

Interim Audit Findings (ISA 260) Report for Leicestershire County Council

Year ended 31 March 2025

14 November 2025



Leicestershire County Council
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14 November 2025

Dear Corporate Governance Committee members

Audit Findings for Leicestershire County Council for the 31 March 2025

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This Audit Findings report presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process and confirmation of auditor independence, as required by International Standard on Auditing (UK) 260. Its contents have been discussed with management.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (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 for the preparation of the financial statements.

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of expressing our opinion on the financial statements. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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We encourage you to read our transparency report which sets out how the firm complies with the requirements of the Audit Firm Governance Code and the steps we have taken to manage risk, quality and internal control particularly through our Quality Management Approach. The report includes information on the firm's processes and practices for quality control, for ensuring independence and objectivity, for partner remuneration, our governance, our international network arrangements and our core values, amongst other things. This report is available at [transparency-report-2024-.pdf \(grantthornton.co.uk\)](https://www.grantthornton.co.uk/transparency-report-2024-2025.pdf).

We would like to take this opportunity to record our appreciation for the kind assistance provided by the finance team and other staff during our audit.

Helen M Lillington

Director
Grant Thornton UK LLP

Chartered Accountants

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01 Headlines and status of the audit

Headlines

This page and the following summarises the key findings and other matters arising from the statutory audit of Leicestershire County Council and the preparation of the Council's financial statements for the year ended 31 March 2025 for the attention of those charged with governance.

Financial statements

Under International Standards of Audit (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice (the 'Code'), we are required to report whether, in our opinion:

- the Council's financial statements give a true and fair view of the financial position of the Council and income and expenditure for the year; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting and prepared in accordance with the Local Audit and Accountability Act 2014.

We are also required to report whether other information published together with the audited financial statements including the Annual Governance Statement (AGS), Narrative Report and Pension Fund Financial Statements, is materially consistent with the financial statements and with our knowledge obtained during the audit, or otherwise whether this information appears to be materially misstated.

Our audit work is substantially complete and was completed during August-November as planned. Our findings are summarised on pages 13 to 48.

We have identified one unadjusted misstatement to the Council's financial statements to date. This relates to the valuation of the Council's net pension liability, and its estimated understatement of £1.671m. The Council has not adjusted for this misstatement and as such specific representations will be required from the Council within the Letter of Representation. This would not impact on the Council's reported Comprehensive Income and Expenditure Statement position or the General Fund.

We also identified a number of disclosure amendments.

Audit adjustments are detailed from page 35 of this report. We have also raised recommendations for management as a result of our audit work. These are set out from page 41. Our follow up of recommendations from the prior year's audit are detailed on pages 47 and 48.

We have concluded that the other information to be published with the financial statements, including the Annual Governance Statement, is consistent with our knowledge of your organisation and with the financial statements we have audited.

Our work is nearing completion, information and procedures in progress are detailed on pages 7 and 8.

Our anticipated financial statements audit report opinion will be unmodified. We anticipate issuing our opinion on the financial statements by 31 December 2025 which is in accordance with the timeline within our Audit Plan as presented to 31 March 2025 Corporate Governance Committee.

Headlines

Status of the audit: the outstanding matters as at the time of writing are set out below.

- 
 - Receipt and review of responses from the Council regarding 6 land and building valuation queries and our consideration thereon
 - Receipt evidence to support sample of assets written off by the Council in year (nil net book value assets)
- 
 - Finalisation of our work in relation to the Councils net pension liability.
 - Finalisation of work in relation the Councils consideration of asset movements from 1 October 2024 (valuation date) to year end- we are consulting with auditor’s expert in this area
 - Finalisation of our work regarding the Councils operating expenditure and associated payables balances, including completeness procedures
 - Finalisation of our work regarding the Councils income streams, Council tax and NNDR income, fees and charges income , grant income and associated receivables balances thereon
 - Finalisation of our work regarding employee benefit expenditure.
- 
 - Finalisation of our work regarding the Council’s accounting policies, including estimation uncertainty and critical judgements
 - Finalisation of our work regarding financial instruments disclosure including detained review of amendments made to note
 - Receipt of outstanding direct confirmation regarding investment balance. Alternative procedures will be carried out if not received.
 - Receipt of query regarding bank accounts listed within external confirmation
 - Finalisation of our work regarding Right of Use assets
 - Completion of our work in relation to non-material notes

Status

-  High potential to result in material adjustment or significant change to disclosures within the financial statements
-  Some potential to result in material adjustment or significant change to disclosures within the financial statements
-  Not considered likely to result in material adjustment or change to disclosures within the financial statements

Headlines

Status of the audit: the outstanding matters as at the time of writing are set out below.



- Completion of WGA procedures and return (council is below threshold for detailed procedures)
- Finalisation of our work regarding the Council's reserves
- Review of the updated financial statements - to date of audit report issue
- Obtaining and reviewing the management letter of representation
- Updating our subsequent events review, to the date of signing the opinion

Final manager and engagement lead review of all areas as detailed on this and previous page will be required. This may lead to further queries which will be shared with the Council should they arise.

Headlines

Value for money (VFM) arrangements

Under the National Audit Office (NAO) Code of Audit Practice (the ‘Code’), we are required to consider whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Auditors are required to report in more detail on the Council’s overall arrangements, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

Auditors are required to report their commentary on the Council’s arrangements under the following specified criteria:

- Improving economy, efficiency and effectiveness;
- Financial sustainability; and
- Governance.

Our audit plan presented to the 31 March 2025 Corporate Governance Committee did not identify any significant weakness areas or related risks, requiring separate attention in relation to Value for Money. Upon receipt of draft financial statements our risk assessment processes were updated, and we identified two risks of significant weakness in relation to developing further savings plans and addressing the Dedicated Schools Grant deficit.

We have completed our VFM work and our detailed commentary is set out in the separate Auditor’s Annual Report, which is presented alongside this report. We identified a significant weakness in the Authority’s arrangements for financial sustainability, as a result of the Council’s Dedicated School Grant deficit. For 2024/25 the Council has reported a net Dedicated Schools Grant (DSG) overspend of £16.3m the cumulative funding gap is now £64m and is forecast to be £118m by 2028/29. While the Government has signalled its intention to extend the Statutory Override to March 2028, the Council still needs to fund the in-year overspending, and we have made a key recommendation.

Headlines

Statutory duties

The Local Audit and Accountability Act 2014 (the ‘Act’) also requires us to:

- report to you if we have applied any of the additional powers and duties ascribed to us under the Act; and
- to certify the closure of the audit.

We have not exercised any of our additional statutory powers or duties.

We have completed most of the work required under the Code. However, we cannot formally conclude the audit and issue an audit certificate in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until:

- where a local council also has a pension fund for which the opinion on the financial statements in the pension fund annual report is yet to be issued;
- where there is outstanding work to be performed in relation to consolidation returns;
- where confirmation has not been received from the NAO that the group audit(Department of Health & Social Care for NHS and Whole of Government Accounts for non-NHS) has been certified by the C&AG and therefore no further work is required to be undertaken in order to discharge the auditor’s duties in relation to consolidation returns under paragraph 2.11 of the Code;

We are satisfied that this work does not have a material effect on the financial statements for the year ended 31 March 2025.

Significant matters

We did not encounter any significant difficulties or identify any significant matters arising during our audit in terms of sufficiency or appropriateness of the audit evidence provided.

Headlines

Implementation of IFRS 16

Implementation of IFRS 16 Leases became effective for local government bodies from 1 April 2024. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and replaces IAS 17. 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.

Local government accounts webinars were provided for our local government audit entities during March, covering the accounting requirements of IFRS 16. Additionally, CIPFA has published specific guidance for local authority practitioners to support the transition and implementation on IFRS 16.

Introduction

IFRS 16 updates the definition of a lease to:

- “a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration.”

In the public sector the definition of a lease is expanded to include arrangements with nil consideration. This means that arrangements for the use of assets for little or no consideration (sometimes referred to as peppercorn rentals) are now included within the definition of a lease.

IFRS 16 requires the right of use asset and lease liability to be recognised on the balance sheet by the lessee, except where:

- leases of low value assets
- short-term leases (less than 12 months).

This is a change from the previous requirements under IAS 17 where operating leases were charged to expenditure.

The principles of IFRS 16 also apply to the accounting for PFI liabilities.

The changes for lessor accounting are less significant, with leases still categorised as operating or finance leases, but some changes when an authority is an intermediate lessor, or where assets are leased out for little or no consideration.

Impact on the Council

- Based on the draft financial statements, the value of right-of-use assets and its related lease liability was £5.4m, which is below our materiality threshold and therefore considered immaterial.
- We are performing specific audit procedures to ensure the completeness of recorded assets. This included reviewing the processes and systems used by the council to capture and maintain lease data. Our work in this area is in progress.
- Additionally, we are assessing the accounting policies applied for IFRS 16 whether they are adequate and appropriate.

To date we have identified a presentation adjustment in relation to Right of Use (RoU) assets. The Council has included £5.4m in relation to lease recognition under IFRS 16 in note 16, Property, Plant and Equipment under asset additions rather than as a separate item. The Council should remove the £5.4m from asset additions and show this as a separate line adjusting the opening balance within the PPE note.

02 Materiality

Our approach to materiality

As communicated in our Audit Plan presented to 31 March 2025 Corporate Governance Committee, we determined materiality at the planning stage as £20m based on 1.9% of prior year gross expenditure. At year-end, we have reconsidered planning materiality based on the draft financial statements. We have decided not to change materiality as the increase in expenditure was not material.

A recap of our approach to determining materiality is set out below.

Basis for our determination of materiality

- We have determined materiality at £20 million based on professional judgement in the context of our knowledge of the Council.
- We have used 1.9% of gross prior year expenditure as the basis for determining materiality. This represents 1.75% of the Council's 2024/25 expenditure.

Performance materiality

- We have determined performance materiality at £14m, this is based on 70% of headline materiality.

Specific materiality

- We deem senior officer remuneration as a specific sensitive area for the users of the accounts and have applied a lower materiality on the remuneration disclosure. We calculated a materiality based on 2% of the total in the senior officers' remuneration note. We applied a performance materiality level of 70% of this and then applied this to individual lines within the senior officers' disclosure and not the banding table

Reporting threshold

- We will report to you all misstatements identified more than £1m, in addition to any matters considered to be qualitatively material.

Our approach to materiality

A summary of our approach to determining materiality is set out below.

	Council (£)	Qualitative factors considered
Materiality for the financial statements	£20,000,000	We have determined financial statement materiality based on a proportion of the gross expenditure of the council for financial year. Materiality at the planning stage of our audit is £20m, which equates to approximately 1.9% of the gross expenditure for the 23/24 period. We have reconsidered planning materiality based on the draft financial statements and determined the level set remained appropriate.
Performance materiality	£14,000,000	We are not aware of a history of significant deficiencies or a high number of deficiencies in the control environment. There has not historically been a large number or significant misstatements arising because of the financial statement's audits.
Specific materiality for senior officer remuneration	£28,000	We have identified senior officer remuneration as a balance where we will apply a lower materiality level, as these are considered sensitive disclosures.
Reporting threshold	£1,000,000	We have used 5% of materiality level as our threshold for reporting issues.

03 Overview of significant and other risks identified

Overview of audit risks

The below table summarises the significant and other risks discussed in more detail on the subsequent pages.

Significant risks are defined by ISAs (UK) as an identified risk of material misstatement for which the assessment of inherent risk is close to the upper end of the spectrum due to the degree to which risk factors affect the combination of the likelihood of a misstatement occurring and the magnitude of the potential misstatement if that misstatement occurs.

Other risks are, in the auditor's judgement, those where the risk of material misstatement is lower than that for a significant risk, but they are nonetheless an area of focus for our audit.

Risk title	Risk level	Change in risk since Audit Plan	Fraud risk	Level of judgement or estimation uncertainty	Status of work
Management override of controls	Significant	↔	✓	Low	●
Presumed risk of fraud in revenue recognition	Rebutted	↔	✗	Low	●
Risk of fraud related to expenditure recognition Practice note 10	Rebutted	↔	✗	Low	●
Valuation of land and buildings	Significant	↔	✗	High	●
Valuation of the pension fund liability	Significant	↔	✗	High	●
Non-Pay Expenditure (completeness)	Other	↔	✗	Low	●
Completeness, Existence and accuracy of cash and cash equivalents	Other	↔	✗	Low	●

↑ Assessed risk increase since Audit Plan

↔ Assessed risk consistent with Audit Plan

↓ Assessed risk decrease since Audit Plan

● Not likely to result in material adjustment or change to disclosures within the financial statements

● Potential to result in material adjustment or significant change to disclosures within the financial statements

● Likely to result in material adjustment or significant change to disclosures within the financial statements

Significant risks

Risk identified	Audit procedures performed	Key observations
Management override of controls Under ISA (UK) 240, there is a non-rebuttable presumption that the risk of management override of controls is present in all entities. This risk relates primarily to the existence, valuation, and completeness assertions for significant transactions and journal entries.	We have: - evaluated the design and implementation of management controls over journals, - analysed the journals listing and determined the criteria for selecting high risk unusual journals, - identified and tested unusual journals made during the year and the accounts production stage for appropriateness and corroboration, - gained an understanding of the accounting estimates and critical judgements applied by management and considered their reasonableness; and	Our work in this area is substantially complete and work to date has not identified any issues in respect of management override of controls. Journals below £20,000 do not require authorisation. As such, we have carried out a review of journals below this value. We have noted that all such journals are restricted to being posted by specific finance officers in the Central Technical Accounting Team. The total value of such journals is not material. A recommendation was raised in prior years as referred to on page 48. As part of our journal enquiries, we contact a number of individuals who have processed journals in year and ask a suite of questions regarding their role, responsibilities and types of journals they post . We did not receive responses from 2 individuals. As such alternative procedures have been completed around these individuals, including assessing the journals processed by them. We are satisfied with the alternative procedures undertaken. We have raised 3 recommendations in year in relation to journal entry procedures as follows: 1) We recommend that the Council review its current practice of off-ledger reclassifications and consider aligning the general ledger coding with the final financial statement presentation. This would improve transparency and reduce reliance on manual adjustments. 2) The Council should review and formalise current policies to ensure adequate cover for journal processing during staff absences. This should include documented procedures and clear responsibilities to mitigate the risk of disruption to financial processes. 3) We noted instances where journals posted by senior team members were approved by junior staff. Best practice would typically require approval by a more senior individual to ensure appropriate oversight.

Significant risks

Risk identified	Audit procedures performed	Key observations
Presumed risk of fraud in revenue recognition Under ISA (UK) 240, there is a rebuttable presumed risk of material misstatement due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud related to revenue recognition. We have identified and completed a risk assessment of all revenue streams for the Council. We have rebutted the presumed risk that revenue may be misstated due to the improper recognition of revenue for all revenue streams. This is due to the low fraud risk in the nature of the underlying nature of the transaction, or immaterial nature of the revenue streams both individually and collectively.	Notwithstanding that we have rebutted this risk, have still undertaken a significant level of work on the Council's revenue streams, as they are material. We have: <u>Accounting policies and systems</u> • Evaluated the Council's accounting policies for recognition of income for its various income streams and compliance with the CIPFA Code. <u>Fees, charges and other service income</u> • Agreed, on a sample basis, income and year end receivables from other income to invoices and cash payment or other supporting evidence. <u>Taxation and non-specific grant income</u> • Sample tested Council tax and NNDR income. This is a change from planned substantive analytical procedures. • For other grants we have sample tested items back to supporting information and subsequent receipt, considering accounting treatment where appropriate.	Our work in this area is substantially complete and we are finalising work in relation to the Council's revenue streams. We have not identified any misstatements to date. We have made an amendment in the approach to testing income from NNDR and Council tax and rather than planned substantive analytical review have instead applied a substantive testing approach. We have identified a disclosure misstatement in relation to IFRS 15 'Revenue from Contracts with Customers'. IFRS 15 is applied where there is a contract with a customer and performance obligations, for example, leisure services (gym memberships, ticket sales), Car parking fees, Commercial property rentals. The Councils disclosures have been extended to describe these arrangements for material income streams. As part of testing of invoices raised after the year end we selected an invoice which was subsequently credited by the Council, as such this did not have an impact on the financial statements. It did however highlight a potential weakness in arrangements to supporting invoicing in this area. We have raised a recommendation in relation to this on page 42.

Significant risks

Risk identified	Audit procedures performed	Key observations
Risk of fraud related to expenditure recognition Practice note 10: Practice note 10: Audit of financial statements of Public Sector Bodies in the United Kingdom (PN10) states that the risk of material misstatement due to fraud related to expenditure may be greater than the risk of material misstatement due to fraud related to revenue recognition for public sector bodies. We have identified and completed a risk assessment of all expenditure streams for the Council. 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. This is due to the low fraud risk in the nature of the underlying nature of the transaction, or immaterial nature of the expenditure streams both individually and collectively.	We have: • updated our understanding of the Council’s business processes associated with accounting for expenditure, • evaluated the Council’s accounting policies for recognition of expenditure for its various material expenditure streams and ensured compliance with the CIPFA code; and • agreed on a sample basis expenditure and year end creditors to invoices and cash payment or other supporting evidence.	Our work in this area is substantially complete, and we are finalising work in relation to the Council’s expenditure streams. We have not identified any misstatements to date.

Significant risks

Risk identified	Audit procedures performed	Key observations
Valuation of land and buildings <i>The revaluation of land and buildings should be performed with sufficient regularity to ensure that carrying amounts are not materially different from those that would be determined at the end of the reporting period.</i> <i>The Council revalues its land and buildings every year to ensure that the carrying value is not materially different from the current value at the financial statements date. The valuations represent a significant estimate by management in the financial statements due to the size of the numbers involved and the sensitivity of these estimates to changes in the key assumptions.</i> <i>The risks will be pinpointed as part of our final's accounts work once we have understood the population of the assets valued. We will report an updated risk assessment for valuation of property, plant and equipment in our Audit Findings Report.</i> We have updated our risk assessment and note that the Council's valuation is on a 5 year cyclical process with high value assets being revalued annually. This assessment did not change the planned procedures as set out in our audit plan.	We have: • evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work, • evaluated the competence, capabilities and objectivity of the valuation expert, • discussed with, and wrote to, the valuer to confirm the basis on which the valuation was carried out, including ensuring the CIPFA code requirements were met, • engaged our own valuation expert to provide commentary on; the instruction process in comparison to requirements from CIPFA/IFRS/RICS (Royal Institute of Chartered Surveyors); and valuation methodology and approach, resulting assumptions adopted and any other relevant points, • challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding • tested, on a sample basis, revaluations made during the year to see if they had been input correctly into the Council's asset register and accounted for correctly, • assessed the movement from valuation date 1 October to year end using indices to ensure no material movements in revalued assets, and • evaluated the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value at year end. Our work in this area is nearing completion	Our work in this area is ongoing but at an advanced stage. We have minor valuation queries in relation to 6 assets and are awaiting response from the Council. We have reviewed outline Instructions to Valuer document issued by the Council to its valuer covering the 2024/25 financial period. However, we understand that no formal Terms of Engagement documents have subsequently been received by the Council. It is our view that for each instruction, the Council should ensure it has specific Terms of Engagement document to help establish accountability, ensure clarity on the scope and objectives, and provide an audit trail. This reduces the risk of misunderstandings, scope creep, or non-compliance with professional and regulatory standards. A recommendation has been raised on page 44.

Significant risks

Risk identified	Audit procedures performed	Key observations
Valuation of the pension fund liability The Council’s pension fund net liability, as reflected in its balance sheet as the net defined benefit liability represents a significant estimate in the financial statements. Pension fund net liability is considered a significant estimate due to the size of the numbers involved (£28m in the Council’s balance sheet) and the sensitivity of the estimate to changes in the key assumptions. The methods applied in the calculation of IAS 19 estimates are routine and commonly applied by all actuarial firms in line with the requirements set out in the Code of practice for local government accounting (the applicable financial reporting framework).We have therefore concluded that there is not a significant risk of material misstatement in the IAS 19 estimate due to the methods and models used in their calculation.	We have: • Updated our understanding of the processes and controls put in place by management to ensure that the Council’s pension fund net liability is not materially misstated and evaluate the design of associated controls • Evaluated the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work • Assessed the competence, capabilities and objectivity of the actuary who carried out the Council’s pension fund valuations • Assessed the accuracy and completeness of the information provided by the Council to the actuary to estimate the liability • Tested the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary. • Undertook procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor’s expert) and performing any additional procedures suggested within the report.	Our work in this area is at an advanced stage and subject to final review procedures. This includes the review of the Councils disclosures regarding estimation uncertainty. Our work to date has identified the following: 1) Understatement of net pension liability of £1.671m. The response from the Pension Fund auditor includes details of an overstatement of pension fund assets of £5.846m relating to a timing delay of receipt of March valuations from Fund managers. Using an estimated share of net assets of 28.6% the estimated potential impact for the Council is that the net pension liability is understated by an estimated £1.671m. The Council has not adjusted for this misstatement and as such specific representations will be required from the Council. this will be included in the letter of representation 2) Disclosure misstatement in relation to rates of CPI, pension increases and inflation disclosed.

Significant risks

Risk identified	Audit procedures performed	Key observations
Valuation of the pension fund liability (continued) The source data used by the actuaries to produce the IAS 19 estimates is provided by the administering authorities and employers. We do not consider this to be a significant risk as this easily verifiable. The actuarial assumptions used are the responsibility of the entity but should be set on the advice given by the actuary. A small change in the key assumptions (discount rate, inflation rate, salary increase and life expectancy) can have a significant impact on the estimated IAS 19 liability.	• Obtained assurances from the auditor of the Leicestershire Pension Fund as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements • Reviewed whether the pension fund has reported any material uncertainty in relation to pension asset valuations as at 31 March 2025 and assessed the impact on disclosures in the financial statements and on our audit opinion • Reviewed the actuaries assessment of the impact of IFRIC 14 reperforming the calculation for the impact of the standard.	See previous page

Other risks

Risk identified	Audit procedures performed	Key observations
Non-Pay Expenditure Non-pay expenses on other goods and services represents a significant percentage of the Council’s operating expenses. Management uses judgement to estimate accruals of un invoiced costs. Management also undertake an assessment of the levels of grant income received in the financial year to be deferred to future years based on the specific terms and conditions of funding. We therefore identify completeness of non-pay expenses as a risk requiring audit attention.	We have: • Evaluated the Council’s accounting policies for recognition of non-pay expenditure for compliance with the CIPFA Code, • Updated our understanding of the Council’s business processes associated with accounting for non-pay expenditure, • Tested a sample of balances included within trade and other payables, • Tested a sample of payments immediately prior to and after the year end to ensure that appropriate cut off has been applied, and therefore that the expenditure has been recognised in the correct period; and • Tested a sample of expenditure to ensure it has been recorded accurately and is recognised in the appropriate financial accounting	Our work in this is substantially complete and subject to final review procedures. From our work to date we have not identified any misstatements.

Other risks

Risk identified	Audit procedures performed	Key observations
Completeness, Existence and accuracy of cash and cash equivalents The receipt and payment of cash represents a significant class of transactions occurring throughout the year, culminating in the year-end balance for cash and cash equivalents reported on the statement of financial position. Due to the significance of cash transactions to the Council, we identified the completeness, existence and accuracy of cash and cash equivalents as a risk requiring audit attention.	We have: • Agreed all period end bank balances to the general ledger and cash book • Agreed all cash and cash equivalents to the bank reconciliation • Agreed all material reconciling items and a sample of other items to sufficient and appropriate corroborative audit evidence; • Obtained the bank reconciliation for the following moth end and reviewed the reconciling items against those included on the period end bank reconciliation. • Wrote to the bank and obtained bank balance confirmations • Agreed the aggregate cash balance to the relevant financial statement disclosures.	Our work in this area is nearing completion. We raised a query regarding bank accounts referred to on external bank confirmation which do not appear in the Councils financial statements. Management have provided a response which we are now working through.

04 Other findings

Other findings – key judgements and estimates

This section provides commentary on key estimates and judgements in line with the enhanced requirements for auditors.

Assessment:

- [Red] We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- [Amber] We consider the estimate is unlikely to be materially misstated however management’s estimation process contains assumptions we consider optimistic
- [Grey] We consider the estimate is unlikely to be materially misstated however management’s estimation process contains assumptions we consider cautious
- [Green] We consider management’s process is appropriate and key assumptions are neither optimistic or cautious

Key judgement or estimate	Summary of management’s approach	Auditor commentary	Assessment
Valuation of land and buildings £485.7m at 31 March 2025	Other land and buildings comprises £485.7m of assets which include both specialised assets such as schools and libraries, which are required to be valued at depreciated replacement cost (DRC) at year end, reflecting the cost of a modern equivalent asset necessary to deliver the same service provision. This balance also includes non-specialised assets in nature that are required to be valued at existing use in value (EUV) at year end. In 2024/25 the Council has had £365.2m of the Other land and building balance revalued comprising 75% of the balance. In reporting a valuation for land and buildings, the valuer has considered a range of relevant sources of information, including, for EUV assets: relevant comparable market data; current and prospective lease terms and income (where required); for DRC assets: build costs and internal floor areas; and for both EUV and DRC assets: condition assessments from inspections carried out and other relevant industry guidance. Management maintain regular dialogue with the valuer and review the valuation certificates provided and challenge where required.	We are satisfied that management’s expert, is competent, capable and objective. We have documented and are satisfied with our understanding of the Council’s processes and controls over property valuations. We have completed our work to validate sources of information used by management and the valuer for a selection of assets. We have analysed the method, data and assumptions used by management to derive the estimate As detailed on page 20 we are currently awaiting response to valuation queries to finalise our work in this area.	TBC

Other findings – key judgements and estimates

Key judgement or estimate	Summary of management’s approach	Auditor commentary	Assessment
Valuation of land and buildings (continued)	Management have considered the year end value of non-valued properties/ and the potential valuation change in the assets revalued at 1 October 2024 by applying appropriate indices to determine whether there has been a material change in the total value of these properties. We challenged the basis of management’s assessment that this would not have a material effect.	Our work in this areas is nearing completion. We are consulting with our own expert in this area.	TBC

Other findings – key judgements and estimates

Key judgement or estimate	Summary of management's approach	Auditor commentary	Assessment																								
Valuation of net pension liability The value of the liability at 31 March 2025 was £28m. The Council has within its Pension scheme an aspect of funded and unfunded members. IFRIC 14 limits the measurement of the defined benefit asset to the 'present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. Based on the initial results of the IAS 19 review by the actuary the Council had assets of £1,911m and associated liabilities of £1,429m. Following the assessment of IFRIC 14 by the actuary the Council has determined none of this surplus position can be considered and therefore for the funded aspect of the scheme there is a nil balance. The Council also has an unfunded aspect to the scheme with associated liabilities of £28 million.	The Council uses Hymans Robertson LLP to provide actuarial valuations of the Council's assets and liabilities derived from the scheme. A full actuarial valuation is provided every three years the latest full actuarial valuation was completed as at the 31st March 2022. Given the significant gross value of both the assets and liabilities small changes in the estimation basis could result in material changes to the estimate.	We have; - Undertaken an assessment of management's expert - Assessed the reasonableness of the actuary's approach and any changes compared to the prior year. - Used PwC as an auditor's expert to assess the assumptions made by the actuary (see table below) , - Reviewed the completeness and accuracy of the underlying information used to determine the estimate, - Reviewed the reasonableness of the Council's share of Leicestershire County Council Pension Scheme (LPS) pension assets, Our work in relation to the adequacy of disclosure of estimate in the financial statements is in progress. Our findings to date are detailed on page 21. <table> <tr> <th>Assumption</th><th>Actuary value</th><th>PwC range</th><th>Assessment</th></tr> <tr> <td>Discount rate</td><td>5.8%</td><td>5.8%-5.85%</td><td>Reasonable</td></tr> <tr> <td>Pension increase rate</td><td>2.75%</td><td>2.7%-2.8%</td><td>Reasonable</td></tr> <tr> <td>Salary growth</td><td>3.25%</td><td>3.25%-5.25%</td><td>Reasonable</td></tr> <tr> <td>Life expectancy – Males currently aged 45/65</td><td>21.3/22</td><td>Confirmed consistent</td><td>Reasonable</td></tr> <tr> <td>Life expectancy – Females currently aged 45/65</td><td>24/25.4</td><td>Confirmed consistent</td><td>Reasonable</td></tr> </table>	Assumption	Actuary value	PwC range	Assessment	Discount rate	5.8%	5.8%-5.85%	Reasonable	Pension increase rate	2.75%	2.7%-2.8%	Reasonable	Salary growth	3.25%	3.25%-5.25%	Reasonable	Life expectancy – Males currently aged 45/65	21.3/22	Confirmed consistent	Reasonable	Life expectancy – Females currently aged 45/65	24/25.4	Confirmed consistent	Reasonable	TBC
Assumption	Actuary value	PwC range	Assessment																								
Discount rate	5.8%	5.8%-5.85%	Reasonable																								
Pension increase rate	2.75%	2.7%-2.8%	Reasonable																								
Salary growth	3.25%	3.25%-5.25%	Reasonable																								
Life expectancy – Males currently aged 45/65	21.3/22	Confirmed consistent	Reasonable																								
Life expectancy – Females currently aged 45/65	24/25.4	Confirmed consistent	Reasonable																								

Other findings – key judgements and estimates

Key judgement or estimate	Summary of management’s approach	Auditor commentary	Assessment
Minimum Revenue Provision – £7.3m	The Council is responsible on an annual basis for determining the amount charged for the repayment of debt known as its Minimum Revenue Provision (MRP). The basis for the charge is set out in regulations and statutory guidance. The year end MRP charge was £7.3m, a net increase of £1.1m from 2023/24. The Council as in the prior year sets its charge based on the asset life method.	We reviewed the following: • whether the MRP has been calculated in line with the statutory guidance • whether the Council’s policy on MRP complies with statutory guidance. • Undertook a review of the overall Capital financing requirement (CFR) checking its consistency with the accounts with no issues noted. • Undertook a benchmarking exercise on the charge compared to the CFR noting the charge makes up 3.63% of the CFR. From our benchmarking exercise comparing other councils charge this is deemed a reasonable level of charge. • Reviewed the Council’s overall borrowing compared to the CFR. As in the prior year we noted the Council was overborrowed as the CFR stands at £201.6 million whereas total borrowings sit at £225.7 million. Under the prudential code this is permitted providing the next two years capital requirement from borrowing covers this gap. We have confirmed this is the case. Total borrowing for this year was £180.1m whereas the CFR stood at £197.6m.	Green

Other findings – Information Technology

This section provides an overview of results from our assessment of the Information Technology (IT) environment and controls therein which included identifying risks from IT related business process controls relevant to the financial audit. This table below includes an overall IT General Control (ITGC) rating per IT application and details of the ratings assigned to individual control areas.

The Pension Fund and the Council share a common control environment in relation to Oracle Fusion. As part of 2024/25 IT work our specialist IT team identified what it considered to be 2 significant deficiencies pertaining to security role privileges and self-assigned access controls within Oracle. In response:

- Security role privileges were removed from all roles by the Council in September 2024 but, in its view, needed to be reinstated for certain corporate finance staff in order to manage the Chart of Accounts. For these individuals the Council is satisfied this level of access is appropriate and is willing to tolerate any residual risk.
- For self-assigned access controls one was project specific and ceased in June 2024. The other access is required in a design and development role and its use is monitored by a manager without privileged access. The Council therefore believes it has an appropriate mitigating control in place.

These deficiencies were considered in our audit approach to management override of control for 2024/25 and no issues were noted in the specific procedures performed. As these mitigation actions were taken part way through the 2024/25 financial year they are rated as red in the table below. Our IT team will review the Council’s security managements arrangements as part of the 2025/26 audit, including any mitigating controls initiated by the Council.

Our summary assessment is detailed below:

IT application	Level of assessment performed	Overall ITGC rating	ITGC control area rating			Related significant risks/other risks
			Security management	Technology acquisition, development and maintenance	Technology infrastructure	
Oracle Fusion	ITGC assessment (design and implementation effectiveness only)	 [Amber]	 [Red]	 [Green]	 [Green]	N/A
Active Directory	ITGC assessment (design and implementation effectiveness only)	 [Green]	 [Green]	 [Black]	 [Black]	N/A

- [Red]
- [Amber]
- [Green]
- [Black]
- Significant deficiencies identified in IT controls relevant to the audit of financial statements
- Non-significant deficiencies identified in IT controls relevant to the audit of financial statements/significant deficiencies identified but with sufficient mitigation of relevant risk
- IT controls relevant to the audit of financial statements judged to be effective at the level of testing in scope
- Not in scope for assessment

05 Communication requirements and other responsibilities

Other communication requirements

Issue	Commentary
Matters in relation to fraud	We have not been made aware of any other incidents in the period and no other issues have been identified during the course of our audit procedures.
Matters in relation to related parties	We are not aware of any related parties or related party transactions which have not been disclosed
Matters in relation to laws and regulations	You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations, and we have not identified any incidences from our audit work.
Written representations	We draw your attention to the draft Letter of Representation which is included with committee papers.
Confirmation requests from third parties	We requested from management permission to send confirmation requests to the Council’s banking and treasury partners. This permission was granted and the requests were sent. We are currently awaiting the return of one confirmation.
Disclosures	Disclosure misstatements identified to date are reported in section 06. Our work in this area is in progress.
Significant difficulties	We did not identify any significant issues or material matters during the audit. The audit process has been well supported by the Council’s finance team and we would like to express our thanks to them. Some aspects of the audit have however taken longer than anticipated. Property, Plant and Equipment is a complex area of the financial statements underpinned by a detailed valuation process. In recognition of this, we agreed as part of planning procedures to provide the valuation sample early in the audit to allow sufficient time for responses to be collated. Whilst the sample was provided as planned, some queries remain outstanding at the date of this report and our work in this area is not yet complete. Looking ahead, the statutory accounts timetable will be accelerated in future years. We will work collaboratively with the Council to identify opportunities to streamline processes, including the format of papers provided for audit purposes, to ensure alignment with earlier reporting deadlines. In addition, we will agree areas of testing that can be completed prior to year-end to support timely delivery.

Other responsibilities

Issue	Commentary
Going concern	In performing our work on going concern, we have had reference to the Statement of Recommended Practice – Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom (Revised 2024). The Financial Reporting Council recognises that for particular sectors, it may be necessary to clarify how auditing standards are applied to an entity in a manner that is relevant and provides useful information to the users of financial statements in that sector. Practice Note 10 provides that clarification for audits of public sector bodies. Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities: • The use of the going concern basis of accounting is not a matter of significant focus of the auditor’s time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the entity’s services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist, and so a straightforward and standardised approach for the consideration of going concern will often be appropriate for public sector entities • For many public sector entities, the financial sustainability of the reporting entity and the services it provides is more likely to be of significant public interest than the application of the going concern basis of accounting. Our consideration of the Council’s financial sustainability is addressed by our value for money work, which is covered elsewhere in this report. Practice Note 10 states that if the financial reporting framework provides for the adoption of the going concern basis of accounting on the basis of the anticipated continuation of the provision of a service in the future, the auditor applies the continued provision of service approach set out in Practice Note 10. The financial reporting framework adopted by the Council meets this criteria, and so we have applied the continued provision of service approach. In doing so, we have considered and evaluated: • the nature of the Council and the environment in which it operates • the Council’s financial reporting framework • the Council’s system of internal control for identifying events or conditions relevant to going concern • management’s going concern assessment. On the basis of this work, we have obtained sufficient appropriate audit evidence to enable us to conclude that: • a material uncertainty related to going concern has not been identified; and • management’s use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Other responsibilities

Issue	Commentary
Other information	We are required to give an opinion on whether the other information published together with the audited financial statements including the Annual Governance Statement, Narrative Report and Pension Fund Financial Statements, is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. Our work in this area is in progress, at this stage no inconsistencies have been identified. We plan to issue an unmodified opinion in this respect.
Matters on which we report by exception	We are required to report on a number of matters by exception in a number of areas: • if the Annual Governance Statement does not comply with disclosure requirements set out in CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit, • if we have applied any of our statutory powers or duties. • where we are not satisfied in respect of arrangements to secure value for money and have reported significant weakness. As outlined on page 50, we have identified a significant weakness in the Authority’s arrangements to secure value for money .We identified a significant weakness in the Authority’s arrangements for financial sustainability, as a result of the Councils Dedicated School Grant deficit.
Specified procedures for Whole of Government Accounts	We are required to carry out specified procedures on behalf of the NAO on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions. Full procedures are not required on this as the Council does not exceed the threshold.
Certification of the closure of the audit	Due to the timetable for the Whole of Government Accounts, we are unable to issue the certificate alongside the audit opinion.

06 Audit adjustments

Audit adjustments

We are required to report all non-trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

Impact of adjusted misstatements

To date we have not identified any adjusted misstatements.

Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

Disclosure	Misclassification or change identified	Adjusted
Throughout Accounts	We identified several minor presentational and casting points which have been discussed with the finance team which will be amended.	Management have agreed to adjust all identified disclosure changes.
Throughout Accounts	A number of immaterial accounting policies and disclosures have been included in the financial statements. These should be removed to avoid obscuring material information within the financial statements.	
Accounting policies	We have identified a disclosure misstatement in relation to IFRS 15 ‘Revenue from Contracts with Customers’. IFRS 15 is applied where there is a contract with a customer and performance obligations. The Councils financial statements do not include all necessary disclosures expected as per the CIPFA code.	
Note 1, Expenditure and Funding analysis (EFA)	The EFA includes a number of disclosures. One of these is a table detailing how expenditure is allocated for decision making purposes across the Council’s departments and how this links to budgetary reporting. The analysis across service segment in column ‘As reported to the Cabinet in June 2025’ and ‘adjustments to arrive at the net amount funded from the general fund’ need to be reanalysed. This does not impact on the net expenditure chargeable to the general fund for each department, it is a presentation adjustment only.	
Note 5, Assumptions Made about the Future and Major Sources of Estimation Uncertainty	Enhanced disclosures are required to explain the uncertainty regarding Property, Plant and Equipment valuations. This note is designed to help users of the financial statements understand the degree of subjectivity and potential variability in reported figures due to estimation techniques. This disclosure should include: These disclosures should include: The nature of the assumption or uncertainty, the carrying amount at the balance sheet date and an explanation of the sensitivity of those amounts to changes in assumptions	

Audit adjustments

Misclassification and disclosure changes - continued

Disclosure	Misclassification or change identified	Adjusted?
Note 9, usable reserves - Capital adjustment account	£6.3m of costs have been incorrectly classified between headings as follows: - Charges for depreciation of non-current assets should be £32.6m rather than £26.3m - Amounts of non current assets written off on disposal or sale should be £12.9m rather than £19.2m	
Note 15 – Net Pension Liability	The Council has not included the correct principal assumptions used by the Actuary in its disclosure relating to the ‘basis for estimating assets and liabilities’ The rate of inflation should be changed from 3.5% to 3.3%, rate of increase in salaries from 3.5% to 3.3%, rate of increase in pensions from 3% to 2.8% and rate for discounting scheme liabilities from 4.8% to 5.8%	Management have agreed to adjust all identified disclosure changes.
Note 16, Property, Plant and Equipment (PPE)	1) The Council has included £5.4m in relation to lease recognition under IFRS 16 in asset additions rather than as a separate item. The Council should remove the £5.4m from asset additions and show this as a separate line adjusting the opening balance within the PPE note. 2) Assets under construction total £131.3m as at 31 March 2025. £125m of this value relates to the construction of infrastructure projects which upon completion will be transferred to the infrastructure asset balance as shown in note 17. The Council should include an explanation under the PPE table in note 16 to explain this. 3) Capital commitments of £65m are disclosed for the current financial year however no comparative information is included. This should be included as the comparative value is also a material disclosure. 4) Revaluation disclosure table includes incorrect value for assets ‘carried at Historical cost’ . Draft accounts include this at £12.1m which should be £5.9m , a difference of £6.2m. Consequently assets ‘valued at fair value’ at 31 March 2025 should be £371.4m rather than £356.2m.	
Note 17, Highways Infrastructure Assets	The comparative disclosure omits an amount of £7.6m related to asset reclassifications. The reported total net book value of £463.6m in the note remains accurate and agrees to prior year financial statements.	

Audit adjustments

Misclassification and disclosure changes - continued

Disclosure	Misclassification or change identified	Adjusted?
Note 20, Financial instruments	The disclosures in relation to financial instruments are complex and this is a lengthy disclosure within the Council's financial statements. We have identified the following : 1) An addition error has been identified in relation to the Council's working paper for financial instruments meaning that receivables and payables are misstated within the financial instrument note. In addition to this the annual leave accrual of £5.8m has been included erroneously as a financial instrument. The impact of these changes is that the debtors currently reported as £122.3m within financial instruments will be reduced to £78.8m and creditors of £206.2m will become £160.8m. 2) An inconsistency identified between the financial instruments note and the Balance sheet for lease liabilities. The financial instruments note should be restated to show £1.8m long term finance lease obligations and £1.2m short term financial lease obligations. This does not impact upon any values included in the Council's Balance Sheet. 3) The table 'Fair value of assets and liabilities carried at amortised cost' incorrectly includes assets valued at Fair Value through Profit and Loss). As such the values reported need to be reduced by £60.5m to exclude these items.	Management have agreed to adjust all identified disclosure changes.

Audit adjustments

Impact of unadjusted misstatements

The table below provides details of adjustments identified during the audit which have not been made within the final set of financial statements. The Audit Committee is required to approve management’s proposed treatment of all items recorded within the table below.

Detail	Comprehensive Income and Expenditure Statement £'000	Balance Sheet £'000	Impact on total net expenditure £'000	Impact on general fund £'000	Reason for not adjustment
Share of the asset understatement from the pension fund – 1.671 million	Nil	DR Pension Liability 1,671	Nil	Nil	Immaterial
The pension Fund Auditor has reported an understatement of the total investments for the Pension Fund of £5.946m. Based on the council's share of the fund this equates to £1.671m.		CR Pension Reserve 1,671			
Overall impact of current year unadjusted misstatements	0	0	0	0	

Impact of unadjusted misstatements in the prior year

The table below provides details of misstatements identified during the prior year audit which were not adjusted for within the final set of financial statements for 2023/24. We also present the cumulative impact of both prior year and current year unadjusted misstatements on the 2024/25 financial statements. The Audit Committee is required to approve management's proposed treatment of all items recorded within the table below.

Detail	Comprehensive Income and Expenditure Statement £'000	Balance Sheet £'000	Impact on total net expenditure £'000	Impact on general fund £'000	Reason for not adjusting in 2023/24
Misclassification short term Investments and short-term debtors- 0.8 million During the course of the audit, it was identified that the Council incorrectly classified a short-term debtor in short term investments.	Nil	DR Short term debtors 800 CR Short term Investments 800	Nil	Nil	Value immaterial to financial statements.
Share of the asset understatement from the pension fund – 1.1 million The pension Fund Auditor has reported an understatement of the total investments for the Pension Fund of £4.2m. Based on the council's share of the fund this equates to £1.1m	Nil	DR Pension Liability 1,100 CR Pension Reserve 1,100	Nil	Nil	Value immaterial to financial statements.
Overall impact of prior year unadjusted misstatements	Nil	Nil	Nil	Nil	
Cumulative impact of prior year and current year unadjusted misstatements on 2024/25 financial statements	Nil	Nil	Nil	Nil	

Action plan

We set out here our recommendations for the Council which we have identified as a result of issues identified during our audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Assessment	Issue and risk	Recommendations
● Medium	Off-Ledger Adjustments During the audit, it was noted that the Council initially records certain transactions against general ledger codes that do not reflect their final classification in the financial statements. At year-end, these amounts are manually reclassified outside the main ledger system to align with the correct presentation required by the financial statements. These adjustments are performed off-ledger rather than through formal journal entries within the accounting system. Whilst we have not identified any issues with the adjustments made there are risks associated with off ledger processing, including; 1) Lack of Audit Trail - Manual reclassifications outside the ledger reduce transparency and create an incomplete audit trail. This makes it difficult to verify the accuracy and completeness of adjustments. 2) Control Weakness-Off-ledger adjustments bypass system controls (e.g., approval workflows, automated checks), increasing the risk of unauthorized or inappropriate changes. 3) Reduced Data Integrity-Financial data in the general ledger does not fully reflect the final reported figures, which can lead to inconsistencies between internal reports and published financial statements.	We recommend that the Council review its current practice of off-ledger reclassifications and consider aligning the general ledger coding with the final financial statement presentation. This would improve transparency and reduce reliance on manual adjustments Management response Agreed, this will be reviewed for 2025/26.

Key

- High – Significant effect on control system and/or financial statements
- Medium – Limited impact on control system and/or financial statements
- Low – Best practice for control systems and financial statements

Action plan (continued)

Assessment	Issue and risk	Recommendations
● Medium	ContrOCC* invoice flags As part of testing of invoices raised after the year end we selected an invoice which was subsequently credited by the council, as such this did not have an impact on the financial statements. It did however highlight a potential weakness in arrangements to supporting invoicing in this area. The reason for the credit related to the way in which care package costs had been entered into the ContrOCC system. Upon a persons death the split of the care package triggered an invoicing process from the Council which upon receipt by the customers' estate was subsequently challenged and a credit note issued. The risk is that if information is not added accurately in other information systems this can lead to erroneous invoicing. * ContrOCC is a subsidiary system of the Council relating to Adults and Children's social care.	We recommend that the Council carry out a process of review to ensure care packages are allocated appropriately to ensure inaccurate invoicing is avoided. Management response Agreed. All managers to be reminded that actions pertaining to case closures should be reviewed, this to include that Care Package Line Items (CPLI's) are recorded correctly into the case management system.

Action plan (continued)

Assessment	Issue and risk	Recommendations
● Medium	Financial instruments A number of disclosure errors have been identified in relation to this complex note. These errors have included omissions, inconsistencies, misclassifications and two material calculation errors . Furthermore, amendments have been required in prior reporting periods to correct these issues, often necessitating prior period adjustments in accordance with applicable accounting standards. Such adjustments typically involve additional procedures to ensure compliance and transparency, as well as expanded disclosures to explain the nature and impact of the corrections. The recurring need for revisions to this note highlights the importance of implementing robust review and validation processes to mitigate the risk of future misstatements.	It is recommended that management implement enhanced review controls over the preparation of this note, including detailed checklists aligned to the relevant accounting standards. Additionally, consideration should be given to providing targeted training for staff involved in preparing these disclosures to ensure a thorough understanding of the requirements and reduce the likelihood of future errors. Management response Agreed. This is a complex note and will be reviewed for 2025/26.

Action plan (continued)

Assessment	Issue and risk	Recommendations
● Green	Instructions to valuer We have reviewed outline Instructions to Valuer document issued by the Council to its valuer covering the 2024/25 financial period. However, we understand that no formal Terms of Engagement documents have subsequently been received by the Council. It is our view that for each instruction, the Council should ensure it has specific Terms of Engagement document to help establish accountability, ensure clarity on the scope and objectives, and provide an audit trail. This reduces the risk of misunderstandings, scope creep, or non-compliance with professional and regulatory standards.	The Council should ensure formal terms of engagement are agreed with its valuation expert Management response Agreed, this will be implemented for the 2025/26 valuation exercise.

Action plan (continued)

Assessment	Issue and risk	Recommendations
● Low	Journal authorisation Journal testing highlighted an opportunity to strengthen the approval process. We noted instances where journals posted by senior team members were approved by junior staff. Best practice would typically require approval by a more senior individual to ensure appropriate oversight. The current approach may diminish the effectiveness of the review and could potentially impact the integrity and accuracy of financial reporting.	We recommend that journals be reviewed and approved by senior team members to ensure adherence to a robust review process. Management response This will be reviewed in 2025/26.

Action plan (continued)

Assessment	Issue and risk	Recommendations
● Low	Journal processing – annual leave As part of our procedures relating to journal entries, we request information from individuals who have posted journals during the year. While not exhaustive, this includes questions regarding the types of journals processed and the arrangements in place to ensure continuity of processing during periods of absence or leave. In response to the question on cover arrangements for journal processing during leave, some comments indicated ‘nobody’ or ‘none. Whilst we accept there are likely to be local arrangements in place to maintain business continuity the absence of formal policy or procedure to cover arrangements increases the risk of delays in processing journals and may result in incomplete or inaccurate financial records. This could impact the timeliness and reliability of financial reporting.	We recommend that the Council reviews and formalises current policies to ensure adequate cover for journal processing during staff absences. This should include documented procedures and clear responsibilities to mitigate the risk of disruption to financial processes. Management response Agreed.

Follow up of prior year recommendations

We identified the following issues in the audit of the Council’s financial statements in previous years, and reported the recommendations in our Audit Findings Reports. We set out an update here.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
X	Weaknesses around the processing of capital accounting entries in the Council's Fixed asset register (FAR) and the valuations process. - Assets where revalued at 1st October rather than the year end. - Capital additions and assets under construction brought into use in year are processed as a manual adjustment and then revalued the following financial year- whereas the Code requires these to be revalued. - Finance leases are not included in the FAR but manually adjusted. - A large balance of assets that required revaluing under the Code were held at cost in Other Land and buildings. We recommended the Council reviewed its capital accounting processes for the above matters.	The valuation date has been moved to year end (31 March 2026) for the 2025/26 accounts
✓	We noted in the prior year three errors relating to VAT treatment in our expenditure and agency costs testing. We recommended the Council should review its process in relation to accounting for VAT and ensuring expenditure is accounted for in the correct financial year.	This recommendation has been agreed and was actioned across the 2024-25 financial year-year end.
✓	Our Creditors testing in the prior year noted 2 payroll pay control accounts that no supporting evidence could be provide for. We recommended that Control accounts should be reviewed and the Council should consider writing out old balances with no backing rather than continually carrying forward such balances year on year.	This recommendation has been agreed and was actioned across the 2024-25 financial year-year end.

Assessment

✓ Action completed

X Not yet addressed

Follow up of prior year recommendations

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
X	Management provided us with a report downloaded directly from the fixed asset register with the revalued assets and valuation basis. From review we identified multiple changes in valuation basis compared to prior year. Subsequently from discussions it was identified that the valuation basis had been inputted incorrectly within the FAR and the valuation basis as per the valuation report was correct with prior year valuations.	We have not identified any changes to this process and as such this recommendation remains open.
✓	IFRS16 (Leases) is due to be fully implemented in 2024/25 following previous deferrals by CIPFA. In Note 3 of the accounts the Council stated they are satisfied that this standard will have no material impact on the accounts. The number and impact of any peppercorn leases is currently being assessed. The Council needs to ensure that it is fully prepared for this significant change.	IFRS implementation has been completed in 2024/25. Our work in this area is nearing completion and is detailed on page 11.
X	Income and expenditure listings provided to us by the Council had a large number of debits and credits in the transaction populations. We recommended the Council should reduce the level of audit input in our transaction testing by acting to “cleanse” populations to ensure we are only reviewing transactions that directly impact the financial statements.	We are still experiencing large listings that are not ‘cleansed’ to a transactional level. As such this recommendation remains open. With statutory reporting deadlines scheduled to come forward significantly in future years, the ability of the Council to provide clean transaction listings will become increasingly important. We are aware the Council has been recently reviewing reports available in order to expediate this.
X	We recommended in prior year audits that the Council have no authorisation or control process in relation to authorisation of journals below £20,000. We recommended the Council should ensure that all journals are reviewed and approved by an appropriate independent officer.	Management have confirmed that action is ongoing to address this recommendation. Internal audit have provided substantial assurance regarding the authorisation process.

07 Value for Money arrangements

Value for Money arrangements

Approach to Value for Money work for the year ended 31 March 2025

The National Audit Office issued its latest Value for Money guidance to auditors in November 2024. The Code requires auditors to consider whether a body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Additionally, The Code requires auditors to share a draft of the Auditor’s Annual Report (AAR) with those charged with governance by 30 November each year from 2024-25. In undertaking our work, we are required to have regard to three specified reporting criteria. These are as set out below.



Improving economy, efficiency and effectiveness

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



Financial sustainability

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



Governance

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

Our audit plan presented to the 31 March 2025 Corporate Governance Committee did not identify any significant weakness areas or related risks, requiring separate attention in relation to Value for Money. Upon receipt of draft financial statements our risk assessment processes were updated and we identified two risks of significant weakness in relation to developing further savings plans and addressing the Dedicated Schools Grant deficit.

We have completed our VFM work and our detailed commentary is set out in the separate Auditor’s Annual Report, which is presented alongside this report . We identified a significant weakness in the Authority’s arrangements and so are not satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We identified a significant weakness in the Authority’s arrangements for financial sustainability, as a result of the Councils Dedicated School Grant deficit. For 2024/25 the Council has reported a net Dedicated Schools Grant (DSG) overspend of £16.3m the cumulative funding gap is now £64m and is forecast to be £118m by 2028/29. While the Government has signalled it’s intention to extend the Statutory Override to March 2028, the Council still needs to fund the in-year overspending, and we have made a key recommendation.

08 Independence considerations

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

Further, we have complied with the requirements of the National Audit Office’s Auditor Guidance Note 01 issued in February 2025 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

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

Matter	Conclusions
Relationships with Grant Thornton	We are not aware of any relationships between Grant Thornton and the Council 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 Council .
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 Council 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 Council.
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 Council’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 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 total fees for audit and non-audit services that we have been engaged to provide or charged from the beginning of the financial year to November 2025, 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 Council's policy on the allotment of non-audit work to your auditor.

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

For the purposes of our audit we have made enquiries of all Grant Thornton teams within the Grant Thornton International Limited network member firms providing services to Leicestershire County Council. 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.

Audit fees	£
Audit of Council	282,063
Total	282,063

Fees and non-audit services

Audit-related non-audit services

Service	2023/24 £	2024/25 £	Threats Identified	Safeguards applied
DFT grant assessment	15,000	Appointment to complete work in relation to 2024/25 DFT grant assistance has not yet been confirmed	Self-Interest (because this is a recurring fee) Self review Management	There is a fee for the service. The fee is agreed in advance for this work, but may vary based on the number of any issues identified. A self interest threat could potentially be in place, however, the level of fee for the work on the DFT Engagement is generally lower than the audit fee and is not significant in the context of the Engagement Lead’s portfolio or to the public services part of the firm on which Engagement Leads’ performance is judged. These factors all mitigate the perceived self-interest threat to an acceptable level. A self review threat could potentially be in place as the firm is reviewing and reporting Grant income and expenditure for the entity. We have not prepared any elements of the work produced. Grants expenditure is included within the financial statements but the work required in respect of this assignment is separate to that required for purposes of the audit. Based on past experience, it is not expected that there will be material changes to grant income recorded in the financial statements arising from the work that we perform. Any changes to the Grant income and expenditure will be agreed with the Employer’s Responsible Financial Officer or delegated deputy before we conclude our report of factual findings. This report will also comment on any amendments that the Employer has declined or is unable to make. Any changes to the financial information as a result will either be agreed by informed management of the Employer or will be determined by the Grant provider based on our factual findings. A management threat could be perceived as providing information to the grant provider is the responsibility of management. The scope of the work does not include making decisions on behalf of management or recommending or suggesting a particular course of action for management to follow. We will agree any amendments and factual findings with the Employer’s Responsible Financial Officer, and we will obtain representations from the Employer in respect of our factual findings and include these in our report. Management will make their own decisions whether to amend for any errors identified as part of our testing or to make representations to the Grant provider.
Total	15,000			

Fees and non-audit services

Total audit and non-audit fee

(Audit fee) - £282,063	(Non-audit fee) - £15,000
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The above fees are exclusive of VAT and out of pocket expenses.
The fees agree to the financial statements (extract below)

Note 34: External Audit Costs

The Authority has incurred the following costs in relation to the audit of the statement of accounts:

2023/24 £		2024/25 £
	<i>Fees payable to external auditor:</i>	
273,146	Annual audit	282,063
15,000	Other services provided during the year	15,000
288,146	Total	297,063

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

Appendices

A. 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	●	
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 Group’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		●

A. Communication of audit matters with those charged with governance

Our communication plan	Audit Plan	Audit Findings
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		●
Expected modifications to the auditor's report, or emphasis of matter		●

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 Findings, outlines those key issues, findings and other matters arising from the audit, which we consider should be communicated in writing rather than orally, together with an explanation as to how these have been resolved.

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.

Distribution of this Audit Findings report

Whilst we seek to ensure our audit findings are distributed to those individuals charged with governance, as a minimum a requirement exists for our findings to be distributed to all the company directors and those members of senior management with significant operational and strategic responsibilities. We are grateful for your specific consideration and onward distribution of our report, to those charged with governance.

Our team and communications

Helen Lillington

Engagement Lead/
Key Audit Partner



- Key contact for senior management and Audit Committee
- Signs opinion on financial statements
- Overall quality assurance

Mary Wren

Senior Audit Manager



- Audit planning
- Resource management
- Performance management reporting

Tim Lacey

Audit In-charge



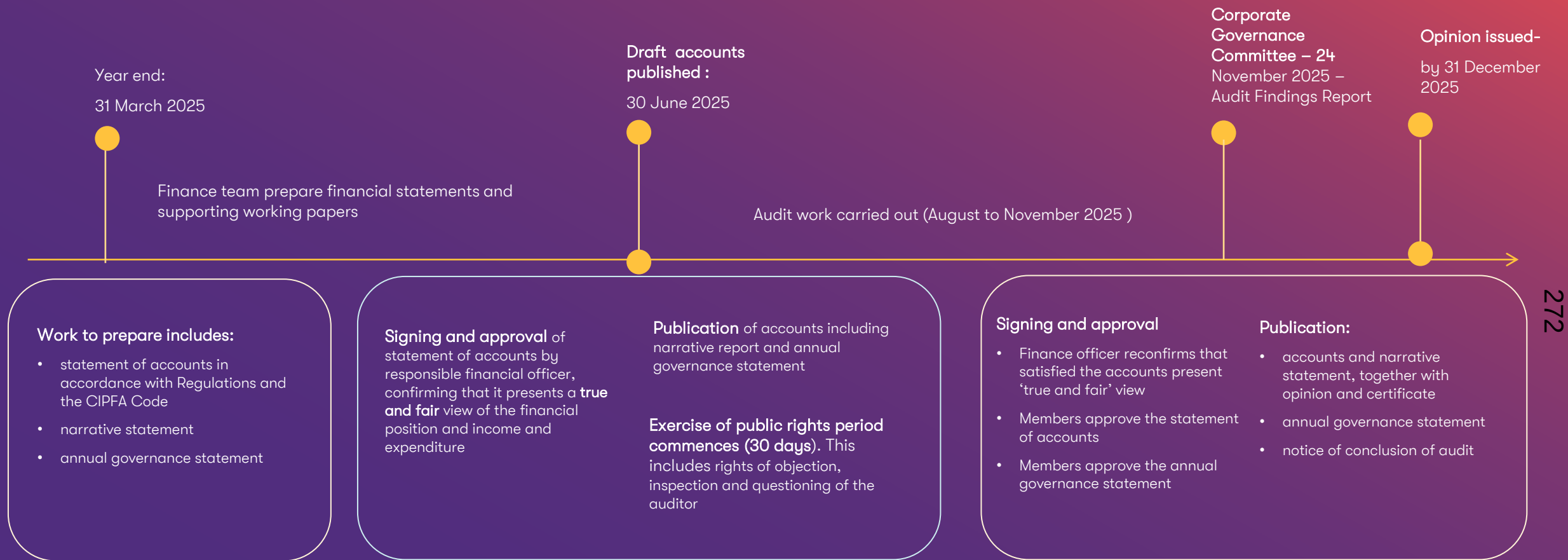
- On-site audit team management
- Day-to-day point of contact
- Audit fieldwork

Team of 3-4 audit assistants and specialist members of the team Including, IT audit, Digital Audit team and Property valuation experts.

	Service delivery	Audit reporting	Audit progress	Technical support
Formal communications	• Annual client service review	• The Audit Plan • Audit Progress and Sector Update Reports • The Audit Findings • Auditor's Annual Report	• Audit planning meetings • Audit clearance meetings • Communication of issues log	• Technical updates, including invitations to chief accountants workshops
Informal communications	• Open channel for discussion		• Communication of audit issues as they arise	• 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 In-charge and Manager and will interact with you in the same way as our UK based team albeit on a remote basis. Our overseas team members use a remote working platform which is based in the UK. The remote working platform (or Virtual Desktop Interface) does not allow the user to move files from the remote platform to their local desktop meaning all audit related data is retained within the UK.

The accounts and audit timeline





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