

The Audit Plan for Leicestershire Pension Fund

Year ending 31 March 2025

June 2025



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1 Key developments impacting our audit approach

Local Audit Reform

External factors

Proposals for an overhaul of the local audit system

On 18 December 2024, the Minister of State for Local Government and English Devolution, Jim McMahon OBE, wrote to local authority leaders and local audit firms to announce the launch of a strategy to overhaul the local audit system in England. The proposals were also laid in Parliament via a Written Ministerial Statement.

- The government's strategy paper sets out its intention to streamline and simplify the local audit system, bringing as many audit functions as possible into one place and also offering insights drawn from audits. A new Local Audit Office will be established, with responsibilities for:
 - Coordinating the system – including leading the local audit system and championing auditors' statutory reporting powers;
 - Contract management, procurement, commissioning and appointment of auditors to all eligible bodies;
 - Setting the Code of Audit Practice;
 - Oversight of the quality regulatory framework (inspection, enforcement and supervision) and professional bodies;
 - Reporting, insights and guidance including the collation of reports made by auditors, national insights of local audit issues and guidance on the eligibility of auditors.

The Minister also advised that, building on the recommendations of Redmond, Kingman and others, the government will ensure the core underpinnings of the local audit system are fit for purpose. The strategy therefore includes a range of other measures, including:

- setting out the vision and key principles for the local audit system;
- committing to a review of the purpose and users of local accounts and audit and ensuring local accounts are fit for purpose, proportionate and relevant to account users;
- enhancing capacity and capability in the sector;
- strengthening relationships at all levels between local bodies and auditors to aid early warning system; and
- increased focus on the support auditors and local bodies need to rebuild assurance following the clearing of the local audit backlog.

Our Response

Grant Thornton welcomes the proposals, which we believe are much needed, and are essential to restore trust and credibility to the sector. For our part, we are proud to have signed 83% of our 2022/23 local government audit opinions without having to apply the local authority backstop. This compares with an average of less than 30% sign off for other firms in the market. We will be keen to work with the Ministry of Housing, Communities and Local Government (MHCLG), with existing sector leaders and with the Local Audit Office as it is established to support a smooth transition to the new arrangements.

Key developments impacting our audit approach

National Context

Administration and Governance

The total membership of the LGPS was 6.7 million people. Of this number around one third are active employees who still contribute to the scheme. 71.1% (4.8 million) of all the members of the LGPS are covered by local authorities and other connected bodies, though local authorities and connected bodies represent only 16.5% of employers (with 3,478 employers). In total, there were 21,131 employers covered by the Local Government Pension Scheme at the end of March 2024.

In respect of administration and governance some key matters impacting 2024/25:

- The Pension Regulator's (TPR) General Code of Practice came into effect on 28 March 2024. It replaces Code of Practice 14 for public service pension schemes and brings together ten previous codes into one. The Code provides an opportunity for funds to review current practices but also presents challenges during what is already a busy time for the LGPS.
- The Pensions Dashboards Regulations 2022 set out in law the connection to the ecosystem and that maintenance of connection is a legal requirement, it also sets out that schemes must connect to the ecosystem by the 'connection deadline' 31 October 2026. To avoid placing undue strain on all parties facilitating connection, the Department for Work & Pensions (DWP) published guidance confirming that public service pension schemes should 'connect by' 31 October 2025.
- The regulations implementing the McCloud remedy took effect from 1 October 2023. Statutory Guidance was published in June 2024 and pension funds have, for most members, the period up until a fund's annual benefit statements for 2024/25 are issued to complete implementation i.e. by the end of August 2025.

In planning our audit, we have taken account of this national context in designing a local audit programme which is tailored to your risks and circumstances.

Key developments impacting our audit approach (continued)

National and International Context

Investments and Funding

Triennial valuations for local government pension funds as at 31 March 2022 (the 2022 valuation) were published in March 2023. These valuations, provide updated information regarding the funding position of local government pension funds and set employer contribution rates for the period 2023/24 – 2025/26. In August 2024 the Government Actuary's Department (GAD) published its Section 13 report analysing the outcomes of the valuations. GAD noted that funding levels have improved since 2019, however not all funds were in a surplus after the 2022 valuation, with 26 out of 87 being in deficit. In addition, there continues to be considerable variation between funds, with the highest funding level at 154% and the lowest funding level at 67%. This is a wider range than previously reported in the 2019 valuation. The average primary contribution rate to cover future benefit accruals has increased from 18.6% to 19.8% following the 2022 valuations.

At the end of March 2024, the market value of LGPS funds was £391.5 billion, an increase of 9.0% compared to the end of March 2023. Total LGPS income in England and Wales in 2023-24 was £20.7 billion with expenditure of £17.1 billion.

The Fund will be entering the 2025 valuation (as at 31 March 2025) process this calendar year. The valuation will set employer contribution rates for 1 April 2026 through to 31 March 2029. The national and international economic context continue to present challenges for pension funds with a consequential impact on the investments held by pension funds but investment performance and setting stable, affordable contributions for employers will be key factors.

In July 2024 the government launched a Pensions Review of workplace defined contribution pensions schemes and the Local Government Pension Scheme in England and Wales (LGPS). The focus of the review for the LGPS is to look at how tackling fragmentation and inefficiency can unlock the investment potential of the scheme, including through further consolidation. This review, Fit for the future, is being led by the Ministry of Housing, Communities and Local Government (MHCLG). Consultation on the Government's proposals sought views in three key areas; reforming the LGPS asset pools, boosting LGPS investment in their localities and regions in the UK, and strengthening the governance of both LGPS AAs and LGPS pools. The consultation closed in January 2025 and outcomes from it are now awaited.

In planning our audit, we have taken account of this national and international context in designing a local audit programme which is tailored to your risks and circumstances. Planning is, however, an iterative process.

Local Context

- For Leicestershire Pension Fund, the 2022 triennial valuation was undertaken by Hymans Robertson LLP and showed that the Fund had assets sufficient to cover 105% of the accrued liabilities as at 31 March 2022, which had increased from 89% at the 2019 valuation. It also noted that the required investment return to be 100% funded is now is now 4.1% pa (4.5% pa at 2019). The likelihood of the Fund's investment strategy achieving the required return is 78% (70% at 2019).
- At the year end there was significant volatility in markets following the imposition of tariffs by the US. However, the markets have continued to function and therefore valuation methodologies should not necessarily be impacted and we do not anticipate any enhanced impairment risk at this time. We will keep in touch with management as to whether readers might expect more disclosure in financial statements as hopefully the position clarifies in the coming months and any changes to the audit testing strategy be required this will be reported in our Audit Findings Report.
- We have noted that LGPS Central has received approval from Government for their proposals to pool remaining assets by 31 March 2026.
- We expect requests to be received from employer body auditors to undertake work on the accuracy and completeness of the information provided to the actuary as part of the 2025 valuation process. If these are received then this will be additional work outside the normal course of our audit work and will be the subject of additional fees/fee variations. We will discuss the scope and timing of this work with the Fund should it arise.
- There is an increased incentive and opportunity for organisations in the public sector to manipulate their financial statements due to ongoing financial pressures. Given the nature and position of the pension fund we have not identified the need for specific additional procedures beyond the mandated requirement for us under auditing standards to identify a significant risk in relation to management override of controls.

Key developments impacting our audit approach (continued)

Our commitments

- As a firm, we are absolutely committed to audit quality and financial reporting in local government and local government pension schemes. Our proposed work and fee, as set out further in this Audit Plan, has been agreed with the Director of Corporate Resources.
 - To ensure close work with audited bodies and an efficient audit process, our preference as a firm is either for our UK based staff to work on site with you and your staff or to develop a hybrid approach of on-site and remote working. Please confirm in writing if this is acceptable to you, and that your staff will make themselves available to our audit team. This is also in compliance with our delivery commitments in our contract with PSAA.
 - We would like to offer a formal meeting with the Director of Corporate Resources and Technical Pensions Lead quarterly as part of our commitment to keep you fully informed on the progress of the audit.
 - At an appropriate point within the audit, we would also like to:
 - meet informally with the Chair of your Corporate Governance Committee, to brief them on the status and progress of the audit work to date, and
 - In line with best practice, offer to meet in private with the full Corporate Governance Committee
 - We will continue to provide you and your Corporate Governance Committee with sector updates providing our insight on issues from a range of sources and other sector commentators via our Corporate Governance Committee updates.
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2 Introduction and Headlines

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Introduction and headlines



Purpose

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

Respective responsibilities

- The National Audit Office (“the NAO”) has issued the Code of Audit Practice (“the Code”). This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. Our respective responsibilities are also set out in the Terms of Appointment and Statement of Responsibilities issued by the Public Sector Audit Appointments (PSAA), the body responsible for appointing us as auditor of the Fund.
- [Terms of Appointment from 2023/24 - PSAA](#)
- [Statement of responsibilities of auditors and audited bodies from 2023/24 audits - PSAA](#)

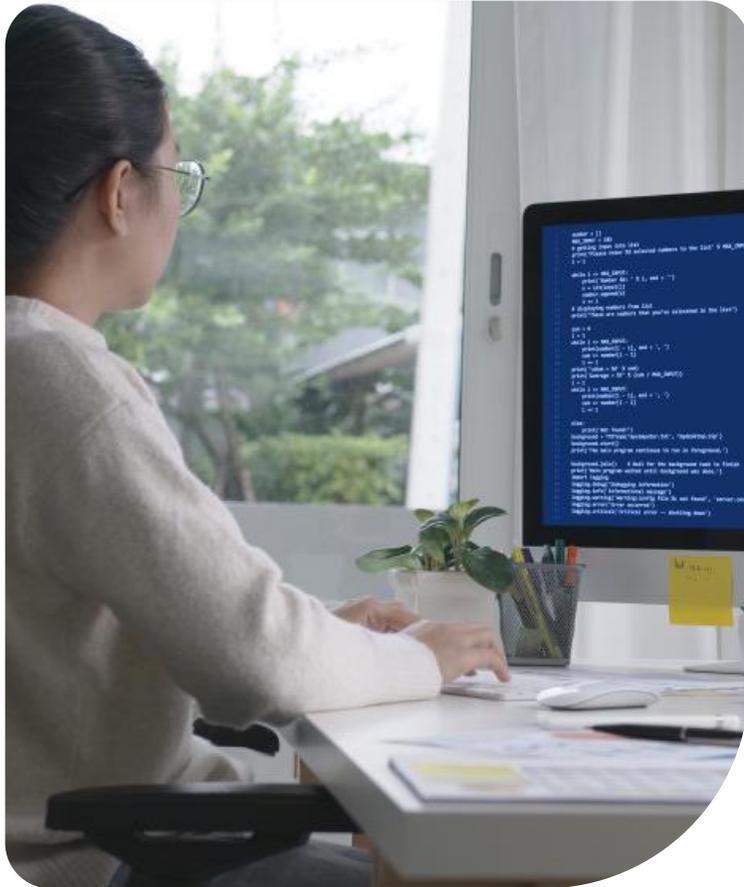
Scope of our Audit

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

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

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

Introduction and headlines (continued)



Significant risks

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

- Management override of control
- Valuation of Level 3 investments
- Valuation of Directly Held Property

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

Materiality

We have determined planning materiality to be £91.8m (PY £69m) for the Pension Fund, which equates to 1.44% of your gross investment assets as at 31 March 2024.

We have set our performance materiality at 75% of headline materiality, £68.8m (PY £51.75m).

We have determined a lower specific planning materiality for the Fund Account of £27m (PY £25m), which equates to 10% of prior year gross expenditure on the fund account.

Clearly trivial has been set at £4.5m (PY £3.45m).

Audit logistics

Our interim visit took place in March and our final visit will take place between July and September. Our key deliverables are this Audit Plan, Auditor's Report and our Audit Findings Report.

Our proposed fee for the audit is £98,470 (PY: £95,123) for the Fund, subject to the Fund delivering a good set of financial statements and working papers and no significant new financial reporting matters arising that require additional time and/or specialist input.

Our understanding is that the Custodian does not independently value the Pension Fund's Level 1 or Level 2 Level Investments, meaning we are not able to triangulate valuations included in the financial statements to investment manager and custodian confirmations for these investments. As a result, we carry out further audit procedures to gain assurance over the valuations of these investments.

For Level 1 and Level 2 investments we will obtain investment manager confirmations and perform additional procedures such as selecting a sample and independently obtain the quoted prices and compare them to the investment manager prices.

For Level 2, where prices cannot be obtained, we will review the latest audited accounts (where available) to gain assurance over investment manager valuation estimates and review the unaudited valuation to determine if there was significant price movements.

See page 12 for further details regarding our approach to auditing the valuation of Level 3 Investments.

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

03 Identified risks

Significant risks identified

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

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

Significant risks identified (continued)

Significant risk	Risk relates to	Audit team's assessment	Planned audit procedures
Presumed risk of fraud in revenue recognition ISA (UK) 240	Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. As external audits in the public sector, we are also required to give regard to Practice Note 10, which interprets the ISA in a public sector context and directs us to consider whether the assumption also applies to expenditure.	We have identified and completed a risk assessment of all revenue and expenditure streams for the Fund. We have rebutted the presumed risk that revenue and expenditure may be misstated due to the improper recognition of revenue/expenditure for all revenue and expenditure streams, because: <ul style="list-style-type: none"> there is little incentive to manipulate revenue recognition; opportunities to manipulate revenue recognition are very limited; and the culture and ethical frameworks of public sector bodies, including the administration authority, Leicestershire County Council, and the Fund, mean that all forms of fraud are seen as unacceptable. Therefore, we do not consider this to be a significant risk for the Pension Fund.	Having considered the risk factors set out in ISA 240 and nature of the revenue stream at the Fund, we have determined that the risk of fraud arising from revenue and expenditure recognition can be rebutted (see opposite). Therefore, at the planning stage we do not consider this to be a significant risk for Leicestershire Pension Fund and standard audit procedures will be carried out. We will continue our risk assessment throughout the audit to identify any circumstances indicating a requirements to alter the decision.
The expenditure cycle includes fraudulent transactions	Practice Note 10 (PN10) states that as most public bodies are net spending bodies, then the risk of material misstatements due to fraud related to expenditure may be greater than the risk of material misstatements due to fraud related to revenue recognition. As a result under PN10, there is a requirement to consider the risk that expenditure may be misstated due to the improper recognition of expenditure.	We have identified and completed a risk assessment of all expenditure streams for the Fund. We have considered the risk that expenditure may be misstated due to the improper recognition of expenditure for all expenditure streams and concluded that there is not a significant risk, because: <ul style="list-style-type: none"> there is little incentive to manipulate expenditure recognition; opportunities to manipulate expenditure recognition are very limited; and the culture and ethical frameworks of public sector bodies, including the Fund, mean that all forms of fraud are seen as unacceptable. Therefore, we do not consider this to be a significant risk for the Pension Fund.	We do not consider this to be a significant risk for the Fund and standard audit procedures will be carried out. We will keep this consideration under review throughout the audit to ensure this judgement remains appropriate.

Significant risks identified (continued)

Significant risk	Risk relates to	Audit team's assessment	Planned audit procedures
<p>Valuation of Level 3 Investments</p> <p>Significant</p> <p>Relevant Assertion(s) Valuation, Existence</p> <p>Applicable Assertion(s) Rights & Obligations, Presentation</p> <p>Planned level of control reliance None</p>	<p>The valuations of level 3 investments are based on unobservable inputs and hence there is a risk of material misstatement due to error and/or fraud.</p>	<p>By their nature Level 3 investment valuations lack observable inputs. These valuations therefore represent a significant accounting estimate by management in the financial statements due to the size of the balance and the sensitivity of the estimate to changes in key assumptions. We have therefore identified the valuation of Level 3 investments as a significant risk.</p> <p>Under ISA 315 significant risks often relate to significant non-routine transactions and judgmental matters. Level 3 investments by their very nature require a significant degree of judgement to reach an appropriate valuation at year end. Management utilise the services of investment managers and/or custodians to estimate the fair value as at 31 March 2025.</p> <p>We therefore identified valuation of level 3 investments as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none"> Review the nature and basis of estimated values and considered what assurance management has over the year end valuation provided for these types of investments to ensure the requirements of the code are met; Evaluate management's processes for valuing Level 3 investments; Independently request year end confirmations from investment managers Obtain and review the audited financial statements of the investment accounts, where these are at a different reporting date to the Fund's financial statements the valuations will be compared accounting for cashflows; Obtain and review the corresponding investment manager report as at the investment accounts and the Fund accounts reporting dates where appropriate; Review purchase and sale transactions of the investment near the reporting date where appropriate; Review the guidelines under which the investment has been valued at the date of the investment accounts and the Fund accounts; Review management's classification of the assets; Obtain and review investment manager service auditor report on design and operating effectiveness of internal controls where appropriate. Complete sample testing of purchases and sales to prime documentation across the period to support out reconciliation of the opening and closing balances.
<p>Valuation of Directly Held Property</p> <p>Significant</p> <p>Relevant Assertion(s) Valuation, Existence</p> <p>Applicable Assertion(s) Rights & Obligations, Presentation</p> <p>Planned level of control reliance None</p>	<p>The valuations of directly held property are a significant accounting estimate and hence there is a risk of material misstatement due to error and/or fraud.</p>	<p>The Pension Fund have investments of £96m in Directly Held Property as at 31 March 2024 and have been valued by management's expert. These valuations represent a significant accounting estimate by management in the financial statements due to the size of the balance (£96m) and the sensitivity of the estimate to changes in key assumptions. We have therefore identified the valuation of direct held property as a significant risk.</p>	<p>We will:</p> <ul style="list-style-type: none"> Evaluate management's processes for valuing directly held property investments; Obtain and review the valuation report provided by management's expert; Review the methodology and assumptions used in the valuation; Review the movement in valuation from the prior year where appropriate; Review the inputs and significant assumptions used as part of the valuation for a sample of assets.

Other matters

Other work

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

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

- We read any other information published alongside the Council's financial statements to check that it is consistent with the Pension Fund financial statements on which we give an opinion and is consistent with our knowledge of the Authority.
- We consider our other duties under legislation and the Code, as and when required, including:
 - Giving electors the opportunity to raise questions about your 2024/25 financial statements, consider and decide upon any objections received in relation to the 2024/25 financial statements;
 - Issue of a report in the public interest or written recommendations to the Fund under section 24 of the Act, copied to the Secretary of State.
 - Application to the court for a declaration that an item of account is contrary to law under Section 28 or for a judicial review under Section 31 of the Act; or
 - Issuing an advisory notice under Section 29 of the Act.
- We carry out work to satisfy ourselves on the consistency of the pension fund financial statements included in the pension fund annual report with the audited Fund accounts.

Other material balances and transactions

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

4 Our approach to materiality

Our approach to materiality

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

Matter	Description	Planned audit procedures
01	Determination We have determined planning materiality (financial statement materiality for the planning stage of the audit) based on professional judgement in the context of our knowledge of the Fund, including consideration of factors such as shareholder expectations, industry developments, financial stability and reporting requirements for the financial statements	<ul style="list-style-type: none"> We determine planning materiality in order to: <ul style="list-style-type: none"> establish what level of misstatement could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements assist in establishing the scope of our audit engagement and audit tests determine sample sizes and assist in evaluating the effect of known and likely misstatements in the financial statements.
02	Other factors An item does not necessarily have to be large to be considered to have a material effect on the financial statements	<ul style="list-style-type: none"> An item may be considered to be material by nature when it relates to instances where greater precision is required. Additionally, there may be items which we feel would benefit from a lower specific materiality for those account balances (e.g. the Fund Account). Details of lower specific materialities applied can be found on the next page.
03	Reassessment of materiality Our assessment of materiality is kept under review throughout the audit process	<ul style="list-style-type: none"> We reconsider planning materiality if, during the course of our audit engagement, we become aware of facts and circumstances that would have caused us to make a different determination of planning materiality
04	Matters we will report to the Corporate Governance Committee Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Corporate Governance Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. Under ISA 260 (UK) 'Communication with those charged with governance', we are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA 260 (UK) defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria.	<ul style="list-style-type: none"> We report to the Corporate Governance Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. In the context of the Fund, we propose that an individual difference is clearly trivial if it is less than £4.5m (PY £3.45m). If management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Corporate Governance Committee to assist it in fulfilling its governance responsibilities.



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

Our approach to materiality

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

	Amount (£)	Qualitative factors considered
<p>Headline materiality for the Fund’s financial statements</p>	£91.8m	<p>Headline Materiality for planning equates to 1.44% of your gross investment assets as at 31 March 2024. We deem this to be a level above which errors or omissions would alter the economic decisions of users of the accounts. Given the transparency of reporting and risks at the Fund we would be willing to move to a higher benchmark of 1.75% but we have capped this at 1.44% in order to be able to provide appropriate assurances to employer body auditors to support their work under IAS 19.</p>
<p>Specific Materiality for Fund Account</p> <p>The lower specific materiality for the fund account will be applied to the audit of all fund account transactions, except for investment transactions, for which headline materiality will be applied.</p>	£27m	<p>Materiality for the Fund Account for planning equates to 10% of gross expenditure (in the fund account) as at 31 March 2024. We deem this to be a level above which errors or omissions would alter the economic decisions of users of the accounts.</p>



5 Progress against prior year audit recommendations

Progress against prior year audit recommendations

We identified the following issues in our 2023/24 audit of the Fund's financial statements, which resulted in 2 recommendations being reported in our 2023/24 Audit Findings Report. A progress update has been provided below.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue(s)
Medium – Limited effect on financial statements	<p>Inadequate supporting documentation for journals tested</p> <p>Cash float/control accounts</p> <p>Our review of Journal CRST060624B amounting to £4.676million that was posted to correct the cash float balance managed by Colliers Global and record expenses incurred in managing the properties. The following was observed:</p> <ul style="list-style-type: none"> The expenses charged in the current year are both historic and current year expenses. A total c£3m expenditure is split across the years as follows: £1.6m 2022/23, £0.5m 2021/22, £0.2m 2020/21, £0.7m 2019/20 & 2018/19 (combined). This evidence the lack of timely review, reconciliation and posting of expenses in the correct periods and clearing of the control accounts. From review of the supporting evidence, we could only trace the balance of cash held by the IM of £546K. <p>Suspense accounts cleared without supporting evidence</p> <p>Our review of journal CRST220624A amounting to £519K was posted in the general ledger clearing historic suspense payments related to Property income i.e. these were overpayments or otherwise unknown/miscellaneous payments that pension fund had not been able to reconcile.</p>	<p>In November 2024, management confirmed that they have been working with Colliers Global to agree additional monthly information. As a result, the Council are now undertaking a full monthly reconciliation of the cash flow balance, including journal postings and clearance of suspense balances.</p> <p>We will review this as part of our audit testing for 2024/25.</p>
Medium – Limited effect on financial statements	<p>Valuation of level 3 investment (financial assets)</p> <p>The following were our findings from testing:</p> <ul style="list-style-type: none"> Colliers, did not provide us the fund audited financial statements and type 2 controls report for 2 of the property funds (Henderson Fund and Legal & General fund) with a value £15.02million. Lasalle (1 fund) and Partners Group (6 funds) did not provide us with the audited financial statements. The value of the funds are £422.87million <p>For testing Lasalle and Partners we were able to obtain the type controls report and we deem the relevant valuation controls were designed and operating effectively.</p> <p>Other alternative procedures such as indexation were performed to assess the reasonability of the year end valuations.</p> <p>Management should liaise with the fund 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>In November 2024, management confirmed they will continue to liaise with investments management 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 funds.</p> <p>We will review this as part of our audit testing for 2024/25.</p>

6 IT audit strategy

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IT audit strategy

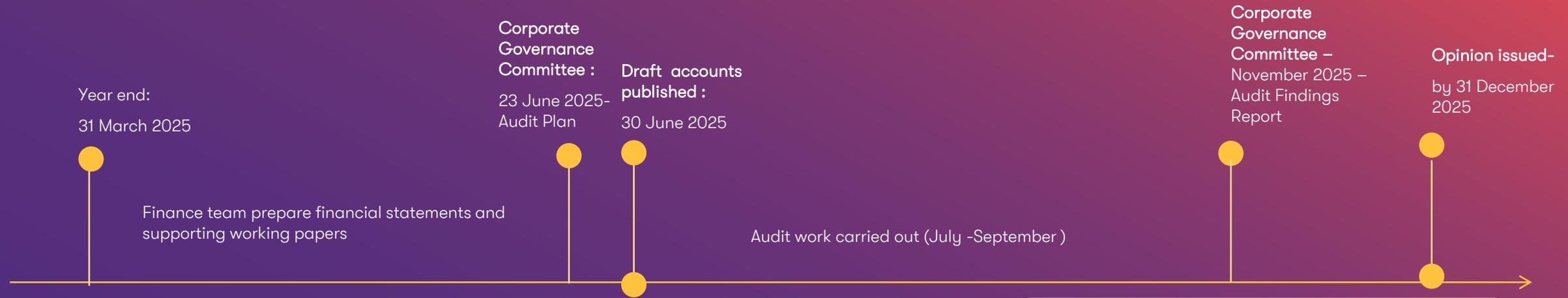
In accordance with ISA (UK) 315, we are required to obtain an understanding of the IT environment related to all key business processes, identify all risks from the use of IT related to those business process controls judged relevant to our audit and assess the relevant IT general controls (ITGCs) in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

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

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

7 Logistics

The accounts and audit timeline



Work to prepare (by Council, Administering Authority) includes:

- statement of accounts in accordance with Regulations and the CIPFA Code
- narrative statement
- annual governance statement

Signing and approval

- Statement of accounts are signed and approved by responsible financial officer, confirming that it presents a **true and fair** view of the financial position and income and expenditure

Publication and Exercise of public rights

- Statement of accounts are published including narrative report and annual governance statement
- Exercise of public rights period commences (30 days). This includes rights of objection, inspection and questioning of the auditor

Signing and approval

- Finance officer reconfirms that satisfied the accounts present 'true and fair' view
- Members approve the statement of accounts and AGS

Publication:

- accounts and narrative statement, together with opinion and certificate
- annual governance statement
- notice of conclusion of audit

Our team and communications

Grant Thornton core team

Grant Patterson
Key Audit Partner

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

Mary Wren
Audit Manager

- Audit planning
- Resource management
- Performance management reporting

Timothy Lacey
Audit Senior / In-charge

- On-site audit team management
- Day-to-day point of contact
- Audit fieldwork

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

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

8 Fees and related matters

Our fee estimate

Our estimate of the audit fees we will charge is set out in the table below, along with the fees billed in the prior year

Relevant professional standards

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

PSAA

Local Government Audit fees are set by PSAA as part of their national procurement exercise. In 2017, PSAA awarded a contract of audit for Leicestershire Pension Fund to begin with effect from 2018/19. This contract was re-tendered in 2023 and Grant Thornton have been re-appointed as your auditors. The scale fee set out in the PSAA contract for the 2024/25 audit is £95,720

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

- Production of the final auditor's annual report for the previous Audit Year (exception for new clients in 2023/24 only)
- Production of the draft audit planning report to Audited Body
- 50% of planned hours of an audit have been completed
- 75% of planned hours of an audit have been completed

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

Description	Audit Fee for 2023/24 (£)	Proposed fee for 2024/25 (£)
Leicestershire Pension Fund Audit - scale fee	£84,733	£95,720
ISA315 *	£7,840	-
Investment Property Valuation expert	£750	£2,750
Derivatives and Other complex investments*	£1,800	-
Total (Exc. VAT)	£95,123	£98,470

Updated Auditing Standards

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

Our fee estimate:

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

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

Previous year

In 2023/24 the scale fee set by PSAA was £84,733. The actual fee charged for the audit was £95,123.

* These fees have been consolidated within the scale fee for 2024/25 as part of PSAA's review process.

9 Independence considerations

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Independence considerations

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

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

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statement. Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in September 2022 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

We confirm that we have implemented policies and procedures to meet the requirements of the Ethical Standard. For the purposes of our audit, we have made enquiries of all Grant Thornton UK LLP teams providing services to the pension fund.

Independence considerations (continued)

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

Matter	Conclusions
Relationships with Grant Thornton	We are not aware of any relationships between Grant Thornton and the Fund and/or Administering Authority that may reasonably be thought to bear on our integrity, independence and objectivity.
Relationships and Investments held by individuals	We have not identified any potential issues in respect of personal relationships with the Fund and/or Administering Authority or investments in the Fund and/or Administering Authority held by individuals.
Employment of Grant Thornton staff	We are not aware of any former Grant Thornton partners or staff being employed, or holding discussions in respect of employment, by the Fund/Administering Authority as a director or in a senior management role covering financial, accounting or control related areas.
Business relationships	We have not identified any business relationships between Grant Thornton and the Fund and/or Administering Authority.
Contingent fees in relation to non-audit services	No contingent fee arrangements are in place for non-audit services provided.
Gifts and hospitality	We have not identified any gifts or hospitality provided to, or received from, a member of the Fund's and/or Administering Authority's board, senior management or staff (that would exceed the threshold set in the Ethical Standard).

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

Fees and non-audit services

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

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

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

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

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

Note that fees for IAS 19 letters for employer body auditors were classed as non-audit fees prior to 2022/23. The National Audit Office have confirmed that the provision of IAS 19 assurances to auditors of local government and NHS bodies should be considered work undertaken under the Code of Audit Practice for 2022/23 onwards. Provision of IAS 19 assurances to auditors of any other type of entity remains non-Code work. We are not expecting requests from any non NAO Code bodies but if we do a cost of £1,100 per request received is anticipated which is separate to the fee on Page 27. If this is the case we have outlined our preliminary threat assessment and response below.

Assurance Service Fees

Service	£	Threats Identified	Safeguards applied
Audit Related Assurance			
IAS19 Assurance letters for Admitted Bodies outside of the NAO Code of Audit Practice	1,100 per letter	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the total fee for this work is £1,100 in comparison to the total proposed fee for the audit of £98,470 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.

This covers all services provided by us and our network to the Fund, its directors and senior management and its affiliates, and other services provided to other known connected parties that may reasonably be thought to bear on our integrity, objectivity or independence.

10 **Communication of audit matters with those charged with governance**

Communication of audit matters with those charged with governance

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	●	
Overview of the planned scope and timing of the audit, form, timing and expected general content of communications including significant risks and Key Audit Matters	●	
Planned use of internal audit	●	
Confirmation of independence and objectivity	●	●
A statement that we have complied with relevant ethical requirements regarding independence. Relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence	●	●
Significant matters in relation to going concern	●	●
Views about the qualitative aspects of the Fund's accounting and financial reporting practices including accounting policies, accounting estimates and financial statement disclosures		●
Significant findings from the audit		●
Significant matters and issue arising during the audit and written representations that have been sought		●
Significant difficulties encountered during the audit		●
Significant deficiencies in internal control identified during the audit		●
Significant matters arising in connection with related parties		●
Identification or suspicion of fraud involving management and/or which results in material misstatement of the financial statements		●
Non-compliance with laws and regulations		●
Unadjusted misstatements and material disclosure omissions		●

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

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

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

Respective responsibilities

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

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

11 Delivering audit quality

Delivering audit quality

Our quality strategy

We deliver the highest standards of audit quality by focusing our investment on:

Creating the right environment

Our audit practice is built around the markets it faces. Your audit team are focused on the Public Sector audit market and work with clients like you day in, day out. Their specialism brings experience, efficiency and quality.

Building our talent, technology and infrastructure

We've invested in digital tools and methodologies that bring insight and efficiency and invested in senior talent that works directly with clients to deploy bespoke digital audit solutions.

Working with premium clients

We work with great public sector clients that, like you, value audit, value the challenge a robust audit provides, and demonstrate the strongest levels of corporate governance. We're aligned with our clients on what right looks like.

Our objective is to be the best audit firm in the UK for the quality of our work and our client service, because we believe the two are intrinsically linked.

How our strategy differentiates our service

Our investment in a specialist team, and leading tools and methodologies to deliver their work, has set us apart from our competitors in the quality of what we do.

The FRC highlighted the following as areas of particularly good practice in its recent inspections of our work:

- use of specialists, including at planning phases, to enhance our fraud risk assessment
- effective deployment of data analytical tools, particularly in the audit of journals

The right people at the right time

We are clear that a focus on quality, effectiveness and efficiency is the foundation of great client service. By doing the right audit work, at the right time, with the right people, we maximise the value of your time and ours, while maintaining our second-to-none quality record.

Bringing you the right people means that we bring our specialists to the table early, resolving the key judgements before they impact the timeline of your financial reporting. The audit partner always retains the final call on the critical decisions; we use our experts when forming our opinions, but we don't hide behind them.

Digital differentiation

We're a digital-first audit practice, and our investment in data analytics solutions has given our clients better assurance by focusing our work on transactions that carry the most risk. With digital specialists working directly with your teams, we make the most of the data that powers your business when forming our audit strategy.

Oversight and control

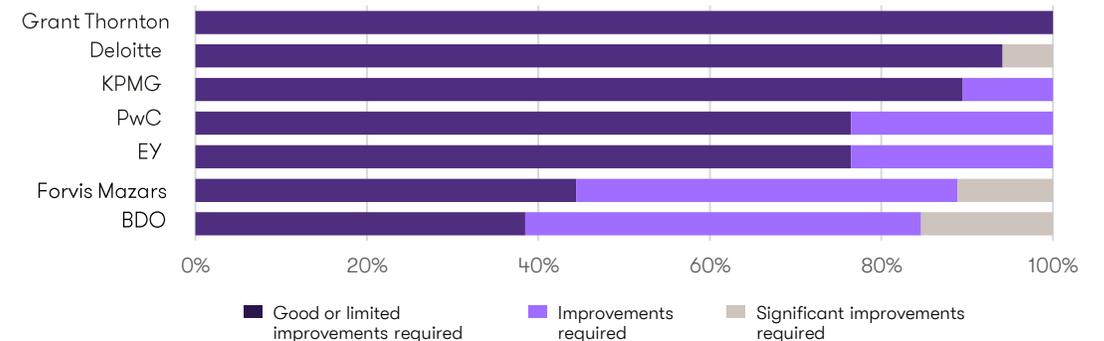
Wherever your audit work is happening, we make sure that its quality meets your exacting requirements, and we emphasise communication to identify and resolve potential challenges early, wherever and however they arise. By getting matters on the table before they become "issues", we give our clients the time and space to deal with them effectively.

Quality underpins everything at Grant Thornton, as our FRC inspection results in the chart below attest to. We're growing our practice sustainably, and that means focusing where we know we can excel without compromising our strong track record or our ability to deliver great audits. It's why we will only commit to auditing clients where we're certain we have the time and resource, but, most importantly, capabilities and specialist expertise to deliver. You're in safe hands with the team; they bring the right blend of experience, energy and enthusiasm to work with you and are fully supported by myself and the rest of our firm.

Wendy Russell
Partner, UK Head of Audit



FRC's Audit Quality Inspection and Supervision Inspection
(% of files awarded in each grading, in the most recent report for each firm)



12 Appendices

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IFRS reporters New or revised accounting standards that are in effect

First time adoption of IFRS 16

Lease liability in a sale and leaseback

- IFRS 16 was implemented by LG bodies from 1 April 2024, with early adoption possible from 1 April 2022. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and replaces IAS17. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity.
- This year will be the first year IFRS 16 is adopted fully within Local Government. It is not expected to have a significant impact on pension fund accounts and auditors.

IAS 1 amendments

Non-current liabilities with covenants

- These amendments clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability. The amendments also aim to improve information an entity provides related to liabilities subject to these conditions.

Amendment to IAS 7 and IFRS 7

Supplier finance arrangements

- These amendments require disclosures to enhance the transparency of supplier finance arrangements and their effects on an entity's liabilities, cash flows and exposure to liquidity risk. The disclosure requirements are the IASB's response to investors' concerns that some companies' supplier finance arrangements are not sufficiently visible, hindering investors' analysis.

IFRS reporters Future financial reporting changes

IFRS reporters future financial reporting changes

These changes will apply to local government once adopted by the Code of practice on local authority accounting (the Code).

Amendments to IAS 21 – Lack of exchangeability

IAS 21 has been amended by the IASB to specify how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking. The amendments are expected to be adopted by the Code from **1 April 2025**.

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

These amendments clarify the requirements for the timing of recognition and derecognition of some financial assets and liabilities, adds guidance on the SPPI criteria, and includes updated disclosures for certain instruments. The amendments are expected to be adopted by the Code **in future years**.

IFRS 19 Subsidiaries without Public Accountability: Disclosures

IFRS 19 provides reduced disclosure requirements for eligible subsidiaries. A subsidiary is eligible if it does not have public accountability and has an ultimate or intermediate parent that produces consolidated financial statements available for public use that comply with IFRS Accounting Standards. IFRS 19 is a voluntary standard for eligible subsidiaries and is expected to be adopted by the Code **in future years**.

IFRS 18 Presentation and Disclosure in the Financial Statements

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

The new standard will impact the structure and presentation of the statement of profit or loss as well as introduce specific disclosure requirements. Some of the key changes are:

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

IFRS 18 is expected to be adopted by the CIPFA Code **in future years**.

The Grant Thornton Digital Audit – Inflo

A suite of tools utilised throughout the audit process

01 Collaborate

Information requests are uploaded by the engagement team and directed to the right member of your team, giving a clear place for files and comments to be uploaded and viewed by all parties.

What you'll see

- Individual requests for all information required during the audit
- Details regarding who is responsible, what the deadline is, and a description of what is required
- Graphs and charts to give a clear overview of the status of requests on the engagement

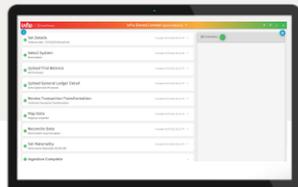


02 Ingest

The general ledger and trial balance are uploaded from the finance system directly into Inflo. This enables samples, analytical procedures, and advance data analytics techniques to be performed on the information directly from your accounting records.

What you'll see

- A step by step guide regarding what information to upload
- Tailored instructions to ensure the steps follow your finance system



03 Detect

Journals interrogation software which puts every transaction in the general ledger through a series of automated tests. From this, transactions are selected which display several potential unusual or higher risk characteristics.

What you'll see

- Journals samples selected based on the specific characteristics of your business
- A focussed approach to journals testing, seeking to only test and analyse transactions where there is the potential for risk or misstatement





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