



# Auditor's Annual Report for Lincolnshire County Council

**Year ended 31 March 2025**

January 2026

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Our audit report is made solely to the members of Lincolnshire County Council (the Council), as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014. Our audit work has been undertaken so that we might state to the members of the Council, as a body, those matters we are required to state to them in an auditor's report and for no other purpose.

To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Council and the members of Council, as a body, for our audit work, for our auditor's report, for this Auditor's Annual Report, or for the opinions we have formed.

External auditors do not act as a substitute for the Council's own responsibility for putting in place proper arrangements to ensure that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

01

# Executive Summary



# Executive Summary



## Purpose of the Auditor's Annual Report

This Auditor's Annual Report provides a summary of the findings and key issues arising from our 2024-25 audit of Lincolnshire County Council (the 'Council'). This report has been prepared in line with the requirements set out in the Code of Audit Practice published by the National Audit Office (the 'Code of Audit Practice') and is required to be published by the Council alongside the annual report and accounts. This Auditor's Annual Report supersedes the version dated 5 November 2025, because we have now issued our report in relation to the financial statements.

## Our responsibilities

The statutory responsibilities and powers of appointed auditors are set out in the Local Audit and Accountability Act 2014 (the Act). Our responsibilities under the Act, the Code of Audit Practice and International Standards on Auditing (UK) ('ISAs (UK)') include the following:



**Financial Statements** - To provide an opinion as to whether the financial statements give a true and fair view of the financial position of the Council and of its income and expenditure during the year and have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting 2024/25 ('the CIPFA Code').



**Other information (such as the narrative report)** - To consider, whether based on our audit work, the other information in the Statement of Accounts is materially misstated or inconsistent with the financial statements or our audit knowledge of the Council.



**Value for money** - To report if we have identified any significant weaknesses in the arrangements that have been made by the Council to secure economy, efficiency and effectiveness in its use of resources. We are also required to provide a summary of our findings in the commentary in this report.



**Other powers** - We may exercise other powers we have under the Act. These include issuing a Public Interest Report, issuing statutory recommendations, issuing an Advisory Notice, applying for a judicial review, or applying to the courts to have an item of expenditure declared unlawful.

In addition to the above, we respond to any valid objections received from electors.

## Findings

We have set out below a summary of the conclusions that we provided in respect of our responsibilities.

<b>Financial statements</b>	We issued an unmodified opinion on the Council's financial statements on 27 January 2026. This means that we believe the financial statements give a true and fair view of the financial performance and position of the Council. Additionally, we are the auditor of Lincolnshire Pension Fund's financial statements. We have issued an unmodified opinion on these financial statements on 27 January 2026.
<b>Other information</b>	We have provided further details of the key risks we identified and our response on page 6.
<b>Value for money</b>	We did not identify any material inconsistencies between the content of the other information, the financial statements and our knowledge of the Council.
<b>Whole of Government Accounts</b>	We identified no significant weaknesses in respect of the arrangements the Council has put in place to secure economy, efficiency, and effectiveness in the use of its resources. Further details are set out on page 11.
<b>Other powers</b>	We are required to perform procedures and report to the National Audit Office in respect of the Council's consolidation return to HM Treasury in order to prepare the Whole of Government Accounts. As the National Audit Office has not yet concluded its audit of the Whole of Government Accounts for the 31 March 2025 financial year, we are unable to confirm that we have concluded our work in this area. See overleaf.

# Executive Summary



There are several actions we can take as part of our wider powers under the Act:

## Public interest reports

We may issue a Public Interest Report if we believe there are matters that should be brought to the attention of the public.

If we issue a Public Interest Report, the Council is required to consider it and to bring it to the attention of the public.

**As at the date of this report, we have not issued a Public Interest Report this year.**

## Judicial review/Declaration by the courts

We may apply to the courts for a judicial review in relation to an action the Council is taking. We may also apply to the courts for a declaration that an item of expenditure the Council has incurred is unlawful.

**As at the date of this report, we have not applied to the courts**

## Recommendations

We can make recommendations to the Council. These fall into two categories:

1. We can make a statutory recommendation under Schedule 7 of the Act. If we do this, the Council must consider the matter at a general meeting and notify us of the action it intends to take (if any). We also send a copy of this recommendation to the relevant Secretary of State.
2. We can also make other recommendations. If we do this, the Council does not need to take any action, however should the Council provide us with a response, we will include it within this report.

**As at the date of this report, we made no recommendations under Schedule 7 of the Act.**

**We have raised one other recommendation relating to the Council's procurement process. For further details see page 23.**

## Advisory notice

We may issue an advisory notice if we believe that the Council has, or is about to, incur an unlawful item of expenditure or has, or is about to, take a course of action which may result in a significant loss or deficiency.

If we issue an advisory notice, the Council is required to stop the course of action for 21 days, consider the notice at a general meeting, and then notify us of the action it intends to take and why.

**As at the date of this report, we have not issued an advisory notice this year**

In addition to these powers, we can make performance improvement observations to make helpful suggestions to the Council. Where we raise observations we report these to management and the Audit Committee. The Council is not required to take any action to these, however it is good practice to do so and we have included any responses that the Council has given us.

02

# Audit of the financial statements



# Audit of the financial statements



## KPMG provides an independent opinion on whether the Council's financial statements:

- Give a true and fair view of the financial position of the Council as at 31 March 2025 and of its income and expenditure for the year then ended; and
- Have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25.

We conduct our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. We also fulfil our ethical responsibilities under, and ensure we are independent of the Council in accordance with, UK ethical requirements including the FRC Ethical Standard. We are required to ensure that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

## Our audit opinion on the financial statements

We have issued an unqualified opinion on the Council financial statements on 27 January 2026.

Additionally, we are the auditor of Lincolnshire Pension Fund's financial statements. We have issued an unmodified opinion on the pension fund financial statements on 27 January 2026.

The full audit reports are included in the Council's Annual Report and Accounts for 2024/25 which can be obtained from the Council's website.

Further information on our audit of the financial statements is set out overleaf.

# Audit of the financial statements



The table below summarises the key financial statement audit risks that we identified as part of our risk assessment and how we responded to these through our audit.

## Valuation of Land and Buildings

The Code requires that where assets are subject to revaluation, their year end carrying value should reflect the appropriate current value at that date. The Authority has adopted a rolling revaluation model which sees all land and buildings revalued over a five year cycle. As at 31 March 2025, the Council had land and buildings with a total value of £649m.

Due to the significant judgement and estimation required, there is perceived to be risk over the estimation uncertainty of the assumptions underpinning the valuation of assets that are revalued in the year, due to the significant judgement and estimation required. The Council revalued 20% of its land and buildings for the year ended 31 March 2025.

Our significant risk related to the assets valued in year as part of the five year cycle. We considered the valuation risk of assets not formally revalued in year to be an other audit risk.

### Our procedures

- We confirmed the independence, objectivity and expertise of Kier, the valuers used in developing the valuation of the Council's properties as at 31 March 2025;
- We confirmed that the instructions issued to the valuers were appropriate to produce a valuation consistent with the requirements of the CIPFA Code.
- Auditing standards require us to report that the design and implementation of the management review control relating to this area remains ineffective in line with the ISA definition. The ISAs acknowledge that it is difficult for management to design controls that address subjectivity in a manner that effectively prevents, or detects and corrects, material misstatements. We also identified that the Council lacks a formal control over the valuation of land and buildings to ensure that relevant valuation was appropriate as the Council does not have the relevant in house valuation expertise. However we are aware that management operates a control that they are satisfied with that provides the Council with assurance over this area;
- We compared the accuracy of the data provided to the valuers for the development of the valuation to underlying information, our testing is ongoing. We identified no underlying information that could not be agreed back to supporting evidence;
- We challenged the appropriateness of the valuation of land and buildings; including any material movements from the previous revaluations. We challenged key assumptions within the valuation as part of our judgement; our testing is ongoing. We found assumptions underpinning the valuation to be appropriate
- We confirmed that management had used appropriate indices when performing the indexation uplift;
- We agreed the calculations performed of the movements in value of land and buildings and verified that these had been accurately accounted for in line with the requirements of the CIPFA Code;
- Disclosures: We confirmed that the disclosures concerning the key judgements and degree of estimation involved in arriving at the valuation were appropriate.

### Our findings

We identified no material misstatements

We considered the estimate to be neutral.

# Audit of the financial statements (cont.)



## Valuation of Post retirement benefit obligations

The valuation of the post retirement benefit obligations involves the selection of appropriate actuarial assumptions, most notably the discount rate applied to the scheme liabilities, inflation rates and mortality rates. The selection of these assumptions is inherently subjective and small changes in the assumptions and estimates used to value the Council's pension liability could have a significant effect on the financial position of the Council.

The effect of these matters is that, as part of our risk assessment, we determined that post retirement benefits obligation has a high degree of estimation uncertainty. The financial statements disclose the assumptions used by the Council in completing the year end valuation of the pension deficit and the year on year movements.

Also, recent changes to market conditions have meant that more councils are finding themselves moving into surplus in their Local Government Pension Scheme (or surpluses have grown and have become material). The requirements of the accounting standards on recognition of these surplus are complicated and requires actuarial involvement.

### Our procedures

- Understood the processes the Council has in place to set the assumptions used in the valuation;
- Evaluated the competency, objectivity of the actuaries to confirm their qualifications and the basis for their calculations;
- Performed inquiries of the scheme actuaries to assess the methodology and key assumptions made, including actual figures where estimates had been used by the actuaries, such as the rate of return on pension fund assets;
- Agreed the data provided by the audited entity to the Scheme Administrator for use within the calculation of the scheme valuation;
- Challenged, with the support of our own actuarial specialists, the key assumptions applied, being the discount rate, inflation rate and mortality/life expectancy against externally derived data;
- Confirmed that the accounting treatment and entries applied by the association are in line with IAS19;
- Considered the adequacy of the Council's disclosures in respect of the sensitivity of the assumptions; and
- Where applicable, assessed the level of surplus that should be recognised by the entity; and
- Assessed the impact of any special events, where applicable

### Our findings

We identified no material misstatements

We considered the estimate to be neutral.

# Audit of the financial statements (cont.)



## Management override of controls

Professional standards require us to communicate the fraud risk from management override of controls as significant.

Management is in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.

As part of our planning risk assessment procedures we identified that the Council does not have enforced segregation of duty controls over the posting of journals, we will therefore not seek to take a controls based approach when designing procedures to provide assurance over this risk.

### Our procedures

Our audit methodology incorporates the risk of management override as a default significant risk.

- Assessed accounting estimates for biases by evaluating whether judgements and decisions in making accounting estimates, even if individually reasonable, indicated a possible bias.
- Evaluated the selection and application of accounting policies.
- In line with our methodology, evaluated the design and implementation of controls over journal entries and post closing adjustments.
- Assessed the appropriateness of changes compared to the prior year to the methods and underlying assumptions used to prepare accounting estimates.
- Assessed the business rationale and the appropriateness of the accounting for significant transactions that are outside the Council's course of business, or are otherwise unusual.
- Searched for fraudulent journal entries using KPMG Automated Audit Procedures.
- We analysed all journals through the year using data and analytics and focussed our testing on those with a higher risk.

### Our findings

We identified no indicators of management override of controls

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# Value for Money



# Value for Money



## Introduction

We are required to be satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources or 'value for money'. We consider whether there are sufficient arrangements in place for the Council for the following criteria, as defined by the Code of Audit Practice:



**Financial sustainability:** How the Council plans and manages its resources to ensure it can continue to deliver its services.



**Governance:** How the Council ensures that it makes informed decisions and properly manages its risks.



**Improving economy, efficiency and effectiveness:** How the Council uses information about its costs and performance to improve the way it manages and delivers its services

We do not act as a substitute for the Council's own responsibility for putting in place proper arrangements to ensure that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. We are also not required to consider whether all aspects of the Council's arrangements are operating effectively, or whether the Council has achieved value for money during the year.

## Approach

We undertake risk assessment procedures in order to assess whether there are any risks that value for money is not being achieved. This is prepared by considering the findings from other regulators and auditors, records from the organisation and performing procedures to assess the design of key systems at the organisation that give assurance over value for money.

Where a significant risk is identified we perform further procedures in order to consider whether there are significant weaknesses in the processes in place to achieve value for money.

We are required to report a summary of the work undertaken and the conclusions reached against each of the aforementioned reporting criteria in this Auditor's Annual Report. We do this as part of our commentary on VFM arrangements over the following pages.

We also make recommendations where we identify weaknesses in arrangements or other matters that require attention from the Council.

## Summary of findings

Our work in relation to value for money is complete and a summary is provided below.

	Financial sustainability	Governance	Improving economy, efficiency and effectiveness
<b>Commentary page reference</b>	14	16	21
<b>Identified risks of significant weakness?</b>	✗ No	✓ Yes	✗ No
<b>Actual significant weakness identified?</b>	✗ No	✗ No	✗ No
<b>2023-24 Findings</b>	No significant risks identified	No significant risks identified	No significant risks identified

# Value for Money



## National context

We use issues affecting Councils nationally to set the scene for our work. We assess if the issues below apply to this Council.

### Local Government Reorganisation

The Government has announced proposals to restructure local government throughout England. County and District councils (and, in some cases, existing Unitary authorities) will be abolished and replaced with new, larger Unitary authorities, which will (in many cases) work together with peers in a regional or sub-regional Combined Authority. Authorities which are unaffected by these proposals may still see changes in local police and fire authorities and in the Councils they already work in collaboration with.

Restructuring has, in some cases, resulted in differing views on how services should be provided in their regions – with little consensus on how previously separate organisations will be knitted together. Councils will need to ensure that investment decisions are in the long-term interest of their regions, and that appropriate governance is in place to support decision making.

### Financial performance

Over recent years, Councils have been expected to do more with less. Central government grants have been reduced, and the nature of central government support has become more uncertain in timing and amount. This has caused Councils to cut services and change the way that services are delivered in order to remain financially viable.

Whilst the Government has indicated an intention to restore multi-year funding settlements, giving Councils greater certainty and ability to make longer-term investment decisions, the Government has also proposed linking grant funding to deprivation. For some authorities this presents a significant funding opportunity, whereas for others this reinforces existing financial sustainability concerns and creates new financial planning uncertainties.

### Education

Some schools are now the responsibility of academy trusts, however many schools are still controlled and overseen by the local Council. Dedicated funding is provided by central government to run schools, however due to cost pressures many Councils have overspent against their central government allocation, particularly in relation to "high needs" expenditure (i.e. to support students with special educational needs and disability (SEND)). Government guidance is awaited on children's services reform and SEND, and some authorities are delaying transformation programmes until there is clarity on how services should evolve.

An accounting override exists meaning Councils do not need to recognise schools deficits as part of their reserves which, for some, avoids Councils becoming insolvent. This override was extended to March 2028. However, some have raised concerns that this extension only defers the problem, and the underlying unsustainability of education expenditure has not been resolved.

## Local context

The Council published unaudited financial statements by the statutory deadline.

The Council reported a £29m surplus on provision of services in the Council's total comprehensive income and expenditure for the year ended 31 March 2024. In the General Fund, the Council delivered a £29.0m surplus on its Provision of Services..

The Council's usable reserves have fallen by £43.5m (13.7%), this was largely driven by reduction of £37.1m in earmarked reserves. However the Council has increased its general fund to £24.2m, an increase of 47.6%. The Council also maintained its financial volatility earmarked reserve of £46.9m to deal with future uncertainties around local government funding.

We note that included within the Council's 24/25 budget, the Council forecast a fall of £35,205 in earmarked reserves in 24/25, therefore the fall was inline with expectations.

### Working with partners

In February 2025, the Greater Lincolnshire Combined County Authority (GLCCA) was established with the Leader of Lincolnshire County Council being one of the eight constituent Board Members.

### External inspections

The Council was not subject to an OFSTED or CQC inspections within the year. However, the Council received a 'good' CQC rating in respect of its social care related services in 23/24. Additionally, the Council received an 'Outstanding' OFSTED rating in respect of its Children's services in the 23/24 inspection.

# Financial Sustainability



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

We have considered the following in our work:

- The processes for setting the 2024/25 financial plan to ensure that it is achievable and based on realistic assumptions;
- How the 2024/25 efficiency plan was developed and monitoring of delivery against the requirements;
- Processes for ensuring consistency between the financial plan set for 2024/25 and the workforce and operational plans;
- The process for assessing risks to financial sustainability;
- Processes in place for managing identified financial sustainability risks; and;
- Performance for the year to date against the financial plan.

### Budget setting

The Council's budget setting process was underpinned by the Financial Planning and Management principles included within the Council's Financial Procedures. For the 2024/25, the Council began the budget setting process in the June preceding the financial year.

Executive Directors were responsible for setting budgets for the Service Lines they lead, with budgets adjusted for any known pressures within Directorates and any efficiencies required. Directorates ensured their budgets were realistic and achievable by identifying cost pressures from a number of sources including, but not limited to, policy changes, economic indicators, contracting data and in year budget monitoring.

For 2024/25, overarching saving of £28m across the Council were built into the Council's Budget Book. This represented overall savings of 4.4% for the Council, with c1% attributable to Directorate savings. Service finance teams supported the budget setting process, however the Council took a risk-based approach when budget setting which meant that those Directorates deemed higher risk received additional support.

Directorates were required to present their Service Line budgets to the appropriate Scrutiny Committee. The budget document presented included commentary regarding cost pressures, any changes to the provision of service and the associated costs. This commentary ensured the appropriate level of scrutiny and challenge was applied to the Service Line budgets.

The Service Line budgets formed to make the overarching Council budget as well as other budgets such as the capital finance charges, school budgets and contingencies. We note the 2024/25 budget included a contingency of £6m, this was a decrease from £6.5m from 2023/24.

Ahead of the approval of the final Council budget, in January 2024 the Council undertook a budget consultation process. This meeting provided the opportunity for partners and other organisations to provide commentary on the Council's proposed budget. Review of the consultation meeting confirmed that the appropriate information was provided those in attendance to facilitate appropriate scrutiny. The final 2024/25 budget, contained within the 'Budget Book', was approved by the Council on 23 February 2024.

The Council published its Corporate Plan in 2023, this detailed the Council's strategic ambitions and mission. It included the requirements for success in the provision of good value council services, including aims around workforce, operational plans and included detail to support capital and estates. The aims were consistent with those included in the Council's Medium Term Financial Strategy and 2024/25 budget, both contained within the 'Budget Book'.

# Financial Sustainability



## Budget monitoring

The Council operated a one-month budget monitoring cycle. On a monthly basis the Corporate Leadership Team (CLT) received a monthly monitoring report with an Executive Revenue Budget Monitoring report produced quarterly. This is presented to both the CLT and the Overview and Scrutiny Management Board. The report provided an update on revenue spend against budget throughout 2024/25 and included an executive summary detailing the key under/overspend year to date to enable informed decision making. The report also detailed financial performance at a Directorate level, including commentary of any under or overspends at Directorate level to allow scrutiny over particular Service Line budgets. The report noted that 2023/24 outturn underspend would be allocated as contingency to mitigate 2024/25 overspend.

The Council had numerous risks relating to financial sustainability and performance within its Strategic Risk Register. These included "Budgets Lincolnshire County Council - funding and maintaining financial resilience"; 'Outstanding Debt - securing efficient and effective end-to-end processes for the recovery of income due to the Council'; and 'Inflation - Continued high inflation undermines capital programme impacting aspirations and threatens the sustainability of revenue budgets'. These risks were presented to the Audit Committee on a quarterly basis via the Risk Management Progress Report. Our review of the Risk Register confirmed that sufficient information was included to enable informed decision making. We have provided commentary on the Council's risk management processes at page 16.

## Budget outturn

The total budget requirement included in the 2024/25 budget was £655.8m (excluding School budgets), as at March 2025, the Council's budget requirement had increased to £656.3, inclusive of reserves movements. The Council recognised net expenditure of £649.1m, and a surplus of £7.1m.

## Reserves

The Council ended the 2024/25 financial year with £24.2m held in the general fund and £159.3m held in earmarked reserves, excluding schools, this represented an increase of £7.8m and decrease of £37.1m in the general fund and earmarked reserves respectively. The council maintained its financial volatility reserve of £46.9m. The Council has therefore maintained its financial volatility reserve whilst increasing its general fund reserves. We note that included within the Council's 24/25 budget, the Council forecast a fall of £35,205 in earmarked reserves in 24/25.

We note that the Council prepared their annual budget for 2025/26 within the 2024/25 year. This included a budget requirement of £691.8m, a £7.8m use of reserves and additional savings of £1.8m.

## Risk assessment conclusion

Based on the work performed, we have not identified a significant risk associated with Financial sustainability

Key financial and performance metrics:	2024 25	2023 24
Planned surplus/(deficit)	(£7.1m)	£1.2m
Actual surplus/(deficit), excluding school budgets	£29.0m	£62.6m
School budget surplus	(£2.4m)	£16.3m
Usable reserves	£274.7m	£318.2m
Year-end borrowings	£453.4m	£462.1m
Year-end cash position	(£108.3m)	(£93.2m)

# Governance



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

We have considered the following in our work:

In assessing whether there was a significant risk relating to governance we reviewed:

- Processes for the identification, monitoring and management of risk;
- The design of the governance structures in place at the Council;
- Controls in place to prevent and detect fraud;
- The review and approval of the 2024/25 financial plan by the Council, including how financial risks were communicated;
- How compliance with laws and regulations is monitored;
- Processes in place to monitor officer compliance with expected standards of behaviour, including recording of interests, gifts and hospitality; and
- How the Council ensures decisions receive appropriate scrutiny.

## Risk management

The Council assessed and managed risks through its Risk Management Strategy and associated procedures during the financial period. Strategic risks are those which may threaten the achievement of the Council's strategic priorities.

The Council has created a culture in which employees are responsible for identifying, assessing, measuring, monitoring and reporting and escalating significant risks associated with their functions or activities which reported into directorate and strategic risks. The Head of Service is responsible for operational risks where they see a risk to their service and these are then added to the Council's risk management software, Sharpcloud.

Once risks have been challenged and the appropriate mitigations developed, these were added to the service line risk register. These risk registers followed the same format as the Strategic risk register.

On a bi-annual basis, the Council presented a 'Horizon Scanning, Trend, Risks and Issues' document to the Audit Committee. This report was designed to raise awareness of emerging trends, risks and opportunities facing local authorities across the country and ensured members of the Council's committees were aware of pressures and themes impacting upon other public bodies and local authorities which may impact the Council currently or in the future.

Risk scores (both current and target) were calculated by multiplying the potential impact by the potential likelihood of the risk. The Council used a 4 x 4 matrix scoring system, which produced a range of scores from 1 to 16. We note that in the future, the Council are seeking to update its scoring matrix to a 5 x 5 matrix to align with its risk appetite matrix.

As part of the facilitation process the Corporate team provided challenge to risk owners on all aspects of the risk. Risks were discussed at Directorate level, Corporate Risk and Safety Steering Group and Corporate Leadership level for strategic risks. All discussions provided an opportunity for the identified risks to be challenged. Service line risk registers were reviewed by the risk team twice a year and directorate risk registers were reviewed by the risk team 4 times a year. Additionally, there was a quality assurance process which was undertaken by the risk management team, this process ensured service risk registers were reviewed.

The Council utilised a wheel of control approach to align controls into key areas and applied a measured and unmeasured reference to help support demonstrating the effectiveness of controls. It was the risk owners who identified controls to mitigate/manage the risks, all controls aligned with the 4 categories of risk controls. We note that included in the risk register, against each risk, the Council described the controls used to mitigate each strategic and operational risk.

The Strategic risk register was reported to the Audit Committee via the Risk Management update report twice a year. The risk report provided the following information against each risk to enable informed decision making: Current impact; Current likelihood; Current risk score; Target impact; Target risk score; Assurance status; Direction of travel; and controls to mitigate the risk.

# Governance



## Budget monitoring

The final 2024/25 budget, contained within the 'Budget Book', was approved by the Council on 23 February 2024. We have provided further commentary on the Council's budget setting process at page 14.

## Counter fraud

The Council's counter fraud and anti-corruption arrangements were underpinned by the Anti Money Laundering Policy and the Counter Fraud and Anti-corruption Policy, additionally, the roles and responsibilities of Council employees and Committees regarding fraud were included within the Council's Constitution.

The Anti Money Laundering and the Counter Fraud and Anti-corruption policies were supported by the annual Counter Fraud Plan. In 2024/25 this was presented and approved by the Audit Committee in March 2024, this included the planned activity of the Counter Fraud function in preventing and detecting fraud within the Council. In March 2025 the Head of Audit and Counter Fraud manger presented the Counter Fraud Annual Report, this detailed the activity undertaken by the function and the conclusions drawn on the fraud activity at the Council. Our review of this report did not identify any material frauds.

Our review of the Audit Committee minutes identified that a Counter Fraud Progress Report was introduced by the Council in 2024/25. This report sought to provide the Audit Committee with an overview of progress against the 2024/25 Counter Fraud plan throughout the year

	2024 25	2023 24
<b>Control deficiencies reported in the Annual Governance Statement</b>	None	None
<b>Head of Internal Audit Opinion</b>	Adequate	Adequate
<b>Ofsted rating</b>	Outstanding	Outstanding
<b>HM Inspectorate of Constabulary and Fire and Rescue Services rating</b>	4 areas for improvement	4 areas for improvement
<b>Local Government Ombudsman findings</b>	None	None
<b>Care Quality Commission rating</b>	Good	Good

# Governance



## *Compliance with laws and regulations and standards and behaviour*

Compliance with laws and regulations and the monitoring of this is one of the functions of the Council and is included within the Council's Constitution, approved by the Council in September 2024. Additionally, included within the Constitution is the role of the Monitoring Officer. The Monitoring Officer's role is to report to the full Council or to the Executive in relation to an Executive function if he or she considers that any proposal, decision or omission would give rise to unlawfulness or if any decision or omission has given rise to maladministration. No such reports were made in 2024/25.

The Council's Code of Conduct documented the responsibilities of Council employees and processes regarding conflicts of interest, gifts and hospitality. In addition to this, the Council's processes in place to monitor officer compliance are included within a separate disciplinary policy for statutory officers which worked in conjunction with the Council's Code of Conduct. This document ensured officers, including the Monitoring Officer, are held to account.

## *Decision making processes*

The Council's decision-making processes were derived from the Council's Financial Regulations, included within the Council's Constitution. The Financial regulations provide a framework for managing the financial affairs of the council to support effective decision making. The regulations included the section 'Financial regulations: Roles in financial management', this identified the roles and the financial responsibilities of the full Council, Executive and Overview and Scrutiny Councillors, the Head of Paid Service (Chief Executive), the Monitoring Officer, the Section 151 Officer, other Chief Officers and other Officers. This included financial and non-financial decisions and ensured there was appropriate escalation within the decision-making process and was supported by the Council's Scheme of Delegation.

If there is a decision which is deemed to be a 'key decision', it would go through pre-decision scrutiny and the relevant scrutiny committees. Key decision include those decisions which are deemed to have a value of £500k or more at the Council and/or includes policy change. To support the decision-making process, a proforma decision making form was used for all decisions. A review of this form confirmed that it contained sufficient information to enable informed decision making, including a financial and legal assessment.

Our review of a decision made within 2024/25 confirmed that the decision template had been completed appropriately and an Equality Impact Assessment of the decision was completed. The decision had been reviewed by the Overview and Scrutiny Management Board prior to being approved by the Council.

We note that the Council maintained a register of decisions, which is held on the Council website for public review.

# Governance



## *Decision making processes*

The Council's decision-making processes were derived from the Council's Financial Regulations, included within the Council's Constitution. The Financial regulations provide a framework for managing the financial affairs of the council to support effective decision making. The regulations included the section 'Financial regulations: Roles in financial management', this identified the roles and the financial responsibilities of the full Council, Executive and Overview and Scrutiny Councillors, the Head of Paid Service (Chief Executive), the Monitoring Officer, the Section 151 Officer, other Chief Officers and other Officers. This included financial and non-financial decisions and ensured there was appropriate escalation within the decision-making process and was supported by the Council's Scheme of Delegation.

If there is a decision which is deemed to be a 'key decision', it would go through pre-decision scrutiny and the relevant scrutiny committees. Key decision include those decisions which are deemed to have a value of £500k or more at the Council and/or includes policy change. To support the decision-making process, a proforma decision making form was used for all decisions. A review of this form confirmed that it contained sufficient information to enable informed decision making, including a financial and legal assessment.

Our review of a decision made within 2024/25 confirmed that the decision template had been completed appropriately and an Equality Impact Assessment of the decision was completed. The decision had been reviewed by the Overview and Scrutiny Management Board prior to being approved by the Council.

Our review of internal audit findings published in the year identified that the Council had received a limited assurance rating over the process for contracts and exceptions review. Further inspection of this report identified that 12 high risk and 9 medium risk recommendations had been raised. Further investigation identified that varying practices were being followed within the procurement team and retention of documentation was inconsistent across contracts. This included numerous contracts not being recorded within the contract register and the documentation of interests not being retained. As a result we identified a significant risk over the that the inconsistency applied in the procurement process may result in inappropriate contracting decisions being made within the organisation and that those charged with governance may not have appropriate oversight of contract decisions.

We performed a walkthrough of a contract awarded in year to determine the process for the retention of Council documents pertaining to the selected award. We then selected a sample of five awards, awarded within 2024/25, to determine that the Council had retained appropriate evidence supporting the award. Our testing did not identify any evidence that the council did not use the appropriate awarding assessment in the procurement process. We note that in the Council's internal audit function performed a second review of the process and confirmed that 53% of actions raised within the report had been fully implemented and 47% were a work in progress.

## **Risk assessment conclusion**

Based on the work performed, we have not identified a significant risk associated with Governance.

# Improving economy, efficiency and effectiveness



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

We have considered the following in our work:

- The processes in place for assessing the level of value for money being achieved and where there are opportunities for these to be improved;
- The development of efficiency plans and how the implementation of these is monitored;
- How the performance of services is monitored and actions identified in response to areas of poor performance;
- How the Council has engaged with partners in development of the organisation and system wide plans and arrangements;
- The engagement with wider partnerships and how the performance of those partnerships is monitored and reported; and
- The monitoring of outsourced services to verify that they are delivering expected standards.

### *Corporate plan and performance reporting*

The Council, in 2023/24, refreshed its Corporate Plan. This was underpinned by the Council's key priorities for local residents and communities going forward. The Corporate Plan includes a strategic aim to 'Provide good value Council services'.

The performance of the Council's Corporate Plan was reported quarterly to the Executive via the Corporate Plan Success Framework report. The Corporate plan included Key Performance Indicators (KPIs) to measure the Council's performance against the plan.

The performance report included a significant amount of information including performance of the individual services as well as a RAG rated table of activities which aligned to the Council's strategic aims. To ensure the report was accessible to all, the report included an easily digestible executive summary which highlighted which KPIs the Council were exceeding, achieving and not achieving.

The Corporate Plan Success Framework report was supported by Service area performance reporting which is reported to the Service Line Scrutiny Committees. Our review did not identify any significant poor performance at Service Line or Corporate Level.

### *Working with partners*

The Council has worked with a range of stakeholders and partners in supporting the creation of the Greater Lincolnshire Combined County Authority (GLCCA) during 2024/25 which was established on 5 February 2025. The strategic functions of the predecessor body, the Local Enterprise Zone (LEP) were integrated into the Combined Authority. Lincolnshire County Council, one of the constituent councils, had significant involvement with the GLCCA in the delivery of further opportunities of joint working across Lincolnshire

### *Other activities*

The Council has been through a process of change over the last few years regarding its contract with Serco, which was previously outsourced for 24 years. The Finance and Payroll/HR Admin element has now been insourced and the IT element was extended whilst a procurement process for this contract was conducted.

Upon this the Council initiated a Corporate Support Services Review Project which had been established as part of the Council's Transformation Programme to support informed decision making around the future delivery of services in the current Corporate Support Services Contract with Serco. Progress against this project was reported to the Overview and Scrutiny Management Board.

# Improving economy, efficiency and effectiveness



Discussion with officers confirmed that prior to insourcing, the Serco contract had been monitored using agreed KPIs on service delivery. On integration it was identified that Serco had met these KPIs through a use of overtime and agency staff, which could not be replicated once integrated with the Council. This resulted in Enterprise Resourcing Planning (ERP) processing delays upon the Serco integration.

We note that as a result, the Council performed a lessons learned exercise and have proposed a service reorganisation in response to the lessons learned findings. The lessons learned findings confirmed that inaccurate data had been shared with the Council prior to integration and that this data had not been challenged by the Council. The Council had recommended that where data is a key component of a contract, the accuracy, integrity and quality of information received should form part of regular contract management reviews.

## **Risk assessment conclusion**

Based on the work performed, we have not identified a significant risk associated with Improving economy, efficiency and effectiveness.

# Significant Value for Money Risk



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## Procurement process

Risk that value for money arrangements may contain a significant weakness linked to Governance

### Significant Value for Money Risk

A review of the audits performed by the Council's internal audit function identified a limited assurance rating over the process for contracts and exceptions review. Further inspection of this report identified that 12 high risk and 9 medium risk recommendations had been raised.

Further investigation identified that varying practices were being followed within the procurement team and retention of documentation was inconsistent across contracts. This included numerous contracts not being recorded within the contract register and the documentation of interests not being retained.

There is a significant risk that the inconsistency applied in the procurement process may result in inappropriate contracting decisions being made within the organisation. Additionally, there is a risk that those charged with governance do not have appropriate oversight of contract decisions due to inadequate document retention.

### Our response

- We held discussions with the Council's internal audit function and Assistant Director of Commercial services to identify indicators of weakness within the procurement process.
- We have established that internal audit performed a second review of the processed confirmed that 53% of actions raised within the report had been fully implemented and 47% were a work in progress.
- We performed a walkthrough of a contract awarded in year to determine the process for the retention of Council documents pertaining to the selected award.
- We selected a sample of five award, awarded within 2024/25, to determine that the Council had retained appropriate evidence supporting the award. Our testing is ongoing to confirm that the contracts selected were applied as per the Council's arrangements.

### Our findings

#### Findings

Our walkthrough confirmed that the Council has an appropriate process to ensure pertinent information regarding the award of contracts is retained and accessible.

#### Conclusion

We have not identified any evidence that the Council did not use the appropriate awarding assessment in the procurement process. We have raised one non-significant recommendation to ensure consistency is applied across the Council when retaining documentation regarding awards given. (This is reported in our reporting to Audit Committee).



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