

The Audit Plan for Leicestershire County

Year ending 31 March 2026

9 March 2026



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Introduction and headlines



Purpose

This document provides an overview of the planned scope and timing of the statutory audit of Leicestershire County ('the Authority') for those charged with governance.

Respective responsibilities

The National Audit Office ('the NAO') has issued the Code of Audit Practice ('the Code'). This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. Our respective responsibilities are also set out in the agreed in the Terms of Appointment and Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA), the body responsible for appointing us as auditor of the Authority. We draw your attention to these documents.

Scope of our Audit

The scope of our audit is set in accordance with the Code and International Standards on Auditing (ISAs) (UK). We are responsible for forming and expressing an opinion on the Authority's financial statements that have been prepared

by management with the oversight of those charged with governance (the Corporate Governance Committee); and we consider whether there are sufficient arrangements in place at the Authority for securing economy, efficiency and effectiveness in your use of resources. Value for money relates to ensuring that arrangements are in place to use resources efficiently in order to maximise the outcomes that can be achieved as defined by the Code of Audit Practice.

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

Our audit approach is based on a thorough understanding of the Authority and is risk based.

Introduction and headlines (continued)

Significant risks

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

- Management override of control
- Valuation of land and buildings
- Valuation of the gross pension liability

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

Materiality

We have determined planning materiality to be £22m (PY £20m) for the Authority, which equates to approximately 2% of your prior year gross operating costs for the year.

We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. As part of our risk assessment, we have considered the impact of prior period misstatements and have reduced performance materiality from 70% to 65%.

Clearly trivial has been set at £1m (PY £1m).

Value for Money arrangements

Our risk assessment regarding your arrangements to secure value for money has identified risks of significant weakness in relation to financial sustainability, in particular;

- The arrangements for funding the Dedicated School Grants given recent Central Government announcements, and
- The arrangements in place to fill the budget gap in the medium term.

Audit logistics

Our interim visit will take place in March-April 2026, and our final visit will take place from July to October 2026. Our key deliverables are this Audit Plan, our Audit Findings Report, our Auditor's Report and Auditor's Annual Report.

Our proposed fee for the audit is £289,960 (PY: £282,063) for the Authority, subject to the Authority delivering a good set of financial statements and working papers, no significant changes in scope to the Audit, management being responsive to audit requests and providing sufficient appropriate audit evidence when requested.

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

The Backstop

The Future of the Backstop

On 30 September 2024, the Accounts and Audit (Amendment) Regulations 2024 came into force. This legislation introduced a series of backstop dates for local authority audits. These Regulations require audited financial statements to be published by a specific date. The upcoming backstop dates are as follows:

- for years ended 31 March 2026 by 31 January 2027
- for years ended 31 March 2027 by 30 November 2027; and
- for years ended 31 March 2028 by 30 November 2028.

The Regulations are supported by the National Audit Office's (NAO) Code of Audit Practice 2024. The backstop dates were introduced to clear the backlog of historic financial statements and support the reset of local audit. Where audit work is not complete, this will give rise to a disclaimer of opinion. This means the auditor has not been able to form an opinion on the financial statements.

The Authority's position

The Authority's 2024/25 financial statements were not subject to backstop legislation and an unmodified opinion was issued on 29 January 2026.

Our Work

In order to meet future statutory deadlines, for 2025/26 we will be working towards an internal deadline of 30 November 2026, as a dry run for future years. Whilst the Authority has met deadlines historically, as dates move forward, we will work collaboratively with the Authority to ensure future, earlier deadlines are also met. This will mean that both the finance team and audit team need to work differently to achieve a faster closedown. We will need the continued cooperation and input of management throughout this process.

Whilst we recognise that the formal deadline for you as a local authority to publish your draft accounts is 30 June 2026, we feel an important first step towards achieving closure by the end of November is to complete early testing wherever possible. With this in mind, we look to undertake more significant early testing during our interim audit visit.

We will engage early with your finance team to clearly set out our expectations and what is needed to make a success of these plans, and we ask that you work with us to achieve this.

Our ask of the Authority

- Ensure sufficient resources are available to support all interim audit work as agreed on following pages;
- Engage with the audit team on opportunities for early sampling before the main audit begins;
- Provide the audit team with the working papers that support the financial statements in line with the publication timeline; and
- Notify us promptly of any issues or delays so that we can plan accordingly.

Interim Audit Work

Details of work to be conducted at interim:

The backstop date is moving earlier in the year, as a result and to ensure that all work can be completed by this date, we will be using an interim visit as a key part of the audit approach. Interim visits should be treated with the same importance as final accounts and will include regular catch-ups between management and the audit team to facilitate this work. This will include an element of on-site working. We have agreed an indicative plan of the areas that we would cover at interim is set out below, this will be finalised and agreed with management prior to the commencement of our interim visit.

Description	Work commentary
Advance testing areas	<p>We will select samples and perform advance testing to month 10 (January 2026) on:</p> <ul style="list-style-type: none"> • Fees and charges income • Significant grant transactions • Operating expenditure • Business rates and Council tax pooling arrangements testing • Payroll testing of sample of starters, leavers and change of circumstances • Schools payroll
External correspondence and conformations	<p>We will:</p> <ul style="list-style-type: none"> • Write to the Authority's external valuation experts and will carry out our assessment of instructions issued • Write to the Pension Fund Auditor for the purposes of providing IAS 19 assurance • Request external confirmations from banks, lenders and borrowers to support our work on cash and cash equivalents, investments and borrowings
Other	<p>We will:</p> <ul style="list-style-type: none"> • Perform review of the significant / one-off transaction / change in policy and identify elements for further testing where appropriate • Review monthly payroll reports up to month 10 using ADA for authority payroll • Perform a review of the Authority's approach to PPE valuations • Discuss and agree format of debtors and creditors reports in preparation for year end • Review group boundary assessment

Significant risks identified

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

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



“In determining significant risks, the auditor may first identify those assessed risks of material misstatement that have been assessed higher on the spectrum of inherent risk to form the basis for considering which risks may be close to the upper end. Being close to the upper end of the spectrum of inherent risk will differ from entity to entity and will not necessarily be the same for an entity period on period. It may depend on the nature and circumstances of the entity for which the risk is being assessed. The determination of which of the assessed risks of material misstatement are close to the upper end of the spectrum of inherent risk, and are therefore significant risks, is a matter of professional judgment, unless the risk is of a type specified to be treated as a significant risk in accordance with the requirements of another ISA (UK).” (ISA (UK) 315).

In making the review of unusual significant transactions “the auditor shall treat identified significant related party transactions outside the entity’s normal course of business as giving rise to significant risks.” (ISA (UK) 550).

Significant risks identified (continued)

Significant risk	Audit team's assessment	Planned audit procedures
<p>The revenue cycle includes fraudulent transactions</p> <p>Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue</p>	<p>We have identified and completed a risk assessment of all revenue streams for the Authority. 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 transactions, or immaterial nature of the revenue streams both individually and collectively.</p>	<p>While we do not consider this is a significant risk, we will still undertake a significant level of work on the Authority's revenue streams, as they are material. We will:</p> <ul style="list-style-type: none"> • evaluate the Authority's accounting policy for recognition of income for appropriateness and compliance with the Code; • update our understanding of the system for accounting for the income and evaluate the design of associated processes and controls; • agree on a sample basis, relevant income and year end debtors/income accruals to invoices and cash payment or other supporting evidence; • carry out testing on sample basis of invoices issued and payments received in the period following 31 March 2026 to determine whether income is recognised in the correct accounting period; • sample test grant income and agree back to supporting information; and • evaluate the authority's recognition of Grant Income for appropriateness and compliance with the Code.

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Management should expect engagement teams to challenge them in areas that are complex, significant or highly judgmental which may be the case for accounting estimates, going concern, related parties and similar areas. Management should also expect to provide engagement teams with sufficient evidence to support their judgments and the approach they have adopted for key accounting policies referenced to accounting standards or changes thereto.

Where estimates are used in the preparation of the financial statements management should expect teams to challenge management's assumptions and request evidence to support those assumptions.

Significant risks identified (continued)

Significant risk

The expenditure cycle includes fraudulent transactions

Practice Note 10 (PN10) states that as most public bodies are net spending bodies, then the risk of material misstatements due to fraud related to expenditure may be greater than the risk of material misstatements due to fraud related to revenue recognition. As a result under PN10, there is a requirement to consider the risk that expenditure may be misstated due to the improper recognition of expenditure.

Audit team's assessment

We have identified and completed a risk assessment of all expenditure streams for the Authority. We have considered the risk that expenditure may be misstated due to the improper recognition of revenue 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 transactions, or immaterial nature of the expenditure streams both individually and collectively.

Planned audit procedures

While we do not consider this is a significant risk, we will still undertake a significant level of work on the Authority's expenditure streams, as they are material. We will:

- evaluate the Authority's accounting policy for recognition of expenditure for appropriateness and compliance with the Code;
- update our understanding of the system for accounting for the expenditure and evaluate the design of associated processes and controls;
- agree on a sample basis relevant expenditure and year end creditors and accruals to invoices or other supporting evidence; and
- carry out testing on sample basis of invoices received and payments made in the period following 31 March 2026 to determine whether expenditure is recognised in the correct accounting period.

Significant risks identified (continued)

Significant risk	Audit team's assessment	Planned audit procedures
Valuation of Land and Buildings	<p>The valuation of land and buildings represents a significant estimate in the financial statements. It is considered a significant estimate due to its size, complexity and sensitivity to changes in key assumptions. We have therefore identified it as a significant risk for the audit.</p>	<p>We will:</p> <ul style="list-style-type: none"> • document our understanding of management's process and controls for the calculation of the estimate; • evaluate the competence, capabilities and objectivity of management's expert (in this instance Align Property Partners Limited as the external valuer); • evaluate the consistency of the disclosure with the valuation report; • evaluate the basis on which the valuations have been carried out; • evaluate the information and assumptions used by the valuer; • evaluate the accounting entries for the valuation; • evaluate the reasonableness of the assumptions used to form the estimate; • use an auditor's expert (Lambert Smith Hampton) to assist in the audit of the valuation. <p>We will also consider the 2025/26 Code revision requiring the introduction of indexation in the intervening years between valuations. The Authority has a rolling revaluation programme over a 5-year cycle. Following the Code change indexation will now be applied annually to assets not subject to revaluation in that year. Our work this year will focus on assessing the appropriateness of the valuation and confirming that all assets have been valued in accordance with Code requirements.</p> <p>Our findings from the prior year will be incorporated into our testing strategy for 2025/26 and we will follow up on the recommendations raised in the 2024/25 audit.</p>

Significant risks identified (continued)

Significant risk	Audit team's assessment	Planned audit procedures
Valuation of the pension fund gross liability	<p>The valuation of the pension fund gross liability represents a significant estimate in the financial statements.</p> <p>It is considered a significant estimate due to its size, complexity and sensitivity to changes in key assumptions. A small change in key assumptions (i.e. discount rate, inflation rate, salary increase and life expectancy) can have a significant impact on the liability. We have therefore identified it as a significant risk for the audit.</p>	<p>We will:</p> <ul style="list-style-type: none"> • document our understanding management's process and controls; • evaluate the competence, capabilities and objectivity of management's expert (Hymans Robertson) ; • evaluate the consistency of the disclosure with the actuarial report; • evaluate the reasonableness of the assumptions used to form the estimate; and • obtain assurances from the pension fund auditor on the underlying data shared by the fund to the actuary which has been used in the calculation of this estimate.

Other matters

Other work

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

- We read your Narrative Report and Annual Governance Statement and any other information published alongside your financial statements to check that they are consistent with the financial statements on which we give an opinion and our knowledge of the Authority.
- We carry out work to satisfy ourselves that disclosures made in your Annual Governance Statement are in line with requirements set by CIPFA.
- We carry out work on your consolidation schedules for the Whole of Government Accounts process in accordance with NAO group audit instructions.
- We consider our other duties under legislation and the Code, as and when required, including:
 - giving electors the opportunity to raise questions about your financial statements, consider and decide upon any objections received in relation to the financial statements
 - issuing a report in the public interest or written recommendations to the under section 24 of the Local Audit and Accountability Act 2014 (the Act)

- application to the court for a declaration that an item of account is contrary to law under section 28 or a judicial review under section 31 of the Act
- issuing an advisory notice under section 29 of the Act.
- We certify completion of our audit.

Other material balances and transactions

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

Our approach to materiality

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

Description

Determination

We have determined planning materiality (financial statement materiality for the planning stage of the audit) based on professional judgement in the context of our knowledge of the Authority, including consideration of factors such as stakeholder expectations, sector developments, financial stability and reporting requirements for the financial statements.

Planned audit procedures

We determine planning materiality in order to:

- establish what level of misstatement could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements;
- assist in establishing the scope of our audit engagement and audit tests;
- determine sample sizes; and
- assist in evaluating the effect of known and likely misstatements in the financial statements.

Other factors

An item does not necessarily have to be large to be considered to have a material effect on the financial statements.

An item may be considered to be material by nature when it relates to instances where greater precision is required.

Reassessment of materiality

Our assessment of materiality is kept under review throughout the audit process.

We reconsider planning materiality if, during the course of our audit engagement, we become aware of facts and circumstances that would have caused us to make a different determination of planning materiality.

Our approach to materiality (continued)

Description	Amount (£)	Qualitative factors considered
Materiality for the Authority financial statements	22,000,000	We have determined financial statement materiality based on a proportion of the gross expenditure of the authority for financial year. Materiality at the planning stage of our audit is £22m, which equates to approximately 2% of the gross expenditure for the 24/25 period.
Performance Materiality for the Authority financial statements	14,000,000	In addition to determining headline financial statements materiality, we also determine a lower 'performance materiality' to be used in assessing the risks of material misstatement and designing audit procedures. In line with firm guidance, we have set performance materiality at approximately 65% of overall materiality.
Triviality for the Authority financial statements	1,000,000	We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance in accordance with NAO guidance.
Materiality for specific transactions, balances or disclosures - Senior officers' remuneration	27,000	Senior officer disclosure are deemed as a specific sensitive area for the users of the accounts.



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

IT audit strategy

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

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

IT application	Audit area	Planned level IT audit assessment
Oracle Fusion	Financial reporting	<ul style="list-style-type: none"> ITGC assessment (design effectiveness only)

Value for Money Arrangements

Approach to Value for Money work for the period ended 31 March 2026

The National Audit Office updated its Code of Audit Practice in November 2024. The Code expects auditors to consider whether the Authority has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Auditors are expected to report a commentary each year under the specific reporting criteria and where significant weaknesses in arrangements are identified. The new Code requires auditors to share a draft Auditor’s Annual Report (AAR) with those charged with governance by a nationally set deadline each year, and for the audited body to publish the AAR thereafter. This new deadline requirement was introduced from November 2025. The three specified reporting criteria are set out below:

Financial sustainability

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



Governance

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



Improving economy, efficiency and effectiveness

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



We will continue our review of your arrangements until we sign the opinion on your financial statements before we issue our AAR. Should any further risks of significant weakness be identified, we will report this to those charged with governance as soon as practically possible. Any significant weaknesses identified will be reflected in our AAR and included within our audit opinion.

Risks of significant weakness in VFM arrangements

Risk assessment of the Authority's VFM arrangements

The Code of Audit Practice 2024 (the Code) sets out that the auditor's work is likely to fall into three broad areas: planning; additional risk-based procedures and evaluation; and reporting. We undertake initial planning work to inform this Audit Plan and the assumptions used to derive our fee. Consideration of prior year significant weaknesses and known areas of risk is a key part of the risk assessment for 2025/26. We will continue to evaluate risks of significant weakness and if further risks are identified, we will report these to those charged with governance. We set out our reported assessment below:

Criteria	2024/25 Assessment of arrangements	2025/26 Risk assessment	2025/26 risk-based procedures planned
<p>Financial sustainability</p>	<p>R</p> <p>One significant weakness identified in respect of the Dedicated Schools Grant deficit and a key recommendation made. One improvement recommendation raised in respect of bridging the Medium-Term Financial Strategy funding gap.</p>	<p>Two risks of significant weakness have been identified as follows:</p> <p>The Authority recognises the financial challenge it faces. As reported in the Medium Term financial Strategy presented to the 18 February 2026 Council meeting, forecasts show annual budget deficits rising to £84.5m in 2029/30. The Authority have responded to this challenge and have engaged external consultants to support an efficiency review aimed at closing the gaps in future years. At the planning stage of the audit this is work still in progress.</p> <p>The Authority is forecasting a net overspend on the Dedicated Schools Grant (DSG) of £41.8m for 2025/26, comprising a £45m overspend on the High Needs Block and a £3.2m underspend on Early Years. This is £30m worse than the £15m overspend budget. The government has announced that, from 2028 onwards Special Educational Need and Disabilities (SEND) will be funded centrally, however, there remains uncertainty over the mechanism for this. In February 2026, the government also announced that they will fund up to 90% of DSG/SEND deficits as at 31 March 2026, subject to an approved SEND reform plan. The cumulative overspend is forecast to be £109.5m by the end of the year.</p>	<p>To address this risk we will review progress made against the prior year improvement recommendation and consider the arrangements in place to generate additional savings or cost reductions. We will also review the updated Medium Term Financial Strategy.</p> <p>To address this risk we will review progress made against our key recommendation made in the prior year and the plans the Authority has in place to reduce the annual overspending.</p>

Risks of significant weakness in VFM arrangements

(continued)

Criteria	2024/25 Assessment of arrangements	2025/26 Risk assessment	2025/26 risk-based procedures planned
Governance	A No significant weaknesses identified; two prior year recommendations in respect of a three year Internal Audit plan and reporting on contract exceptions.	No risks of significant weakness identified	As no risk of significant weakness has been identified, no additional risk-based procedures are specified at this stage. We will undertake sufficient work to document our understanding of your arrangements as required by the Code and follow up improvement recommendations made in 2024/25.
Improving economy, efficiency and effectiveness	A No significant weaknesses identified; one improvement recommendation raised in respect of responding to the September 2025 Care Quality Commission inspection report.	No risks of significant weakness identified	As no risk of significant weakness has been identified, no additional risk-based procedures are specified at this stage. We will undertake sufficient work to document our understanding of your arrangements as required by the Code and follow up the improvement recommendation made in 2024/25.

- G** No significant weaknesses or improvement recommendations.
- A** No significant weaknesses, improvement recommendation(s) made.
- R** Significant weaknesses in arrangements identified and key recommendation(s) made.

Risks of significant VFM weaknesses

As part of our initial planning work, we considered whether there were any risks of significant weakness in the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources where we needed to perform additional procedures. The risks we have identified are detailed on the table overleaf along with the further work we will perform. We will continue to review the Authority's arrangements and report any further risks of significant weaknesses we identify to those charged with governance. We may need to make recommendations following the completion of our work. The potential different types of recommendations we could make are set out in the table below.

Potential types of recommendations



Statutory recommendation

Written recommendations to the Authority under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014. A recommendation under schedule 7 requires the Authority to discuss and respond publicly to the report.



Key recommendation

The Code of Audit Practice requires that where auditors identify significant weaknesses in arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the . We have defined these recommendations as 'key recommendations'.



Improvement recommendation

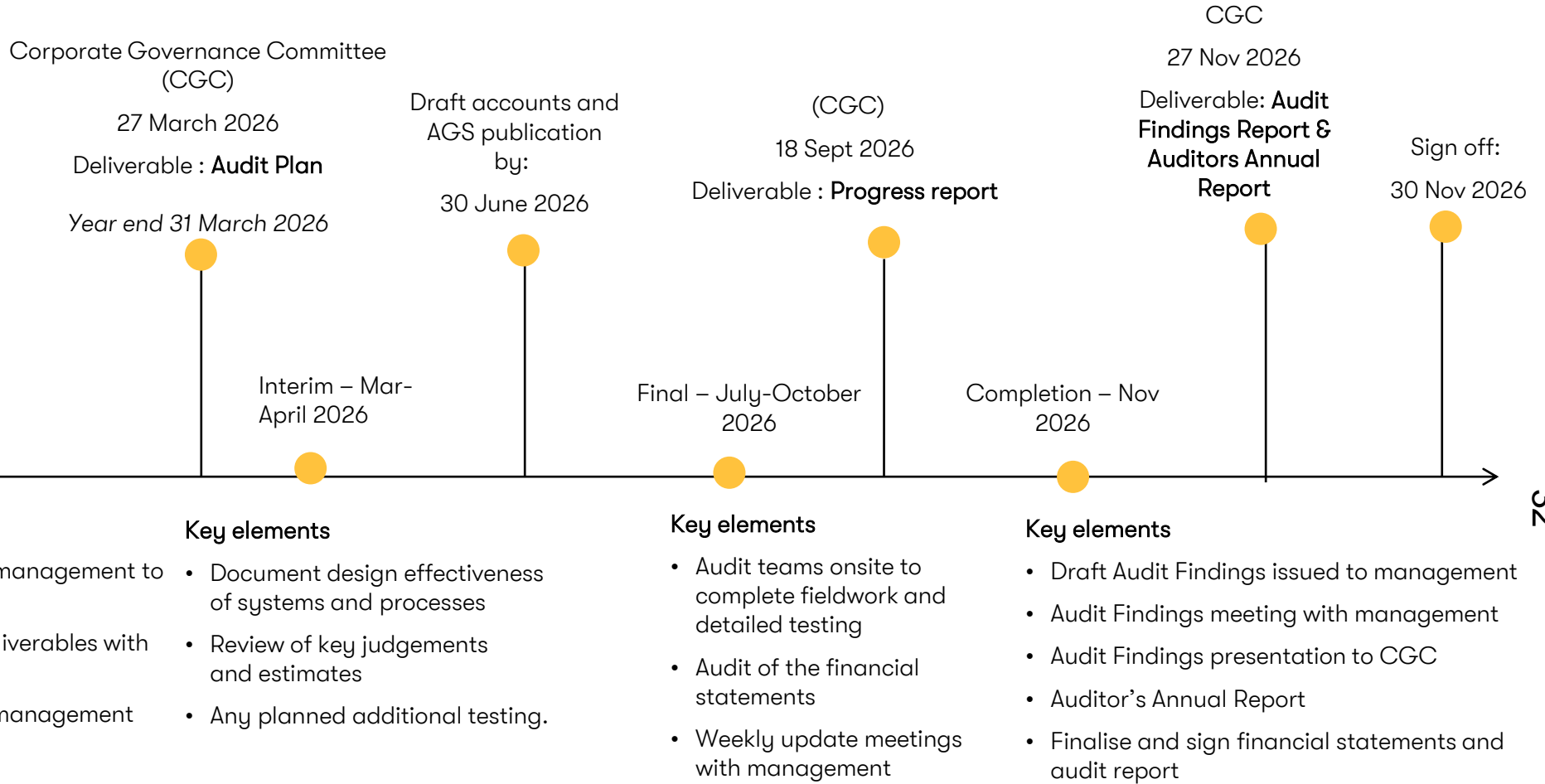
Auditors may also include areas for improvement or to keep in view even if they do not identify any underlying significant weaknesses in arrangements. These recommendations set out actions for consideration which are not a result of identifying significant weaknesses in arrangements, but which if not addressed could increase the risk of a significant weakness in future periods.

Logistics

The audit timeline

Key Dates

Audit phases:



Our team and communications

Grant Thornton core team

Helen Lillington
Key Audit Partner

- Key contact for senior management and Corporate Governance Committee
- Overall quality assurance

Mary Wren
Audit Manager

- Audit planning
- Resource management
- Performance management reporting

Aman Agarwal
In-charge

- Audit team management
- Day-to-day point of contact
- Audit fieldwork

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Team of 2-3 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	<ul style="list-style-type: none"> • Annual client service review 	<ul style="list-style-type: none"> • The Joint Audit Plan • The Joint Audit Findings • Joint Auditor’s Annual Report 	<ul style="list-style-type: none"> • Audit planning meetings • Audit clearance meetings • Communication of issues log 	<ul style="list-style-type: none"> • Technical updates
Informal communications	<ul style="list-style-type: none"> • Open channel for discussion 		<ul style="list-style-type: none"> • Communication of audit issues as they arise 	<ul style="list-style-type: none"> • Notification of up-coming issues

Our fee estimate

Our fee estimate

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

- prepare good quality sets of accounts, supported by comprehensive and well presented working papers which are ready at the start of the audit
- provide appropriate analysis, support and evidence to support all critical judgements and significant estimates made during the course of preparing the financial statements
- provide early notice of proposed complex or unusual transactions which could have a material impact on the financial statements
- maintain adequate business processes and IT controls, supported by an appropriate IT infrastructure and control environment.
- Our fee estimate also assumes that you will engage suitably competent experts to assist management in the following areas:
 - Valuation of Property, plant and equipment
 - Net pensions liabilities

Previous year

In 2024/25 the scale fee set by PSAA was £282,063. The actual fee charged for the audit was £282,063.

Authority	Audit Fee for 2024/25 (£)	Proposed fee for 2025/26 (£)
Leicestershire County Audit	282,063	289,960
Total (Exc. VAT)	282,063	289,960

Our fee estimate (continued)

Relevant professional standards

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

PSAA

Local Government Audit fees are set by PSAA as part of their national procurement exercise. In 2023 PSAA awarded a contract of audits for the Authority to begin with effect from 2023/24. The scale fee set out in the PSAA contract for the 2025/26 audit is £289,960.

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

- Production of the final auditor's annual report for the previous Audit Year or opinion issued (but not before 1 December 2025)
- Production of the draft audit planning report to Audited Body
- 50% of planned hours of an audit have been completed
- 75% of planned hours of an audit have been completed

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

Updated Auditing Standards

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

Fees and non-audit services

The following tables below sets out the non-audit services that we have been engaged to provide or charged from the beginning of the financial year to 13 March 2026, 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 authority'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 . 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.

Assurance Service Fees

Service	Fees £	Threats Identified	Safeguards applied
Local Transport – agreed upon procedures (2023/24 – completed April 2025)	£15,000	Self-Interest (because this is a recurring fee) Self Review	The level of this recurring fee taken on its own is not considered a significant threat to independence when compared to the total fee for the audit and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
Local Transport – agreed upon procedures (2024/25 – completed March 2026)	£15,000	Management	To mitigate against the self review threat, the timing of certification work is done after the audit has completed, materiality of the amounts involved to our opinion and unlikelihood of material errors arising and the Authority has informed management who will decide whether to amend returns for our findings and agree the accuracy of our reports on grants. To mitigate against the management threat, i.e. acting in the capacity 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.

Independence considerations

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

Matter	Conclusions
Relationships with Grant Thornton	We are not aware of any relationships between Grant Thornton and the Authority that may reasonably be thought to bear on our integrity, independence and objectivity.
Relationships and Investments held by individuals	We have not identified any potential issues in respect of personal relationships with the Authority.
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 Authority as a director or in a senior management role covering financial, accounting or control related areas.
Business relationships	We have not identified any business relationships between Grant Thornton and the Authority .
Contingent fees in relation to non-audit services	No contingent fee arrangements are in place for non-audit services provided.
Gifts and hospitality	See consideration regarding the Future Finance Leaders Programme on pages 26-28.

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

Following this consideration, we can confirm that we are independent at planning and are able to express an objective opinion on the financial statements. In making the above judgement, we have also been mindful of the quantum of non-audit fees compared to audit fees disclosed in the financial statements and estimated for the current year.

Independence considerations (continued)

Gifts and hospitality - continued

Future Finance Leaders Programme – Society of County Treasurers (SCT)

Grant Thornton currently participates in the Future Finance Leaders Programme run by the SCT. The programme is scheduled to run from September 2025 to August 2026 and aims to:

- Develop a pipeline of potential future county S151 officers
- Clarify the role for aspiring leaders
- Build confidence and capability
- Provide clear development plans and networking opportunities
- Enhance skills and foster a supportive alumni network

Grant Thornton act as a business partner, attending and presenting at selected SCT events. SCT members are S151 officers from County and County Unitaries, each nominating one participant. Participants will not be decision-makers on authority accounts or key financial matters.

The programme, coordinated by Newton (another SCT partner), includes four in-person and four virtual events, with mentoring support (three one-hour sessions per participant).

Grant Thornton's involvement in the programme is to deliver one two-hour session and provide one or more mentors. Potential topics include local government reorganization, managing change and transformation, working with consultants and auditors, and qualities of a successful S151 officer.

Grant Thornton will not mentor officers from audit entities. Support will be provided on a pro bono basis, in line with Grant Thorntons policy on free services to public officials. Attendees will confirm compliance with their 's policy on accepting free services.

Grant Thornton currently audits 18 of the 41 authority's represented by SCT, including Leicestershire County Council.

Independence considerations (continued)

Future Finance Leaders Programme -Society of County Treasurers' (SCT)

Threats identified	Safeguards applied
Self Interest	<p data-bbox="504 362 2430 462">Our assessment is that the value of the service being provided would not be seen as excessive and has been documented in accordance with our policy on gifts and favours. We will confirm with all officers attending the training that this is in accordance with their respective Authority's policy on accepting gifts and hospitality.</p> <p data-bbox="504 502 2430 568">The nature of the training would be generic based on examples of practice in the public domain. We would not be recommending particular courses of action for particular circumstances, and it would not be tailored to individual participants.</p> <p data-bbox="504 608 2168 639">We are one of a number of providers of training material which is being delivered to a range of audited and non-audited entities.</p>
Self-review	<p data-bbox="504 659 2410 759">Nothing presented at the session will be client specific or advise on the approach to be taken in a particular scenario or tailored to any specific entities. Whilst mentors are being provided as part of the training programme, we will ensure that Grant Thornton people are not mentoring officers from authority's which we audit.</p> <p data-bbox="504 796 1271 825">On this basis the self-review threat is sufficiently mitigated.</p>
Management	<p data-bbox="504 845 2423 1016">The people attending the sessions will not be at the most senior levels of finance staff and will not be responsible for final decisions on the financial statements or policies of the Authorities in question. As above, the training material we will provide will be generic around the subject chosen and will not provide specific recommendations for particular scenarios or particular authorities. Whilst mentors are being provided as part of the training programme, Grant Thornton people will not be assigned to attendees from audit entities. Thereby reducing the perception that GT are offering tailored advice to audit clients via the training.</p>
Advocacy	<p data-bbox="504 1036 2415 1103">GT are presenting on a one-to-many basis, with a mix of audit and non-audit entities. We will not be promoting the interests of any particular audit entity or recommending the approach adopted by an audit entity over that by another entity.</p>

Independence considerations (continued)

Future Finance Leaders Programme -Society of County Treasurers' (SCT)

Threats identified	Safeguards applied
Familiarity	<p>It is possible that someone involved in delivering the training would be involved on the audit for one of the entities represented, most likely in respect of the value for money conclusion. However, the training is a short session which would not entail significant 'face time' with someone who has an important management role around an area subject to review as part of our audit work. We do not believe therefore that this meeting would create a familiarity threat in respect of any audit entities represented on the training programme. and would not equate to a significant working relationship.</p> <p>As stated above, the training is generic in nature and not for the benefit of any single audit entity; and Grant Thornton people would not be allocated mentees from audit entities.</p>
Intimidation	<p>The training provided is generic in nature and provided to both audit and non-audit entities alike. There is no opinion being given which a client could dispute or an outcome where the client would withhold services because of the training.</p>
Objective, reasonable and informed third party (ORITP)	<p>We conclude that an ORITP would concur that the content and the format of the training would be permissible and that sufficient safeguards have been put in place to protect the independence of the audits. In addition, we believe that the value of the training, which is being provided pro bono, is not at a level which would be seen to impair our independence. Participants will need to confirm whether accepting this training would be permitted in line with their respective s' policies on accepting favours.</p> <p>We note the safeguards include:</p> <ul style="list-style-type: none"> • The training content is generic and not client specific. No recommendations would be provided on dealing with specific scenarios which would be subject to audit. • No GT mentors will be provided to any participants from audit entities. • Participants are not expected to be at the most senior level of their respective entities and therefore would not be key contacts for audit work

Communication of audit matters with those charged with governance

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	●	
Overview of the planned scope and timing of the audit, form, timing and expected general content of communications including significant risks and Key Audit Matters	●	
Planned use of internal audit	●	
Confirmation of independence and objectivity	●	●
A statement that we have complied with relevant ethical requirements regarding independence. Relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence	●	●
Significant matters in relation to going concern	●	●

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

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

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

Communication of audit matters with those charged with governance (Continued)

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.

Our communication plan	Audit Plan	Audit Findings
Views about the qualitative aspects of the Authority accounting and financial reporting practices including accounting policies, accounting estimates and financial statement disclosures		●
Significant findings from the audit		●
Significant matters and issue arising during the audit and written representations that have been sought		●
Significant difficulties encountered during the audit		●
Significant deficiencies in internal control identified during the audit		●
Significant matters arising in connection with related parties		●
Identification or suspicion of fraud involving management and/or which results in material misstatement of the financial statements		●
Non-compliance with laws and regulations		●
Unadjusted misstatements and material disclosure omissions		●

Escalation Policy

The Backstop

The Department for Levelling Up, Housing and Communities have introduced an audit backstop date on a rolling basis to encourage timelier completion of local government audits.

As your statutory auditor, we understand the importance of appropriately resourcing audits with qualified staff to ensure high quality standards that meet regulatory expectations and national deadlines. It is the Authority's responsibility to produce true and fair accounts in accordance with the CIPFA Code by the statutory deadline and respond to audit information requests and queries in a timely manner.

Escalation Process

To help ensure that accounts audits can be completed on time in the future, we have introduced an escalation policy. This policy outlines the steps we will take to address any delays in draft accounts or responding to queries and information requests. If there are any delays, the following steps should be followed:

Step 1 - Initial Communication with Director of Corporate Resources (within one working day of statutory deadline for draft accounts or agreed deadline for working papers)

- We will have a conversation with the Director of Corporate Resources to identify reasons for the delay and review the Authority's plans to address it. We will set clear expectations for improvement.

Step 2 - Further Reminder (within two weeks of deadline)

- If the initial conversation does not lead to improvement, we will send a reminder explaining outstanding queries and information requests, the deadline for responding, and the consequences of not responding by the deadline.

Step 3 - Escalation to Chief Executive (within one month of deadline)

- If the delay persists, we will escalate the issue to the Chief Executive, including a detailed summary of the situation, steps taken to address the delay, and agreed deadline for responding.

Step 4 - Escalation to the Corporate Governance Committee (at next available meeting or in writing to CGC Chair within 6 weeks of deadline)

- If senior management is unable to resolve the delay, we will escalate the issue to the audit committee, including a detailed summary of the situation, steps taken to address the delay, and recommendations for next steps.

Step 5 - Consider use of wider powers (within two months of deadline)

- If the delay persists despite all efforts, we will consider using wider powers, e.g. issuing a statutory recommendation. This decision will be made only after all other options have been exhausted. We will consult with an internal risk panel to ensure appropriateness.

Aim

By following these steps, we aim to ensure that delays in responding to queries and information requests are addressed in a timely and effective manner, and that we are able to provide timely assurance to key stakeholders including the public on the Authority's financial statements.

Financial reporting changes

Changes to the CIPFA Code of practice on local authority accounting for 2025/26

The main change is a revaluation expedient for property, plant and equipment. From 1 April 2025, revaluations are required once every five years or on a five year rolling basis with indexation in intervening years. This is a substantial change to the accounting for non current asset, that may require engagement with valuers, changes to underlying systems, asset records and accounting treatment.

New or revised accounting standards that are expected to be adopted by the CIPFA Code in future years.

Amendment to IFRS 9 and IFRS 7 - Contracts Referencing Nature-dependent Electricity

The International Accounting Standards Board (IASB) issued amendments to IFRS 9 and IFRS 7 to improve the reporting of nature-dependent electricity contracts, such as power purchase agreements (PPAs). These contracts, which secure electricity from sources like wind and solar power, can vary due to uncontrollable factors like weather. The amendments clarify the 'own-use' requirements, permit hedge accounting for these contracts, and introduce new disclosure requirements to help users of the accounts understand their impact on an entity's financial performance and cash flows. The amendments are expected to be adopted by the CIPFA Code for [2026/27](#).

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

These amendments clarify the requirements for the timing of recognition and derecognition of some financial assets and liabilities (including settling financial liabilities using an electronic payment system), adds guidance on the solely payment of principal and interest (SPPI) criteria, and includes updated disclosures for certain instruments. The amendments are expected to be adopted by the CIPFA Code for [2026/27](#).

IFRS 18 Presentation and Disclosure in the Financial Statements

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

The new standard will impact the structure and presentation of the comprehensive income and expenditure statement as well as introduce specific disclosure requirements. Some of the key changes are:

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

IFRS 18 will be effective in the UK from 1 January 2027 and so could impact the CIPFA Code from [2027/28](#).



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