Leicestershire County Council

CORPORATE GOVERNANCE COMMITTEE – 18 SEPTEMBER 2026

EXTERNAL AUDIT OF THE 2025/26 FINANCIAL STATEMENTS AUDIT PROGRESS REPORT

REPORT OF THE DIRECTOR OF CORPORATE RESOURCES

Purpose of Report

1. To present the External Auditor's progress report on the external audit of the County Council and the Pension Fund 2025/26 financial statements.

Background

2. Grant Thornton UK LLP, the Council's External Auditor, is responsible for performing the audit of the Council and the Pension Fund 2025/26 financial statements and reporting their opinion to those charged with governance. The external audit also includes the annual Value for Money Review.

3. The External Auditor presented the 2025/26 Audit Plans to the Committee in March 2026. These included planned completion of the audits by the end of November 2026.

4. A progress update provided by the External Auditor was presented to the Committee in June 2026. No issues were reported with progress to date.

5. A further progress report to the end of August 2026 is attached as appendix A and B. Representatives from Grant Thornton UK LLP will attend the Committee meeting to provide the update and answer any questions.

6. The draft 2025/26 financial statements have been completed and were published on the Council's website by the 30 June 2026 statutory deadline. A copy can be viewed via the following link: https://www.leicestershire.gov.uk/about-the-council/council-spending/payments-and-accounts/statement-of-accounts

7. The Council and the Pension Fund are up to date with their audited financial statements. The 2024/25 financial statements were signed on time with an

unmodified audit opinion. An unmodified audit opinion is where the external auditor considers that the financial statements give a true and fair view.

8. Following delays nationally with audited local authority accounts, the Government has introduced statutory backstop dates by when the financial statements must be audited. For the 2025/26 financial statements the deadline is the 31 January 2027. The deadline then moves forward to the end of November in each year for the 2026/27 and 2027/28 financial statements.

External Audit Progress Reports

Leicestershire County Council (Appendix A)

9. The external audit of the financial statements is in progress with audit fieldwork and substantive testing underway. It is still relatively early in the process so there are no detailed audit findings reported at this stage.

10. Following publication of the Council's draft financial statements at the end of June, the auditor has reviewed their risk assessment and materiality levels for the Council and has concluded that no changes need to be made to those reported in the Audit Plan.

11. During July and August, the Council has provided information and working papers supporting the financial statements to the external audit team. From this year, and in response to the earlier dates for audited financial statements, the External Auditor has introduced a series of key performance indicators that track progress during the audit. This is to enable progress to be measured and communicated more clearly during the audit and to identify areas for improvement. These are shown on pages 7 and 8 of the auditors' report, followed by early sample selection progress reported on pages 9, 10 and 11. This shows that some requests have taken slightly longer than requested and some have been submitted ahead of the required dates. However, most are on target and any issues have been worked through constructively between the teams. Further discussion has taken place with the auditors to understand how processes and communication can be improved for the remainder of the audit period.

12. Based on progress to date, the External Auditor has reported that they expect to be able to report their final opinion to the Committee as planned at the end of November 2026.

13. In addition, the Auditor is also required to report on the Value for Money (VfM) arrangements of the Council. The Auditor's Annual Report is a detailed review covering the following areas:

    - Financial sustainability – how the Council plans and manages its resources.
    - Governance - how the Council makes informed decisions and manages risks.
    - Improving economy, efficiency and effectiveness – how the Council uses information on its costs and performance to improve.

14. The auditor's VfM is underway with the final report on target to be reported to the Committee in November 2026.

15. The materiality level for the audit opinion for the Council is £22m with a separate limit of £27,000 applying 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.

16. The audit fee for the 2025/26 external audit is £289,960 in line with the national scale fee set by Public Sector Auditor Appointments (PSAA).

Sector Update

17. This section of the auditor's report provides updates and further reading for members on several different areas, including local government reorganisation, adult and children's social care, the annual governance statement and a best value consultation.

Pension Fund (Appendix B)

18. The Pension Fund audit started in late June/ early July as planned. Good progress has been made and the audit is nearing completion with only a small number of procedures remaining. The External Auditor reports that as yet there are no matters of which that they are currently aware that would require modification of the audit opinion or material changes to the financial statements.

19. One immaterial item has been identified relating to an under estimation of the valuation of hard to value assets, those meeting the level 3 valuation hierarchy. The underestimate totals £5.8m which increases by a further £1.1m when extrapolated for all relevant investments. Level 3 investments include unquoted private equity, private debt and pooled investments, where the year-end valuations are not available at the time the financial statements are prepared. Overall, this is not material and no adjustment to the Penson Fund financial statements is required.

20. The headline materiality level for the audit opinion for the Pension Fund is £93.6m, which equates to 1.4% of gross investment assets as at 31 March 2025. Separate materiality limits of £24m relate to benefits payable and £30m to contributions received. Triviality limits have been set at £4.7m for headline materiality and £1.2m for benefits and contributions.

21. The main fee for the 2025/26 external audit for the Pension Fund is £104,390 in line with the scale fee set by PSAA. There are additional charges for IAS19 assurance letters for employer Fund external auditors estimated to be £1,100 and £10,000 for the 2025 triennial valuation testing work, giving an overall 2025/26 audit fee of £115,490.

22. The auditor anticipates completing the audit opinion by the end of November 2026.

Recommendations

23. The Committee is asked to note the progress of the External Audit of the financial statements.

Background papers

24. Report to the Corporate Governance Committee – 26 June 2026: External Audit Progress Report 2025/26 (County Council and Pension Fund)
https://democracy.leics.gov.uk/ieListDocuments.aspx?CId=434&MId=8462&Ver=4

25. Report to the Corporate Governance Committee – 27 March 2026: External Audit Plan 2025/26 (County Council and Pension Fund)
https://democracy.leics.gov.uk/ieListDocuments.aspx?CId=434&MId=8461&Ver=4

26. Report to the Corporate Governance Committee – 23 January 2026: External Audit of the 2024/25 Accounts
https://democracy.leics.gov.uk/ieListDocuments.aspx?CId=434&MId=8460&Ver=4

27. Report to the Corporate Governance Committee – 24 November 2025: External Auditor's Annual Report (Value for Money Review) and External Audit of the 2024/25
https://democracy.leics.gov.uk/ieListDocuments.aspx?CId=434&MId=7963&Ver=4

Circulation under the Local Issues Alert Procedure

28. None.

Equality and Human Rights Implications

29. There are no discernible equality and human rights implications.

Appendices

Appendix A – Audit Progress Report 2025/26 (LCC - September 2026).
Appendix B - Audit Progress Report 2025/26 (Pension Fund - September 2026).

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