recur.	<20%
2	Unlikely	Event NOT EXPECTED. Do not expect it to happen/ recur, but it is possible it may do so.	20-40%
3	Possible	LITTLE LIKELIHOOD of event occurring. It might happen or recur occasionally.	40-60%
4	Probable /Likely	Event is MORE THAN LIKELY to occur. Will probably happen/recur, but it is not a persisting issue.	60-80%
5	Almost Certain	Reasonable to expect that the event WILL undoubtedly happen/recur, possibly frequently.	>80%

Risk Scoring Matrix

Impact

5 Very High/Critical	5	10	15	20	25
4 Major	4	8	12	16	20
3 Moderate	3	6	9	12	15
2 Minor	2	4	6	8	10
1 Negligible	1	2	3	4	5
	1 Very Rare/Unlikely	2 Unlikely	3 Possible/Likely	4 Probable/Likely	5 Almost certain

Likelihood



CORPORATE GOVERNANCE COMMITTEE - 27 MARCH 2026

**REGULATION OF INVESTIGATORY POWERS ACT 2000 AND THE
INVESTIGATORY POWERS ACT 2016**

**REPORT OF THE DIRECTOR OF PUBLIC HEALTH, LAW AND
GOVERNANCE**

Purpose of the Report

1. The purpose of this report is:
 - (a) to advise the Committee on the Authority's use of the Regulation of Investigatory Powers Act 2000 (RIPA) and the Investigatory Powers Act 2016 (IPA) for the period from 1 January to 31 December 2025;
 - (b) to ask the Committee to review the Covert Surveillance and the Acquisition of Communications Data Policy Statement relating to RIPA, attached as an Appendix to this report.

Policy Framework and Previous Decisions

2. The Codes of Practice made under RIPA require elected members of a local authority to review the authority's use of RIPA and the policy at least once a year. The Corporate Governance Committee, as the relevant Committee for this purpose, is also required to consider internal reports on the use of surveillance to ensure that it is being applied consistently with the local authority's policy and that the policy remains fit for purpose. The Code makes it clear that elected members should not be involved in making decisions on specific authorisations.
3. On 27 January 2023, this Committee agreed that the Council's Covert Surveillance and the Acquisition of Communications Data Policy Statement (relating to the use of RIPA) remained fit for purpose. As there are no proposed policy changes to the Policy Statement again this year there is no requirement for further review by the Cabinet.

Background

4. RIPA provides a framework to ensure investigatory techniques are deployed in a way that is compatible with Article 8 (right to respect for private and family life) of the European Convention on Human Rights (ECHR). RIPA ensures that these techniques are used in a regulated way and it includes safeguards to

prevent abuse of such methods. Use of these covert techniques will only be authorised if considered lawful, necessary, and proportionate.

5. The Trading Standards Service is the principal user of RIPA and IPA within the County Council. Its core responsibilities primarily encompass the following three activities:
 - i. Directed Surveillance (DS)– the pre-planned covert surveillance of individuals, sometimes involving the use of hidden visual and audio equipment.
 - ii. Covert Human Intelligence Sources (CHIS) – the use of County Council officers, who act as consumers to purchase goods and services, e.g. in person, by telephone or via the internet.
 - iii. Communications data (CD) – the acquisition of communications data, for example, subscriber details relating to an internet account, a mobile phone or fixed line numbers, but such data does not include the contents of the communication itself.
6. The Investigatory Powers Commissioner’s Office (IPCO) oversees the use of covert investigatory powers by more than 600 public authorities, including the UK’s intelligence agencies, law enforcement agencies, police, councils and prisons.
7. Employees of the Council should not engage in, or commission, any form of surveillance without first contacting one of the County Council RIPA authorising officers. If a DS or CHIS is in principle approved internally the application must then be submitted to the Magistrates’ Court for the final authorisation.
8. The Assistant Director of Law and Governance is the designated Senior Responsible Officer for ensuring that all authorising officers (currently the Council’s Head of Regulatory Services and Assistant Head of Law) are suitably qualified and experienced to undertake the role and that the County Council’s RIPA policy and operational procedures remain fit for purpose.

Communications Data

9. The Data Retention and Acquisition Regulations (SI 2018/1123) provide an authorisation process for public bodies that seek to obtain communications data for a specific criminal investigation.
10. Judicial oversight of local authorities seeking to covertly obtain communications is administered by the Investigatory Powers Commissioner’s Office (IPCO).
11. The legislation requires local authorities to enter into a formal collaboration agreement with the National Anti-Fraud Network (NAFN), an organisation hosted by Tameside Metropolitan Borough Council which specialises in providing data and intelligence services to enforcement agencies. NAFN acts as the single point of contact between any communications service and the Council and prepares, on the Council’s behalf, any applications to the IPCO.

12. An application to obtain communications data must first receive senior internal approval by the designated person (currently the Council's Head of Regulatory Services and Assistant Head of Law) before it can be submitted to the IPCO for consideration. An application will therefore only be referred to IPCO if it first meets the Council's own necessity and proportionality test.
13. Local authorities will be permitted via NAFN to acquire the less intrusive types of communications data, now referred to as '*entity*' data (e.g., the identity of the person to whom services are provided) and '*events*' data (e.g. the date and type of communications, time sent, and duration, frequency of communications). However local authorities are not permitted to access or intercept communication content.
14. To obtain either type of data, in addition to satisfying the necessity and proportionality test, an authority must show that the purpose of the application is for the prevention and detection of a crime. For '*events*' data, the threshold is raised and the purpose must be for the prevention or detection of a '*serious*' crime (e.g. an offence for which an individual could be sentenced to imprisonment for a term of 12 months or more, or offences which involve, as an integral part, the sending of a communication or a breach of a person's privacy).
15. Any application to IPCO will be guided by the Council's Policy Statement attached, current best practice and the Communications Data Code of Practice.

Surveillance activities

16. For the period 1 January – 31 December 2025, the following authorisations were approved:
 - 1 relating to Covert Human Intelligence Sources (CHIS)
 - 1 relating to Directed Surveillance (DS)
 - 8 applications to obtain communications data.
17. All authorisations were granted by the Court following the Council's internal approval process referred to above and all were associated with criminal investigations undertaken by the Trading Standards Service.
18. The CHIS authorisation facilitates ongoing covert test purchasing operations. These activities form an integral part of the Trading Standards Service's evidence collection process. The widespread availability of counterfeit and illicit tobacco and vaping products continue to undermine government public health initiatives and the local economy. These unregulated products are sold from small retail outlets across Leicestershire creating unbalanced trading conditions. The scenario places legitimate businesses at an economic disadvantage, resulting in their decline from high streets, only to be replaced with entities often associated with organised crime, human trafficking, tax evasion, and other criminality linked to the hidden economy.

19. The County Council's Intranet continues to be the primary source of information and advice to ensure all County Council managers are aware of the authorisation, necessity and proportionality requirements when considering deployment of covert surveillance. The Policy Statement also references the requirement for managers to consult with an authorising officer before deploying any form of covert activity, which may include systematically accessing open-source material including social media material.

Recommendations

17. The Committee is asked to:

- a) note the use of the Regulation of Investigatory Powers Act 2000 (RIPA) and the Investigatory Powers Act 2016 (IPA) for the period from 1 January to 31 December 2025;
- b) review the Council's Covert Surveillance and the Acquisition of Communications Data Policy Statement (which is unchanged since approval by Cabinet in March 2021) and confirm that this remains fit for purpose;
- c) agree to continue to receive an annual report on the use of RIPA and IPA powers.

Background Papers

Report to the Corporate Governance Committee on 31 March 2025 - Regulation of Investigatory powers Act 2000 and the Investigatory Powers Act 2016: <https://democracy.leics.gov.uk/documents/s189413/FINAL%20CG%20Report%20RIPA%202025%20March.pdf>

Report to the Cabinet on 23 March 2021 Regulation of Investigatory powers Act 2000 and the Investigatory Powers Act 2016 - Review of Policy statement <https://democracy.leics.gov.uk/ieListDocuments.aspx?CId=135&MId=6441&Ver=4>

Circulation under the Local Issues Alert Procedure

None.

Equality Implications

None arising from this report.

Human Rights Implications

None arising from this report.

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Appendices

Covert Surveillance and the Acquisition of Communications Data Policy Statement.

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Covert Surveillance and the Acquisition of Communications Data Policy Statement

1. This policy sets out how Leicestershire County Council (the Council) will comply with the Regulation of Investigatory Powers Act 2000 (RIPA), the Investigatory Powers Act 2016 (IPA), the Human Rights Act 1998 and the European Convention on Human Rights (ECHR) - Article 8, when carrying out any covert investigatory techniques. If such covert investigatory techniques are conducted by the Council, RIPA and the IPA regulates them in a manner that is compatible with ECHR, particularly the right to respect for private and family life (Article 8). The use of covert investigatory techniques is an interference with the rights protected by the ECHR (Article 8) and there may be a potential violation of those rights, unless the interference is in accordance with the law and is necessary in a democratic society in the interests of:

- national security;
- public safety;
- economic well-being of the country;
- the prevention of disorder or crime;
- protecting of health or morals; or
- the protection of the rights and freedoms of others.

Any such interference must be proportionate requiring a balancing of the seriousness of the intrusion against the seriousness of the offence and consideration of whether there are other means to obtain the required information.

The Council has several specific core functions requiring it to investigate the activities of private individuals, groups and organisations within its jurisdiction, for the benefit and protection of the greater public. Such investigations may require the Council to undertake covert investigatory techniques.

2. In accordance with RIPA and the IPA the Council will only use three covert investigatory techniques for its core functions (details set out below).

” Directed Surveillance” will only be used for the purposes of the Council’s investigations. This is covert non-intrusive surveillance, which is carried out in such a way that the persons subject to the surveillance are unaware that it is or may be taking place. It is undertaken for the purposes of a specific investigation or operation and is conducted in such a manner, that it is likely to result in the obtaining of private information about a person and in circumstances other than by way of an immediate response to events, where it would not be reasonably practicable to seek authorisation for the surveillance. The Council will not undertake surveillance in residential properties or private vehicles.

“Covert Human Intelligence Source” (CHIS) will only be used for the purposes of the Council’s investigations. This is an individual, who may or may not reveal their identity, establishes, or maintains a personal or other relationship with another person(s), for the covert purpose of obtaining information and disclosing the information to the Council. It is immaterial whether information provided by the source is given voluntarily or the source is tasked by a public authority to obtain the information. A CHIS activity is determined by the manner in which the information was covertly obtained and then subsequently passed on to the Council.

The acquisition of “Communications Data” (CD) includes the ‘who’, ‘when’, ‘where’, and ‘how’ of a communication, but not the content i.e. what was said or written. The Council may only acquire less intrusive types of CD; “Entity data” (e.g. the identity of the person to whom services are provided) or “Events Data” (e.g. the date and time sent, duration, frequency of communications). The location of the entity or events data at the time the communication is sent or received may also be obtained in appropriate cases.

The Council is prohibited from obtaining “Content Data”, the meaning of the communication, (e.g. what the communication says or contains).

3. Applications for the acquisition of CD are subject to independent examination, scrutiny and approval by the Investigatory Powers Commissioner’s Office (IPCO).
4. The Council will continue to maintain a collaboration agreement with the National Anti-Fraud Network (NAFN), to comply with IPA and to ensure any investigation follows best practice. The Council will consult and work with NAFN throughout the application process to ensure the legal basis for all applications are met. NAFN will act as a single point of contact between the communications service providers, IPCO and the Council concerning the request and provision of CD.
5. The Council will not acquire CD unless an application for authorisation is approved both internally, by a designated senior officer and externally, by the Investigatory Powers Commissioner’s Office (IPCO).
6. An authorisation to acquire CD will remain in force for 1 month, unless a further application is made by the Council through NAFN and approved by IPCO. The authorisation may be cancelled at any time, by either IPCO or the Council.

7. In respect to applications for communications data made under the IPA, the “applicable crime purpose” must be met concerning all applications for both Entity Data and Events Data. The applicable crime purpose is defined differently in relation to each of these data types. Where the CD sought is Entity Data, the applicable crime purpose is the prevention or detection of crime or the prevention of disorder. Where the CD is wholly or partly Events Data, the applicable crime purpose is defined as preventing or detecting serious crime (the serious crime threshold). Data relating to Events has the potential to be more intrusive than data relating to Entities.
8. All authorisations made by the Council under RIPA are subject to judicial approval. The Council will not utilise a RIPA “Directed Surveillance” or “Covert Human Intelligence Source” authorisation, until an order approving the grant or renewal of an authorisation and/or notice(s) has been granted by a Magistrates’ Court.
9. Digital investigation, in particular, the review of ‘open source’ material which has been placed in the public domain without the expectation of privacy, will not normally require a RIPA authorisation. However, the Council will seek an authorisation to undertake repeated or systematic examinations of open source sites, if such examination is undertaken to build up a picture of a person’s activities or lifestyle. The Council will seek a CHIS authorisation if there is to be any interaction with the site host, for example, sending messages and/or making covert enquiries of any kind.
10. Before an authorisation is submitted to a Magistrates’ Court it must be internally authorised by an “Authorising Officer” or a “Designated Person” of the Council. Such covert investigatory techniques will only be used where it is considered necessary (e.g. to investigate a suspected crime) and proportionate (e.g. balancing the seriousness of the intrusion into privacy against the seriousness of the offence and whether the information can be obtained by other means). The Council will follow the relevant Codes of Practice on the scope of powers, necessity and proportionality.

In accordance with the Protection of Freedoms Act 2012 the Council will only submit a “Directed Surveillance” authorisation to the Magistrates’ Court for authorisation, for the purpose of preventing crime, where a criminal offence(s) is punishable (whether on summary conviction or indictment) by a maximum term of at least 6 months’ imprisonment, is suspected, or if the offence relates to the underage sale of alcohol tobacco or nicotine inhaling products and where the necessity and proportionality tests are met. The Council will ensure that any authorisations and/or notices, which are granted and/or renewed by the Magistrates’ Court or by the Council’s Authorising Officers, are not utilised beyond the statutory time limits prescribed.

11. The Council will maintain a list of senior officers, who are designated to oversee the covert investigatory techniques specified in paragraph 2, in respect of the Council’s internal procedures for authorisations and/or notices under RIPA and IPA, prior to the authorisations and/or notice(s) being

approved by a Magistrates' Court or IPCO, and to oversee the process following such approvals until cancellation. A record of approved authorisations and notices will be kept by the Council. The Council's Monitoring Officer, being the Senior Responsible Officer under RIPA and IPA, will ensure that the senior officers with responsibility for overseeing any covert investigatory techniques are at Director, Head of Service, Service Manager or equivalent level of seniority and are aware of the Council's obligations to comply with RIPA, IPA and with this policy. Furthermore, all officers who are required to undertake covert techniques will receive appropriate training or be appropriately supervised.

12. The Council may undertake any of the covert investigatory techniques specified in paragraph 2 above, in respect to the prevention and detection of illegal sales of the following age restricted products: Butane, Knives and Fireworks, even though these products do not meet the criteria specified in the Protection of Freedoms Act 2012 and therefore do not attract the protections of RIPA. In respect to these covert investigatory techniques the Council believes that it is important that the Council's Trading Standards Service is authorised to use any of the aforementioned covert investigatory techniques, in order to undertake enforcement activities in respect of the aforementioned products, even though the Council will not be afforded the protection of RIPA. The Council will ensure that it continues to comply with its obligations under the ECHR (Article 8), by requiring its Trading Standards Service to adhere to the same authorisation procedures for RIPA authorisations and/or notices, except for the requirement to seek the approval of a Magistrates' Court.
13. The Council will ensure that any other covert investigatory techniques, not requiring the approval of a Magistrates' Court, will be subject to the same internal authorisation processes as referred to above.
14. This policy and the procedures for the proper approval of authorisations and/or notice(s), the recording of covert investigatory techniques, will be reviewed when it is considered appropriate to do so.

Reviewed: 5th February 2025
Approved: 23 March 2021