

**Leicestershire County Council**  
**External Auditor Recommendations – update as at June 2025**

Area	Recommendation	Current Assessment
<p><b>Auditor’s Annual Report 31 March 2024 – value for money arrangements (reported to CGC 6 December 2024)</b>  <a href="https://democracy.leics.gov.uk/ieListDocuments.aspx?CId=434&amp;MId=7724&amp;Ver=4">https://democracy.leics.gov.uk/ieListDocuments.aspx?CId=434&amp;MId=7724&amp;Ver=4</a></p>		
Financial Sustainability	The Council should ensure that its financial governance framework remains robust in the face of ongoing pressures in the revenue budget. The Council should continue to perform regular reviews of the financial outlook to highlight any deterioration in the expected position, as well as continuing current work to identify areas of improvement.	<p>The position continues to be monitored closely through the four year MTFS budget that is refreshed each year, regular budget monitoring, the identification of new savings and other measures being taken to control future expenditure and maximise income.</p> <p>Further savings options are being identified alongside the continuation of financial controls to ensure limited resources are focussed on delivering essential services. External resources will be used where required to provide additional capacity or expertise.</p> <p><b>Status:</b> Ongoing</p>
Financial Sustainability	The Council should continue to work to identify savings so that the use of reserves to balance the revenue budget is minimised. When savings opportunities are identified, these should be converted to realisable savings as quickly as possible.	<p>The 2025-28 MTFS was updated for the latest known funding post the Local Government settlement. The Council set a balanced budget for 2025/26 with a contribution of £4.6m from reserves. The outturn for 2024/25 reported a net underspend of £8.8m.</p> <p><b>Status:</b> Completed for 2025/26</p>
Financial Sustainability	To reduce the annual deficit on the High Needs Block of the DSG and protect the Council's reserves, the Council should continue to work to identify opportunities to reduce the increasing demand for SEND provision as well as reduce the costs of SEND provision.	<p>The number of Education Health and care Plans in Leicestershire continues to rise, in line with national trends and has further accelerated since January 2025 (due to parental uncertainty regarding national changes to the SEND system), reaching an all-time high in May. The Transforming SEND and Inclusion Programme includes benefits of £51.8m across the MTFS through both reduced costs/cost avoidance</p>

		and increasing local authority SEN provision. A review of the programme is currently underway. <b>Status:</b> Ongoing
Governance Arrangements	To improve and strengthen the arrangements in place, the Council must ensure: <ul style="list-style-type: none"> <li>• The Chief Internal Auditor provides for CGC approval, a Three Year Internal Audit Strategy and Annual Internal Audit Plan documenting its Internal Audit Charter, which outlines the purpose, authority and responsibility of the internal audit activity.</li> <li>• Reporting to CGC provides clarity in terms of actual progress against the plan, identifies any slippage or changes to the plan and enables the CGC to provide appropriate approval.</li> <li>• Slippage is appropriately managed to enable the HOIA to provide a timely annual opinion and provide assurance that this does not expose the Council to prolonged or additional risk.</li> <li>• There is year end reporting of Fraud activity.</li> </ul>	<ul style="list-style-type: none"> <li>• Three-year Internal Audit Strategy: Progress delayed but in development with intention to report to CGC 19 September 2025</li> <li>• Annual Internal Audit Plan: Complete</li> <li>• IA Charter: Progress delayed but in development with intention to report to CGC 19 September 2025</li> <li>• Slippage will be appropriately managed – Complete. Slippage was reported to CGC 6 December 2024 &amp; 31 March 2025 and is now routine business as usual.</li> <li>• CGC to approve a fraud report at year end. Complete and on the agenda for CGC 23 June 2025</li> </ul> <b>Status:</b> Partially complete, full completion September 2025
Governance Arrangements	To enhance the decision making arrangements in place and provide further clarity to those charged with Governance, the Council should: <ul style="list-style-type: none"> <li>• Document on meeting agenda's what action should be taken by the Cabinet i.e. whether the paper requires a key decision to be made or is being presented for information and noting.</li> <li>• Ensure supporting overview reports also document whether the recommended action requires a key decision to be made.</li> </ul>	Agendas and reports for Cabinet meetings have been amended to clarify which agenda items are key decisions. <b>Status:</b> Complete
Governance Arrangements	As the Accountable Body, the Council must take a lead in ensuring that the formal governance documents required to support the Freeport (Members' Agreement, Articles of Association, Tax site Operator's Code of Conduct and undertaking, Occupier's Code of Conduct and undertaking, Accountable Body Agreement, Security agreement etc) are signed and agreed by all parties and presented for approval to the EMF Board meeting in November 2024.	The governance documents have now been signed, apart from the Accountable Body agreement which is expected to be signed by the East Midlands Freeport shortly. <b>Status:</b> Completion expected July 2025.
Improving Economy, Efficiency and Effectiveness	The Council needs to continue to progress the TSIL programme to ensure a sustained trajectory of improvement in the % of new EHCPs issued within 20 weeks, with a view to meeting compliance with the statutory deadlines, as set out in the SEND Code of Practice (2014).	Plans to reduce the backlog and issue EHCPs within 20 weeks are progressing well, although have recently been hindered by a significant increase in requests for new EHCPs each month since January - reaching an all-time high May. It is now anticipated that the backlog will be clear and all new EHCPs issued within 20 weeks by the end of August 25. However, the success in this area will result in costs being incurred in the HNB earlier.

		<b>Status:</b> Completion expected end of August 2025.
Improving Economy, Efficiency and Effectiveness	<p>The Council should continue the work it is undertaking to reduce the number of contract exceptions and extensions and ensure that any cultural or historical practise which does not promote or provide for robust, economical or effective processes is identified and rectified.</p> <p>To further improve oversight, we recommend that compliance reports are provided to CGC on a quarterly basis to provide assurance that new processes are positively impacting outcomes. In addition, reporting should include themes or departments etc to enable a targeted approach to accountability.</p>	<p>Governance improvements: All contract exceptions process through a Corporate Procurement Board for approval before being actioned, this allows a full review and scrutiny of the request before it is granted. The Contract Procedure Rules have been rewritten for the Procurement Act and includes the requirement for all Exceptions above threshold to have a lessons learnt, mitigations and action plan completed which may require further clarification in the form of a panel review by the Director of Corporate Resources and Director of Law and Governance.</p> <p><b>Status:</b> Complete.</p> <p>Process improvements: A target operating model review is being finalised for sign off with a proposed structure across the Council to improve processes and compliance with the public Contract Regulations and the Procurement Act.</p> <p><b>Status:</b> Partially complete, target operating model September 25.</p>
<p><b>External Audit Findings Report 2023/24 (Accounts)</b>  <b>County Council - reported to CGC 24 January 2025</b>  <a href="https://democracy.leics.gov.uk/ieListDocuments.aspx?CId=434&amp;MId=7959&amp;Ver=4">https://democracy.leics.gov.uk/ieListDocuments.aspx?CId=434&amp;MId=7959&amp;Ver=4</a></p>		
Property Plant and Equipment	<p>Management provided us with a report downloaded directly from the fixed asset register (FAR) with the revalued assets and valuation basis. From review we identified multiple changes in valuation basis compared to prior year. Subsequently from discussions it was identified that the valuation basis had been inputted incorrectly within the FAR and the valuation basis as per the valuation report was correct with prior year valuations. We recommend that the council ensures that the valuation basis as per the FAR reconciles to the valuation report to ensure consistency and accuracy of the reports provided.</p>	<p>Completed in 2024/25.</p> <p><b>Status:</b> Complete</p>
IFRS16 (Leases)	<p>IFRS16 (Leases) is due to be fully implemented in 2024/25 following previous deferrals by CIPFA. In Note 3 of the accounts the Council stated they are satisfied that this standard will have no material impact on the accounts. The number and impact of any peppercorn leases is currently being assessed. The Council needs to ensure that it is fully prepared for this significant</p>	<p>Being implemented as part of the 2024/25 year end accounts.</p> <p><b>Status:</b> Underway</p>

	change. The Council should ensure that it is fully prepared for implementation of IFRS16 in the 2024/25 financial year.	
Property Plant and Equipment	The Council revalue assets at of 1 October. This may lead to material differences at reporting date due to the fluctuations in market prices. We recommend the council revalue assets at year end (31st March) rather than in year.	Agreed to implement from 31 March 2026, for the 2025/26 valuation exercise.  <b>Status:</b> Underway
Property Plant and Equipment	From review of the fixed asset register and testing completed on Nil NBV to the asset register assets we found an issue of an asset not in use but still within the register. We recommend the council reviews the nil NBV assets and ensure all necessary adjustments are made to the asset register.	Updated as part of the 2024/25 accounts closedown.  <b>Status:</b> Complete
Income and Expenditure transactions	Income and expenditure listings provided to us by the Council had a large number of debits and credits in the transaction populations. We recommended the Council should reduce the level of audit input in our transaction testing by taking action to "cleanse" populations to ensure we are only reviewing transactions that directly impact the financial statements.	The Council uses a fully integrated modern cloud based ERP system with many integrated Oracle modules, and external feeder systems posting at detailed level, to manage its various and complex service areas. This supports detailed budget monitoring, and reconciliation of its balance sheet and system control accounts. Payroll control accounts have reduced significantly. An overall assessment of transaction lines compared to other similar local authorities shows current levels of transactions to be of a similar number.  <b>Status:</b> Complete, subject to any further comments during the 2024/25 audit.
Journal Approval	We recommended in prior year audits that the Council have no authorisation or control process in relation to authorisation of Journals below £20,000. We recommended the Council should ensure that all Journals are reviewed and approved by an appropriate independent officer.	The Council does have authorization and control processes in relation to all journals. Access to enter and approve journals in Oracle is restricted to officers within the Corporate and Technical Finance team only. Additional processes have been implemented in 2025/26 to strengthen the evidence supporting the submission of journals before they are entered in the system. The overall numbers of journals below £20,000 are low. Consideration also has to be given to the level of resources required vs the risks, and that there are other controls, such as budget monitoring that mitigate the risks. Internal Audit have also reviewed the process and have provided substantial assurance regarding the authorisation process.  <b>Status:</b> Complete, subject to any further comments during the 2024/25 audit

<b>External Audit Findings Report 2023/24 (Accounts)</b> <b>Pension Fund - reported to CGC 6 December 2024</b> <a href="https://democracy.leics.gov.uk/ieListDocuments.aspx?CId=434&amp;MId=7724&amp;Ver=4">https://democracy.leics.gov.uk/ieListDocuments.aspx?CId=434&amp;MId=7724&amp;Ver=4</a>		
Cash Floats	<p>Management should ensure that:</p> <ul style="list-style-type: none"> <li>Cash float accounts are updated in a timely manner and expenses are recognised in the correct period.</li> <li>Journals processed in the system should have appropriate supporting documentation available at the time of posting which is then retained for audit purposes.</li> <li>Suspense accounts are reviewed and cleared in a timely manner.</li> </ul>	<p>The Council has worked with Colliers Global to agree additional monthly information. As a result, the Council are now undertaking a full monthly reconciliation of the cash float balance, including journal postings and clearance of suspense balances, with full documentation.</p> <p><b>Status:</b> Complete</p>
Valuation of level 3 investments	<p>Valuation of level 3 investments (financial assets)  Management relies on the valuation and information provided by the investment managers in the preparation of the net asset statement. The audited financial statements of investment funds provide additional assurance that the valuation of the fund is not materially misstated if an unmodified opinion is issued, provides information on the fair value hierarchy information and if the valuation is being done in accordance with the appropriate reporting framework. Management should liaise with the fund managers to provide the audited financial statements where they are produced. In the absence of the audited financial statements management should obtain additional information such as the Type 2 controls report to gain comfort that the controls in place are designed and operating effectively.</p>	<p>The Council continues to liaise with investment managers to acquire copies of audited financial statements, Type 2 SOC reports, and/or other documentation as appropriate to support assurance in the valuations and controls of their fund(s).</p> <p><b>Status:</b> Ongoing</p>
Journal Approval	<p>Journal controls-lack of segregation of duties.  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. We note that journal entries entered during the year which were below £20,000 had a combined value of £129,300.  Recommendation  The Pension fund should ensure that all journals are not self-approved. by the preparer.  We have identified that all journals below £20,000 do not require authorisation. We have noted that the journals are restricted to be posted by specific finance officers in the Technical Accounting team which has been confirmed by our testing.</p>	<p>The Council does have authorization and control processes in relation to all journals. Access to enter and approve journals in Oracle is restricted to officers within the Corporate and Technical Finance team only. Additional processes have been implemented in 2025/26 to strengthen the evidence supporting the submission of journals before they are entered in the system. The overall numbers of journals below £20,000 are low. Consideration also has to be given to the level of resources required vs the risks, and that there are other controls, such as budget monitoring that mitigate the risks. Internal Audit have also reviewed the process and have provided substantial assurance regarding the authorisation process.</p> <p><b>Status:</b> Complete, subject to any further comments during the 2024/25 audit</p>

<p>Internal controls reports and bridging letters.</p>	<p>Our audit procedures for requires us to review Type 2 service organisations reports where these are available. The value of investments for which we were unable to obtain the service organisation during the period under review was £416.16million. The following investment managers did not provide the reports:          KKR &amp; Co          Colliers Capital UK          LGPS Central- provided a Type 1 report.          DTZ did not provide a bridge letter covering the period 01 Nov 2023 to 31 March 2024 (second year).          We have obtained sufficient assurance through the performing alternative procedures such as review of audited accounts or review of cashflow movements.</p> <p>Type 2 service organisation reports enable the Pension fund to have sufficient oversight of the controls at the investment managers and that these controls are designed and operating effectively. The bridge letter provides confirmation that there have been no changes in the internal control environment from the service organisation audit report date to the Pension's fund year end date. Management should liaise with investment managers to provide the type 2 reports and bridge letters.</p>	<p>The Council continues to liaise with investment managers to obtain assurances over their controls, including Type 2SOC reports and bridging letters wherever possible. It is our present understanding that LGPS Central expects to produce a Type 2 report for 2024/25 and in future years.</p> <p><b>Status:</b> Ongoing</p>
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