

**Leicestershire County Council**  
**External Auditor Recommendations – Update as at June 2026**

Area	Recommendation	Current Assessment
<p><b>Auditor’s Annual Report 31 March 2025 – Value for Money Arrangements (reported to CGC 24 November 2025)</b>  <a href="https://democracy.leics.gov.uk/ieListDocuments.aspx?Cld=434&amp;MId=7963&amp;Ver=4">https://democracy.leics.gov.uk/ieListDocuments.aspx?Cld=434&amp;MId=7963&amp;Ver=4</a></p>		
<p>Financial Sustainability</p>	<p>Key recommendation : Dedicated Schools Grant deficit</p> <p>For 2024/25 the Council has reported a net Dedicated Schools Grant (DSG) overspend of £16.3m, comprising £23.2m on High Needs Block and a £5.0m underspend on Early Years. The cumulative funding gap is now £64m and is forecast to be £118m by 2028/29. In our prior year report we note "<i>At the start of 2023/24, the Council had an accumulated deficit on the High Needs Block (HNB) of DSG amounting to £35.5 million and by the end of 2023/24 this had increased to £41.2 million.</i>" We raised an improvement recommendation.</p> <p>Key Recommendation : The Council urgently needs to work with schools and parents to develop and implement plans to ensure that specialist or independent school placements are only used for children where this is the most appropriate route. The Council also needs to continue to increase the number of places available for children in mainstream schools.</p>	<p>Actions: The Council is focused on implementing further mitigations to reduce demand for EHCP’s and the unit cost of providing them, alongside delivering current TSIL programme savings. The further mitigations include mainstream inclusion initiatives to reduce reliance on ISP’s, policy and commissioning reviews and accelerating provision of new special school places. The issue cannot be fully resolved by the Council alone, and the governments SEND White Paper will be fundamental to the long-term sustainability of SEND.</p> <p>The DfE has also announced government support to local authorities with DSG deficits. This includes up to 90% grant funding for deficits as at 31/3/26 (subject to DfE approval of a local SEND reform plan), for deficits in 2026/27 and 2027/28 a commitment to ‘continue to take an appropriate and proportionate approach, although it will not be unlimited’, and from 2028/29 that SEND spending will be covered by the DfE. While this is positive news, no further details have been announced, and are unlikely to be announced before the statutory override ends in March 2028. As a result the MTFS continues to set aside funding towards forecast deficits after the 1 April 2026 until the position becomes clearer. This will be considered as part of the MTFS refresh later in the year.</p> <p><b>Status:</b> Ongoing.</p>

<p>Financial Sustainability</p>	<p>Improvement Recommendation 1: identifying and delivering recurrent savings</p> <p>Key Finding: The Council's Medium Term Financial Strategy (MTFS) 2025-29 projects a gap of £4.7m in 2025/26; £38m in 2026/27, £62m in 2027/28 and £91m in 2028/29. £85m of savings has been identified, with a further £91m of GF savings requiring identification. Unless savings are achieved this will be funded through reserves. The Budget Equalisation reserve, to manage funding gaps, is £92.1m at 31 March 2025.</p> <p>Recommendation: In order to bridge the financial gap forecast in its Medium Term Financial Strategy, the Council needs to identify and bring forward additional savings or income generation schemes at pace in order to avoid having to use reserves to balance its annual budget. As increasingly difficult decisions are taken, public transparency on their effectiveness is important. The Council should therefore consider reporting separately on savings plans and savings delivery.</p>	<p>The refreshed MTFS for 2026-30 was approved by the Council in February 2026 which showed the 2026/27 budget was balanced (after £15m from reserves). There are then estimated shortfalls of £34m in 2027/28 rising to £85m in 2029/30. To allow time for the Council to plan and deliver new savings the Council holds a budget equalisation reserve with sufficient cover to fund two years of funding shortfalls.</p> <p>In November 2025, in addition to its existing savings programme, the Council began a comprehensive review of its cost base and service delivery models, undertaken by Newton Consulting. The review has identified additional savings of £27m over the MTFS period 2026-30, with the potential to stretch to almost £60m of savings by 20230/31. These opportunities have been combined with the Council's existing MTFS savings plans to create a single, coherent Transformation Programme, which will be launched as the Better Leicestershire Programme.</p> <p>The updated position will be considered as part of the MTFS refresh later in the year.</p> <p><b>Status:</b> Ongoing</p>
<p>Improving economy, efficiency and effectiveness</p>	<p>Improvement Recommendation 2: responding to the Care Quality Commission</p> <p>Key Finding: In their September 2025 inspection report the Care Quality Commission (CQC) assessed the Council as "Requires Improvement".</p> <p>Recommendation 2: The Council should ensure that the action plan developed in response to the Care Quality Commission September 2025 inspection report is fully costed, with clear milestones and progress is publicly reported on a regular basis.</p>	<p>Actions: The CQC action plan has been costed and £4m growth was included in the new MTFS for 2026/27. Immediate actions in 2025/26 were funded through earmarked reserves.</p> <p>Progress against the plan has been reported to the Adults and Cultural Services Overview and Scrutiny Committee during 2025/26 and 2026/27 - the most recent on 1 June 2026: <a href="https://democracy.leics.gov.uk/ieListDocuments.aspx?CId=1365&amp;MId=8610&amp;Ver=4">https://democracy.leics.gov.uk/ieListDocuments.aspx?CId=1365&amp;MId=8610&amp;Ver=4</a></p> <p>Progress to date includes a reduction in waiting times; significant work continues to achieve sustainable improvements in timeliness, user experience, and consistency of service delivery.</p> <p><b>Status:</b> Milestones per the action plan.</p>

<p>Improving economy, efficiency and effectiveness</p>	<p>Improvement Recommendation b/f 24/25 : Contract Exceptions</p> <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>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> Contract exceptions in 2025/26 have reduced to 27 during the year, compared with 75 in the previous year, representing a significant improvement. This improvement has been supported through closer scrutiny of procurement pipelines and spend data to identify requirements at an earlier stage. The Commissioning Support Unit (CSU) has also worked proactively with departments to support compliance with procurement processes and to help secure value for money. Quarterly compliance reporting has also been provided to CMT, with analysis by department to support targeted accountability. This reflects the fact that CMT, as directors of the relevant departments, are best placed to influence behaviour and drive improvement.</p>
<p><b>External Audit Findings Report 2024/25 (County Council Accounts)</b>  <b>Reported to CGC 23 January 2026</b>  <a href="https://democracy.leics.gov.uk/ieListDocuments.aspx?CId=434&amp;MId=8460&amp;Ver=4">https://democracy.leics.gov.uk/ieListDocuments.aspx?CId=434&amp;MId=8460&amp;Ver=4</a></p>		
<p>General</p>	<p>Off-Ledger Adjustments</p> <p>During the audit, it was noted that the Council initially records certain transactions against general ledger codes that do not reflect their final classification in the financial statements. At year-end, these amounts are manually reclassified outside the main ledger system to align with the correct presentation required by the financial statements. These adjustments are performed off-ledger rather than through formal journal entries within the accounting system. Whilst we have not identified any issues with the adjustments made there are risks associated with off ledger processing.</p> <p>We recommend that the Council review its current practice of off-ledger reclassifications and consider aligning the general ledger coding with the final</p>	<p>Certain balance sheet codes were manually separated for the balance sheet at year end between short and long term. Additional journals have been processed in 2025/26 to respond to the recommendation.</p> <p><b>Status:</b> Complete</p>

	financial statement presentation. This would improve transparency and reduce reliance on manual adjustments	
ContrOCC  * ContrOCC is a subsidiary system of the Council relating to Adults and Children's social care.	<p>ContrOCC* invoice flags</p> <p>As part of testing of invoices raised after the year end we selected an invoice which was subsequently credited by the council, as such this did not have an impact on the financial statements. It did however highlight a potential weakness in arrangements to supporting invoicing in this area.</p> <p>The reason for the credit related to the way in which care package costs had been entered into the ContrOCC system. Upon a persons death the split of the care package triggered an invoicing process from the Council which upon receipt by the customers' estate was subsequently challenged and a credit note issued.</p> <p>We recommend that the Council carry out a process of review to ensure care packages are allocated appropriately to ensure inaccurate invoicing is avoided.</p>	<p>All managers have been reminded that actions related to case closures should be reviewed, this to include that Care Package Line Items (CPLI's) are recorded correctly into the case management system.</p> <p><b>Status:</b> Complete</p>
Financial Instruments	<p>A number of disclosure errors have been identified in relation to this complex note. These errors have included omissions, inconsistencies, misclassifications and two material calculation errors .</p> <p>Furthermore, amendments have been required in prior reporting periods to correct these issues, often necessitating prior period adjustments in accordance with applicable accounting standards. Such adjustments typically involve additional procedures to ensure compliance and transparency, as well as expanded disclosures to explain the nature and impact of the corrections.</p> <p>The recurring need for revisions to this note highlights the importance of implementing robust review and validation processes to mitigate the risk of future misstatements.</p> <p>It is recommended that management implement enhanced review controls over the preparation of this note, including detailed checklists aligned to the relevant accounting standards.</p> <p>Additionally, consideration should be given to providing targeted training for staff involved in preparing these disclosures to ensure a thorough understanding of the requirements and reduce the likelihood of future errors.</p>	<p>This is a complex note and will be reviewed by a senior officer during completion of the 2025/26 year-end financial statements.</p> <p><b>Status:</b> Complete</p>
Partnership Working	<p>Partnership working - agreements</p> <p>Material changes have been made to the accounting treatment applied to the Council's Better Care Fund arrangements. In addition, one further arrangement has been identified that does not meet the criteria for</p>	

	<p>classification as a pooled budget. Whilst we are a satisfied there are individual funding applications made to the ICB, the Council was unable to provide an overarching agreement governing adults' and learning disabilities partnership working with the Integrated Care Board (ICB). A lack of a formal agreement weakens governance arrangements by failing to clearly define decision-making authority, oversight mechanisms, and dispute resolution processes. This may result in blurred accountability between the Council and the Integrated Care Board (ICB), increasing the risk that decisions are made without appropriate authorisation or scrutiny.</p> <p>We recommend the Council review its partnership working arrangements and ensure appropriate agreements are in place. Following this the technical accounting of each arrangement should be reviewed in accordance with the CIPFA code.</p>	<p>Initial conversations have been undertaken between the Adults and Cultural Services department and the ICB regarding the activity associated with the Learning Disability Pool. The recent merger of LLR ICB and the Northamptonshire ICB will likely require a more detailed discussion with partners around the agreement.</p> <p><b>Status:</b> Underway.</p>
Property Valuations	<p>Instructions to valuer We have reviewed outline Instructions to Valuer document issued by the Council to its valuer covering the 2024/25 financial period. However, we understand that no formal Terms of Engagement documents have subsequently been received by the Council. It is our view that for each instruction, the Council should ensure it has specific Terms of Engagement document to help establish accountability, ensure clarity on the scope and objectives, and provide an audit trail. This reduces the risk of misunderstandings, scope creep, or non-compliance with professional and regulatory standards.</p> <p>The Council should ensure formal terms of engagement are agreed with its valuation expert.</p>	<p>Implemented for the 2025/26 valuations.</p> <p><b>Status:</b> Complete.</p>
Property Valuations	<p>Review of valuation information The Council should review the quality control arrangements in place regarding complex valuations, and the review of initial information provided from its expert and to challenge any mathematical or internal inconsistencies. Closedown arrangements should include a review of the information provided by the Council's expert with any inconsistencies challenged. In addition, the Council should review internal accounting arrangements and information supplied to the valuer in terms of those currently treated as 'not increasing value'.</p> <p>The Council should enhance quality assurance procedures to review asset valuations, in particular regarding complex valuations.</p>	<p>Additional verification checks have been implemented for the 2025/26 valuations.</p> <p><b>Status:</b> Complete.</p>

Journals	<p>Journal authorisation</p> <p>Journal testing highlighted an opportunity to strengthen the approval process. We noted instances where journals posted by senior team members were approved by junior staff. Best practice would typically require approval by a more senior individual to ensure appropriate oversight. The current approach may diminish the effectiveness of the review and could potentially impact the integrity and accuracy of financial reporting.</p> <p>We recommend that journals be reviewed and approved by senior team members to ensure adherence to a robust review process.</p>	<p>This relates mainly to year-end technical journals processed by the corporate finance team in compiling the statement of accounts.</p> <p>It is not practical for all corporate finance journals to be approved by senior officers. There are other compensating controls, including:</p> <ul style="list-style-type: none"> <li>a) journal approval and working papers are segregated and approved by a second officer within corporate finance,</li> <li>b) balance sheet reconciliations,</li> <li>c) detailed year end working papers templates with fixed codes,</li> <li>d) oversight of the statement of accounts task list by the Corporate and Technical Finance Manager.</li> </ul> <p><b>Status:</b> Complete, subject to further comments from the auditor.</p>
Journals	<p>Journal processing – annual leave</p> <p>As part of our procedures relating to journal entries, we request information from individuals who have posted journals during the year. While not exhaustive, this includes questions regarding the types of journals processed and the arrangements in place to ensure continuity of processing during periods of absence or leave. In response to the question on cover arrangements for journal processing during leave, some comments indicated ‘nobody’ or ‘none. Whilst we accept there are likely to be local arrangements in place to maintain business continuity the absence of formal policy or procedure to cover arrangements increases the risk of delays in processing journals and may result in incomplete or inaccurate financial records. This could impact the timeliness and reliability of financial reporting.</p> <p>We recommend that the Council reviews and formalises current policies to ensure adequate cover for journal processing during staff absences. This should include documented procedures and clear responsibilities to mitigate the risk of disruption to financial processes.</p>	<p>The finance team have implemented a ticketing system, which includes the processing of journals. Yearend technical journals are processed by the corporate and technical finance team, and are managed through a detailed year end timetable / checklist. Additional controls include balance sheet monitoring and oversight of the accounts by the Corporate and Technical Finance Manager.</p> <p><b>Status:</b> Complete.</p>
General	<p>Review of accounts</p> <p>The Council’s financial statements contain a number of disclosures relating to balances that are not material. While not an exhaustive list, these include areas such as Investment Property, Heritage Assets, Intangible Assets, and Inventories. Preparing these disclosures requires time and resources, and based on quantitative considerations alone, their inclusion may not add value to users of the financial statements.</p>	<p>These disclosures are a necessary part of the year end processes to establish the balance sheet. The time to populate the statement of accounts is minimal. However some notes can be simplified to aid the users of the accounts.</p> <p>This will be reviewed as part of compiling the 2025/25 draft statement of accounts.</p>

	We recommend the council carries out a full consideration of all disclosures within the financial statements and consider streamlining further.	<b>Status:</b> Ongoing.
IT Audit (Oracle Fusion)  LCC and Pension Fund	ITGC assessment (design and implementation effectiveness only)  The Pension Fund and the Council share a common control environment in relation to Oracle Fusion. As part of 2024/25 IT work our specialist IT team identified what it considered to be 2 significant deficiencies pertaining to security role privileges and self-assigned access controls within Oracle. These deficiencies were considered in our audit approach to management override of control for 2024/25 and no issues were noted in the specific procedures performed. Our IT team will review the Council's security managements arrangements as part of the 2025/26 audit, including any mitigating controls initiated by the Council.	The issues identified were resolved in 2024/25.  <b>Status:</b> Complete subject to any further comments from the 2025/26 IT audit.
Property, Plant and Equipment (Prior Year recommendation)	Weaknesses around the processing of capital accounting entries in the Council's Fixed asset register (FAR) and the valuations process. Assets were revalued at 1st October rather than the year end. Capital additions and assets under construction brought into use in year are processed as a manual adjustment and then revalued the following financial year- whereas the Code requires these to be revalued. Finance leases are not included in the FAR but manually adjusted.  A large balance of assets that required revaluing under the Code were held at cost in Other Land and buildings.  We recommended the Council reviewed its capital accounting processes for the above matters.	The valuation date has been moved to the year-end date of 31 March 2026 with effect from the 2025/26 accounts.  In addition, a year end 31 March (26) valuation for all material (>£2m) in year additions has been implemented. Finance leases are immaterial overall and can be complex. As a result, they are held separate to the already complex Fixed Asset Register (FAR).  From 2025/26, all assets have been revalued as at 31 March 26 - by an external valuer or have been revalued using relevant indices as required by the CIPFA Code of Practice for 2025/26.  <b>Status:</b> Complete
Property, Plant and Equipment (Prior Year recommendation)	Management provided us with a report downloaded directly from the fixed asset register 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.	This related to valuations input to the Fixed Asset Register in 2023/24. It relates to a 'free text' field within the FAR that has no bearing on the valuation method used. The valuation method is determined separately by the external valuer. It is not possible in the FAR to retrospectively change this field, however, as subsequent valuations are input, in 2024/25 and 2025/26, this field is being updated.  <b>Status:</b> Complete

Income and Expenditure (Prior Year recommendation)	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 acting to “cleanse” populations to ensure we are only reviewing transactions that directly impact the financial statements.	This recommendation will be addressed as part of the working papers to be submitted to the Auditor during the audit of the 2025/26 accounts.  <b>Status:</b> Ongoing
Journals (Prior Year recommendation)	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 authorisation and control processes in relation to all journals.  Specifically, access to enter and approve journals in Oracle Fusion is restricted to officers within the Corporate and Technical Finance team only. No other officers outside of that team, for example, budget managers have access to enter a journal.  In 2024/25 additional processes were implemented to strengthen the evidence supporting journals and approval process, before they are entered in the system.  The overall number of journals below £20,000 are low. Consideration also has to be given to the level of resources required versus the risks, and that there are other controls such as budget and balance sheet monitoring that mitigate the risks. Further, 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 from the auditor.

<b>External Audit Findings Report 2024/25 (Pension Fund Accounts)</b> <b>Reported to CGC 24 November 2025</b> <a href="https://democracy.leics.gov.uk/ieListDocuments.aspx?CId=434&amp;MId=7963&amp;Ver=4">https://democracy.leics.gov.uk/ieListDocuments.aspx?CId=434&amp;MId=7963&amp;Ver=4</a>		
<b>Investment Valuations</b>	Valuation of level 3 investment (financial assets) The following were our findings from testing in 2024/25 (similar points were raised in prior year): 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	Colliers are no longer a manager for the pension fund, their holdings have been transferred to LGPS Central from 1.4.2025 for the direct property holdings and the property fund holdings to LaSalle.  Regarding type 2 SOC reports for LaSalle we can provide this as at LaSalle’s year end of 31.5.26 as soon as it is available. Partners Group’s year end is 31 December and they do not provide bridging letters to match the Pension Funds year end of 31 March. Partners

	<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. Other alternative procedures such as indexation were performed to assess the reasonability of the year end valuations. Management should liaise with the fund managements to provide the audited financial statements where they are produced. In absence of such information, they should obtain the Type 2 controls report to gain comfort that the controls in place are operating effectively.</p>	<p>group have in the past sent emails regarding controls being adequate over the period 31.12 to 31.3. The investments are reducing for Partners Group, so the materiality will be reducing. There are no new commitments to this manager as the Fund moves to using LGPS Central for all new private credit commitments.</p> <p><b>Status:</b> Complete.</p>
<p><b>Journals</b></p>	<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. The Pension fund should ensure that all journals are not self approved by the preparer.</p> <p>We recognise the low level of journals under £20k, however, the ability to self approve journals remains a risk to the Council in terms of segregation of duties. As such this recommendation has been marked as 'not yet addressed'.</p>	<p>Access to enter and approve journals in Oracle is restricted to officers within the Corporate and Technical Finance team only, and relate to miscoded transactions. As noted, the level of journals posted below £20k remains low. 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 from the auditor.</p>

This page is intentionally left blank