



## **CORPORATE GOVERNANCE COMMITTEE – 27 MARCH 2026**

### **REPORT OF THE DIRECTOR OF CORPORATE RESOURCES**

#### **EXTERNAL AUDIT PLAN 2025/26**

##### **Purpose**

1. To present the external audit plans for the Council and the Pension Fund for the 2025/26 financial year.

##### **Introduction**

2. Copies of the audit plans for the Council and the Pension Fund are attached as Appendix A and Appendix B respectively. The audit plans provide an overview of the planned scope and timing of the external audit.
3. To inform the external audit plans, management (Finance, Internal Audit and Legal Services) have completed a self-assessment, which the Auditor uses as part of its procedures to gain an understanding of the Council's processes. It sets out questions on areas such as fraud, laws and regulations, related parties, going concern and accounting estimates, all of which have an impact on the Council's operations.
4. Representatives from the Council's external auditors, Grant Thornton UK LLP, will attend the meeting in order to present the plans and answer any questions.
5. Presentation of the audit plan to this Committee contributes towards the effective two-way communication between auditors and the Council's Corporate Governance Committee, as 'those charged with governance'.
6. The 2025/26 audit is the third year of the five year contract that started in 2023/24. A contract update was provided to the Committee in September 2023 confirming that the Council had opted in to the Public Sector Auditor Appointments (PSAA) national scheme to appoint an external auditor.

##### **County Council – Audit Plan**

7. The significant risks identified by the external auditor for 2025/26 are summarised below: (mainly the same as in 2024/25)

- Management override of controls – review of management controls over journals, accounting estimates and accounting policies.
  - Risk of Fraud – review of business processes, accounting policies, and systems, for recognition of income and expenditure.
  - Valuation of land and buildings – review of the valuation of assets valued on a cyclical basis, including the use of indexation in the intervening periods (new accounting requirement and updated accounting policy in 2025/26).
  - Valuation of the pension fund net liability – review of assumptions, methodology and data provided to the Actuary.
8. The materiality level for the Audit Opinion for the Council is £22m (£20m 2024/25). A separate limit of £27,000 applies to the senior officers' remuneration note to the accounts. A triviality limit for the financial statements has been set at £1m in line with National Audit Office (NAO) guidance, the same as in 2024/25.
  9. ISA 315 requires the auditor to obtain an understanding of the IT infrastructure used by the Council including details of the processes that operate within the IT environment. As a result the auditor will undertake a design and implementation review of controls within the Oracle Fusion system.
  10. The audit plan also sets out the Auditor's approach to completing the assessment of the Value for Money (VfM) arrangements at the Council for the 2025/26 financial year. The last VfM report, in 2024/25, was considered by this Committee at its meeting in November 2025. One significant weakness in relation to the deficit on the schools Dedicated Support Grant (DSG) was reported. The Government have since announced that they will fund up to 90% of DSG net deficits as at 31 March 2026, subject to an approved local SEND reform plan, and that they will fund SEND centrally from April 2028. At this stage, details of the exact funding mechanisms, and for the intervening periods, is currently uncertain.
  11. As part of their planning assessment the auditor has highlighted two significant risks for 2025/26; the DSG deficit and the financial gaps as set out in the Medium Term Financial Strategy (MTFS) 2026-30 with forecast budget gaps of £36m in 2027/28 rising to £85m in 2029/30. As part of their work the auditor will consider the arrangements in place to address the gaps will also review the updated MTFS.
  12. The interim audit for 2025/26 is currently underway with the detailed external audit work planned to be carried out between July and October 2026. The final audit opinion is then planned to be reported to this Committee in November 2026.
  13. The fee for the 2025/26 external audit for the Council is £289,960 (£282,063 in 2024/25) in line with the scale fee set by PSAA.

### **Pension Fund – Audit Plan**

14. The significant risks identified by the external auditor for 2025/26 are summarised below: (mainly the same as in 2024/25)

- Management override of controls – review of management controls over journals, accounting estimates and accounting policies.
  - Valuation of level 3 investments - review of the nature and basis of estimates used for hard to value assets, i.e. not publicly traded investments such as private debt.
  - Risk of fraud due to improper recognition – rebutted by the auditor given the nature of public sector bodies.
  - 2025 triennial valuation – testing of the data used in the valuation, every three years.
15. The headline materiality level for the audit opinion for the Pension Fund is £93.6m (£92m 2024/25), which equates to 1.4% of gross investment assets as at 31 March 2025. Separate materiality limits have been applied for benefits payable £24m and contributions received £30m (2024/25 was not separated and was £27m). Triviality limits have been set at £4.7m for headline materiality (£4.5m 2024/25) and £1.2m for benefits and contributions.
16. ISA 315 requires the auditor to obtain an understanding of the IT infrastructure used by the Pension Fund including details of the processes that operate within the IT environment. The auditor will undertake a design and implementation review of controls within the accounting system (Oracle Fusion) and the Pensions Administration System (Altair).
17. The interim audit for 2025/26 is currently underway with the detailed external audit work planned to be carried out between July and August 2026. The final audit opinion is then planned to be reported to this Committee in November 2026.
18. The main fee for the 2025/26 external audit for the Pension Fund is £104,390 (£95,720 2024/25) in line with the scale fee set by PSAA. In addition there are additional charges for IAS19 assurance letters for employer Fund external auditors of £1,100 (same as in 2024/25) and £10,000 for 2025/26 for the 2025 triennial valuation testing work, giving an overall 2025/26 audit fee of £115,490.

### **Financial Statements 2025/26**

19. The draft financial statements for the County Council and the Pension Fund are planned to be completed by the end of June 2026, in line with the Accounts and Audit regulations.

### **Recommendation**

20. The Committee is asked to note the attached reports and to provide any comments.

### **Equality and Human Rights Implications**

21. None.

### **Circulation Under the Local Issues Alert Procedure**

22. None.

### **Background Papers**

23. Report to the Corporate Governance Committee – 23 January 2026: External Audit of the 2024/25 Statement of Accounts, Annual Governance Statement and Pension Fund Accounts  
<https://democracy.leics.gov.uk/ieListDocuments.aspx?CId=434&MId=8460&Ver=4>
24. Report to the Corporate Governance Committee – 22 September 2023: Update on Audit Delays and PSAA Consultation on 2023/24 Audit Fees  
<https://democracy.leics.gov.uk/ieListDocuments.aspx?CId=434&MId=7130&Ver=4>

### **Appendices:**

Appendix A - External Audit Plan (County Council)  
Appendix B - External Audit Plan (Pension Fund)

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