



# Blaby District Council

Audit Completion Report

Year ended 31 March 2025

DRAFT

February 2026

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## Additional documents presented

Draft letter of management representations	
Draft audit report (opinion)	

### Purpose of this report

This report highlights the significant findings arising from our audit performed in accordance with International Standards on Auditing (UK), and the National Audit Office Code of Audit Practice and associated Auditor Guidance Notes.

Our audit is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of the Audit and Corporate Governance Committee. We also consider the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources and report any significant weaknesses we identify. However, our audit is not designed to test all internal controls or identify all areas of control weakness. As such, our work cannot be relied upon to disclose all errors or other irregularities, or to include all possible improvements in internal control that a more extensive examination might identify.

### Responsibility for preventing and detecting fraud

The primary responsibility for the prevention and detection of fraud rests with management and those charged with governance, including establishing and maintaining internal controls over the reliability of financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulations. As auditors, we obtain reasonable, but not absolute, assurance that the financial statements are free from material misstatement, whether caused by fraud or error.

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# Executive summary



# Executive summary

## 2024/25 Financial Statements

### Substantially all planned work completed

We have completed substantially all areas of our scoped audit work set out in our audit plan presented to the Audit and Corporate Governance Committee in April 2025. Where our work is concluded, we have set out the details of the work undertaken and our findings in the body of this report. Where audit work has been started but not yet concluded we have highlighted the work undertaken to date and the reasons why the work is not able to be concluded.

### Audit approach focussed on 2024/25 balance sheet and build back of reserves assurance

Our audit approach has been based on gaining a thorough understanding of the Council's control environment and has been risk based. This included:

- ▶ An evaluation of the Council's internal control environment, including the IT systems and controls; and
- ▶ Substantive testing on material account balances in 2024/25, including the procedures outlined in this report in relation to our key audit risks.
- ▶ Risk assessment and build-back work to regain missing assurance on reserves from disclaimed audit years.

### No material audit adjustments

From the work we have completed we have not identified any adjustments to the financial statements which impact the Council's reported financial outturn for 2024/25. This covers the work completed on the 2024/25 accounts themselves, and the work completed as part of the build-back of assurance on previously disclaimed audit years. We identified some minor disclosure and classifications amendments to the 2024/25 accounts and have raised some recommendations for management.

### Draft accounts good but audit complex and time consuming

The quality of draft accounts submitted for audit and supporting evidence provided were generally good. Management were responsive and helpful in facilitating the audit which has enabled us to progress most of our work in an efficient manner in advance of the backstop date of 27 February 2026. However, auditing balances, systems and processes that have not been subject to audit for several years has meant "normal" audit work has taken longer than would ordinarily be the case. In addition, designing and implementing our build-back approach has involved substantial technical consultation and senior level input, and has added considerable complexity for the audit team. We will hold a joint feedback and de-brief meeting with management prior to the start of the 2025/26 audit to identify opportunities for further improving the accounts and audit process.

Under International Standards on Auditing (UK) and the National Audit Office (NAO) Code of Audit Practice 2024, we are required to report whether, in our opinion:

- ▶ The financial statements give a true and fair view of the Council's financial position and income and expenditure for the period; and
- ▶ The Council's financial statements have been properly prepared in accordance with the CIPFA/ LASAAC Code of Practice on Local Authority Accounting in the UK (the 'CIPFA Code') 2024/25 and the Local Audit and Accountability Act 2014.

We are also required to report on whether the other information included in the Statement of Accounts (including the Narrative Report and Annual Governance Statement) is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.



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# Executive summary

## 2024/25 Financial Statements

### Outstanding work to complete 2024/25 audit

At the completion of the audit, following the audit committee meeting, we are required to undertake the following procedures to complete our audit for 2024/25:

- ▶ Receipt and review of the management representation letter
- ▶ Receipt and review of the final, amended statement of accounts, narrative report and annual governance statement, appropriately signed and dated
- ▶ Response from management regarding subsequent events up to the date of the opinion
- ▶ Submission of our Whole of Government Accounts (WGA) return to the National Audit Office (NAO).

### Outstanding work carried forward to 2025/26

- Clearing review notes in a number of areas, including; cash, provisions, grants receipts in advance and creditors.
- Completion of right of use assets work (IFRS 16)
  - Testing of the lease liability
  - Ensuring the requirements of the CIPFA Code have been complied with in implementing IFRS 16 for existing finance leases
  - Confirming the operating leases falling out of scope of IFRS16 are appropriate.
- Completion of valuation work:
  - Resolution of one asset query with the valuer
  - Completion of the revaluation accounting treatment testing.

### Outstanding build back work carried forward

- Completion and write up of Build Back MIRS queries and confirming any follow up procedures as a result of this work
- Finalising PPE additions testing

### Disclaimed audit opinion in 2024/25

Due to the challenges of undertaking an audit where the previous four years have been disclaimed, it has not been possible for us to undertake sufficient work to regain full assurance and support an unmodified audit opinion ahead of the backstop date of 27 February 2026. The limitations imposed from the lack of assurance on opening balances and closing balances in key areas means we are unable to form an opinion on the 2024/25 financial statements. We therefore intend to disclaim our opinion.

We are also unable to conclude that the other information included in the statement of accounts is consistent with our knowledge of the Council and the financial statements we have audited.



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# Executive summary

## Building back assurance on disclaimed audit years

In our audit plan we communicated the high-level end-to-end build-back plan. This envisages re-gaining the missing assurances from the four disclaimed audit years 2021/22 to 2023/24 over the period 2024/25 to 2027/28. Since reporting our audit plan to you in April 2025, we have revised our audit approach in line with Local Audit Reset and Recovery Implementation Guidance (LARRIG) 06 issued by the National Audit Office in June 2025.

In accordance with our audit plan and LARRIG 06, we have completed the following work as part of our approach to building back the missing assurances from disclaimed audit periods:

1. **Risk assessment** - we have completed a comprehensive audit risk assessment covering the four disclaimed audit years to evaluate the risk that reserves balances carried forward into 2024/25 may contain material misstatements. This involved evaluating governance arrangements, the control environment, timeliness of accounts preparation, complexity of reserves, and risks arising from multiple disclaimed opinions. We have considered factors such as changes in key finance personnel, financial systems, budgetary controls, and classification risks between capital and revenue transactions. Our planned response included enhanced inquiry, review of Annual Governance Statements, review of internal audit reports, analytical procedures, and targeted substantive testing to evaluate these risks.
2. **Analysis of movements in reserves** – we have reconciled and validated reserve movements within the Movement in Reserves Statement (MIRS) back to the last clean audit opinion (2020/21). This included detailed testing of reserve movements, statutory adjustments and consistency checks across primary statements and supporting notes to evaluate the accuracy and completeness of reported balances. Significant additional time was spent by audit and management to interrogate these matters and resolve audit queries over four years, which ordinarily would have been dealt with in the year they occurred. Although the MIRS work does not, in itself, provide assurance over the accuracy of individual reserve movements, in combination with the risk assessment it helps determine any areas where we may need to perform focussed audit testing as part of our build back approach.
3. **Conclusion on risk assessment and approach to 2024/25 audit** - from the above work, we assessed Blaby District Council at the lower end of the risk spectrum. This indicates we can minimise the level of detailed testing on income and expenditure transactions in the disclaimed years and focus our audit testing for 2024/25 on the assets and liabilities in the top half of the balance sheet. Combined with the work described above on the MIRS, this also provides assurance on the bottom half of the balance sheet, as the top and bottom halves must balance.
4. **Specific build back testing** – as set out in our audit plan, part of our specific build back testing in 2024/25 was planned to focus on Property, Plant and Equipment (PPE) additions, disposals and depreciation. We have substantially completed this work with only minor queries remaining in relation to this.



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# Executive summary

## Value for money

We have completed our value for money work. Our detailed findings and commentary are included in our Auditor's Annual Report.

We have not identified any significant weaknesses in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources.

## Statutory duties

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

## Audit Completion Certificate

We will not be able to certify the closure of the audit until we have completed all work we are requested to undertake as a component auditor for Whole of Government Accounts (WGA), and we receive confirmation from the National Audit Office that the Comptroller and Audit General has certified the WGA for 2024/25.

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, under the NAO Code of Audit Practice.

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

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



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# Financial statements



# Quality Indicators

The following metrics help assess the reliability of your financial reporting and response to the audit.

KEY:

Red

Significant improvement required

Amber

Developing

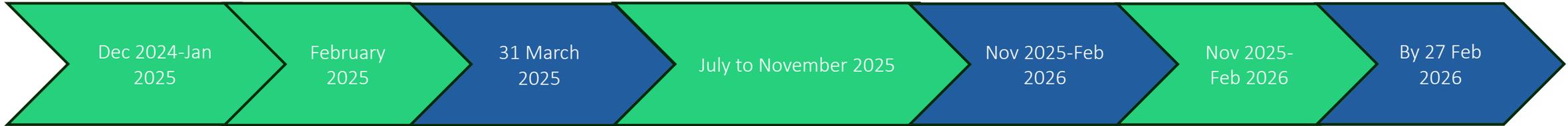
Green

Mature

Metric	Grading	Commentary
Quality and timeliness of draft financial statements	Green	The statement of accounts were produced and published by the deadline of 30 June 2025. We have identified some minor presentational errors.
Quality of working papers provided and adherence to timetable	Amber	Working papers received were of mixed quality. We experienced some occasions of needing to go back to management to clarify what we needed and to ensure that the quality of the working papers was appropriate. Given the Council has not experienced a full audit since 2019/20, this was expected. Examples included receiving spreadsheets as evidence which needed further support or explanations, and needing to speak to various members of staff for one area of the financial statements, which made some processes take longer to complete. We have agreed with management to hold an audit de-brief meeting to ensure feedback from both the audit team and finance team can be discussed with a view to improving the process for 2025/26.
Timing and quality of key accounting judgements	Green	The statement of accounts includes a Critical Judgements in Applying Accounting Policies disclosure as well as an Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty disclosure. These are considered appropriate and in line with our expectations for the Council, however, we have not completed detailed testing on key accounting estimates or judgements.
Access to finance team and other key personnel	Green	The finance team have been accessible to us throughout the course of our audit. We experienced some delays in receiving some items of information which we managed through regular meetings with the Accountancy Services Manager. The external valuer has also been responsive to our queries.
Quality and timeliness of annual report and governance statement	Green	The narrative report and annual governance statement were published at the same time as the financial statements. We have not completed a detailed review of the narrative report and annual governance statement.
Volume and magnitude of identified errors	Green	From the work we have been able to complete, we have noted a number of adjustments to the statement of accounts. None of these have an impact to the reported surplus on provision of services. These are reported on page 41 onwards. Due to the time constraints arising from the statutory backstop we have not been able to complete all our planned audit procedures.



# Audit Timeline



Planning	Interim	Period end: 31 <sup>st</sup> March	Final accounts	Audit Committee	Completion	Sign off
<ul style="list-style-type: none"> <li>▶ Identify changes in your business environment</li> <li>▶ Determine materiality</li> <li>▶ Scope the audit</li> <li>▶ Risk assessment</li> <li>▶ Planning meetings with management</li> <li>▶ Planning requirements checklist to management</li> <li>▶ Issue audit plan</li> </ul>	<ul style="list-style-type: none"> <li>▶ Document control design and effectiveness</li> <li>▶ Discuss audit plan with audit committee</li> <li>▶ Early testing</li> </ul>		<ul style="list-style-type: none"> <li>▶ Regular updates with management</li> <li>▶ Undertake audit testing</li> <li>▶ Review of narrative report and annual governance statement</li> <li>▶ Conclude on significant risk areas</li> <li>▶ Report observations on other risk areas, management judgements</li> <li>▶ Draft Audit Completion Report</li> <li>▶ Close-out meeting with management</li> </ul>	<ul style="list-style-type: none"> <li>▶ Discuss audit findings with audit committee</li> <li>▶ Issue draft Audit Findings (ISA260) report</li> <li>▶ Issue Auditor's Annual Report (by 30 November)</li> </ul>	<ul style="list-style-type: none"> <li>▶ Subsequent events procedures</li> <li>▶ Management representation letter</li> <li>▶ Sign financial statements</li> </ul>	<ul style="list-style-type: none"> <li>▶ Sign audit report opinion</li> <li>▶ Issue delayed audit certificate</li> </ul>



# Materiality

We report uncorrected omissions or misstatements other than those which are ‘clearly trivial’. The assessment of what is material is a matter of professional judgement and is affected by our risk assessment and the needs of users of the financial statements.

At the planning stage of the audit, we determined overall materiality as £737k and performance materiality as £442k. On production of the financial statements we reconsidered our materiality determination as communicated in the Audit Plan. We updated our materiality due to the change in gross expenditure for 2024/25 as presented in the draft accounts, as set out below.

	Council (Planning) £000	Council (Final) £'000	Explanation
Overall materiality for the financial statements	737	782	This is approximately 1.75% of gross revenue expenditure based on the 2024/25 draft financial statements. This is a common measure for calculating materiality for councils as the users of the financial statements are considered to be most interested in where the Council has expended its income during the year.
Performance materiality	442	469	Performance materiality has been set at 60% of overall materiality. This is based on the internal control environment of the Council and reflects our risk assessed knowledge of the potential for errors occurring. It is intended to reduce, to an acceptably low level, the probability that cumulative undetected and uncorrected misstatements exceed materiality for the financial statements as a whole.
Trivial threshold	36.8	39	This is set at 5% of the overall materiality calculation. Individual errors above this threshold are communicated to those charged with governance.

**Clearly trivial:** matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria;  
**Material:** an omission or misstatement that would reasonably influence the users of the financial statements.



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# Key audit findings



# Key audit findings: significant risks

This section includes a summary of audit findings relating to significant risk areas identified at planning and other risk areas that required special consideration or arose during the audit.

Significant risks require special audit consideration and include risks of material misstatement that are close to the upper range of inherent risk due to their nature and a combination of the likelihood and potential magnitude of misstatement, or are required to be treated as significant risks due to requirements of auditing standards.

The table below summarises the significant risks. Detail behind each risk and the work undertaken is set out on the subsequent pages.

Significant risk	Financial Statement / Assertion Level Risk	Fraud risk?	Approach to controls	Level of judgement / estimation uncertainty	Outcome of work
Management override of controls	Financial Statement Level	Yes	Assess design & implementation	Very high	Subject to final manager and partner reviews, our work has not identified any significant issues in respect of this risk.
Valuation of land and buildings and investment properties	Assertion Level	No	Assess design & implementation	High	Subject to the completion of outstanding work, we do not have any findings to report at this stage.
Valuation of defined pension fund net assets and liabilities (IAS19)	Assertion Level	No	Assess design & implementation	High	We are unable to reach a conclusion in this area. Along with other factors explained in this report, we plan to disclaim the opinion for 2024/25.
Implementation of IFRS 16	Assertion Level	No	Assess design & implementation	High	This work is currently in the review process.
Prior year disclaimed opinions	Financial Statement Level	No	Assess design & implementation	Very high	This work in currently in progress.



# Key audit findings: significant risks

## Significant risks at the financial statement level

The table below summarises our conclusions on significant risks of material misstatement at the financial statement level for the 2024/25 accounts. These risks are considered to have a pervasive impact on the financial statements as a whole and potentially affect many assertions for classes of transaction, account balances and disclosures.

Significant risk	Audit approach
<p><b>Management override of controls</b></p> <p>Auditing Standards require auditors to treat management override of controls as a significant risk on all audits. This is because management is in a unique position to perpetrate fraud by manipulating accounting records and overriding controls that otherwise appear to be operating effectively.</p> <p>Although the level of risk of management override of controls varies from entity to entity, the risk is nevertheless present in all entities.</p> <p>Specific areas of potential risk including manual journals, management estimates and judgements and one-off transactions outside the ordinary course of the business.</p> <p><b>Risk of material misstatement:</b> Very High</p>	<p>Procedures performed to mitigate risks of material misstatement in this area include:</p> <ul style="list-style-type: none"><li>• Documented our understanding of the journals posting process and evaluated the design effectiveness of management controls over journals;</li><li>• Analysed the journals listing and determined the criteria for selecting high risk and/or unusual journals;</li><li>• Tested high risk and/or unusual journals posted during the year and after the draft accounts stage back to supporting documentation for appropriateness, corroboration and to ensure approval had been undertaken in line with the Council’s journals policy;</li><li>• Gained an understanding of the key accounting estimates and critical judgements made by management. We also challenged assumptions and considered them for reasonableness. We assessed indicators of bias which could result in material misstatement due to fraud; and</li><li>• Evaluated the rationale for any changes in accounting policies, estimate or significant unusual transactions.</li></ul>



# Key audit findings: significant risks

## Audit findings and conclusion

Our testing over journals is complete and we have not identified any matters to report to you. We have identified one control recommendation for management to consider which is detailed in Appendix I.

The work performed and our understanding of management's judgements and estimates does not indicate management override has occurred. However, due to time and resource constraints, we cannot draw finalised conclusions from this work as not all of the planned areas of testing have been completed. For instance, we have been unable to reach a conclusion on all accounting estimates, including those relating to the pension liability. The revised triennial pension valuation is due to be completed for 2025/26 so we will audit this from next year.

Based on the above, and the other factors explained in the report, we plan to issue a disclaimer of opinion for 2024/25.

The key judgements in the financial statements for 2024/25 are documented later in this report.



# Key audit findings: significant risks

Significant risks	Audit approach
<p><b>Prior year disclaimed opinions</b></p> <p>As a result of the backstop implemented on 28 February 2025, we issued a disclaimed audit opinion on the Council’s 2023/24 financial statements. Disclaimed audit opinions had previously been issued on the accounts for 2020/21, 2021/22 and 2022/23 by the predecessor auditor.</p> <p>As a result of prior year disclaimed audit opinions:</p> <ul style="list-style-type: none"> <li>• There is limited assurance available over the Council’s opening balances, including those balances which involve higher levels of management judgement and more complex estimation techniques (e.g. defined benefit pension valuations, land and buildings, council dwelling and investment property valuations, amongst others); and</li> <li>• Significant transactions, accounting treatment and management judgements may not have been subject to audits for one or more years – or at all. This may include management judgements and accounting treatment in respect of significant or complex schemes or transactions which came into effect during the qualified or disclaimed periods.</li> </ul> <p>The absence of prior year assurance raises a significant risk of material misstatement at the financial statement level that requires substantial additional audit procedures.</p> <p><b>Inherent risk of material misstatement:</b> Prior year opinion on the financial statements (financial statement level): Very High</p>	<ul style="list-style-type: none"> <li>• Considering the findings and outcomes of prior year audits and their impact on the 2024/25 audit;</li> <li>• Considering the impact on our audit of disclaimed audit opinions, particularly regarding opening balances and ‘unaudited’ transactions and management judgements made in the previous years which continue into 2024/25;</li> <li>• Considering the impact of any changes in Code requirements for financial reporting in previous and current audit years;</li> <li>• Completing a risk assessment from the last clean opinion (2019/20) to date to inform build-back work;</li> <li>• Commencing build-back work for PPE additions and disposals for 2020/21, 2021/22, 2022/23 and 2023/24;</li> <li>• Reconciling the Movement In Reserves Statement (MIRS) with the other statements and disclosures for the current year and all disclaimed years and completing our internal MIRS tool to ensure the accounting entries made are consistent with our expectations..</li> </ul>



# Key audit findings: significant risks

## Audit findings and conclusion

The audit opinions in the Council's accounts for 2020/21, 2021/22, 2022/23 and 2023/24 were all disclaimed. This means we have no assurance over the comparators in the 2024/25 financial statements and no assurance over transactions occurring in those years which impact the figures reported in the financial statements for 2024/25.

We were able to complete our risk assessment work and have made significant progress in completing the build back work on PPE. More details are included on page 45 onwards.

We have also substantially completed our work relating to the consistency of the movement in reserves statement for all disclaimed years and the current year. We have now received all information requested in relation to this and are in the process of reviewing this to be able to conclude on this work.

Based on the above, we are unable to reach a conclusion on this area. Along with the other factors explained in the report, we plan to issue a disclaimer of opinion for 2024/25.



# Key audit findings: significant risks

## Significant risks at the assertion level for classes of transaction, account balances and disclosures

The following tables summarise conclusions in relation to significant risks of material misstatement at the assertion level for classes of transaction, account balances and disclosures in the 2024/25 accounts.

Significant risks	Audit approach
<p><b>Valuation of land, buildings and investment property (key accounting estimate)</b></p> <p>The Council’s valuation programme ensures that land and buildings are formally revalued at least every five years, with desktop reviews taking place each year in between. For 2024/25, a full valuation of land and buildings and investment properties took place.</p> <p>Management engaged the services of a qualified valuer, who is a Regulated Member of the Royal Institute of Chartered Surveyors (RICS) to undertake these valuations.</p> <p>The valuations involve a wide range of assumptions and source data and are therefore sensitive to changes in market conditions. ISAs (UK) 500 and 540 require us to undertake audit procedures on the use of external expert valuers and the methods, assumptions and source data underlying the fair value estimates.</p> <p>These valuations represent a key accounting estimate made by management within the financial statements due to the size of the values involved, the subjectivity of the measurements and the sensitive nature of the estimate to changes in key assumptions. We therefore identified the valuation of land and buildings and investment property as a significant risk.</p> <p>On receipt of the draft financial statements and the updated asset valuations we pinpointed this risk to specific assets, or asset types where the in-year valuation movements fell outside of our expectations.</p> <p><b>Inherent risk of material misstatement:</b> Land and Buildings and investment property (valuation): High</p>	<ul style="list-style-type: none"> <li>• Evaluating management processes and assumptions for the calculation of the estimate, the instructions issued to the valuation experts and the scope of their work;</li> <li>• Evaluating the competence, capabilities and objectivity of management’s valuation expert;</li> <li>• Considering the basis on which the valuations are carried out and challenging the key assumptions applied;</li> <li>• Evaluating the reasonableness of the valuation movements for assets revalued during the year, with reference to market data. We will consider whether we require an auditor’s expert;</li> <li>• For unusual or unexpected valuation movements, testing the information used by the valuer to ensure it is complete and consistent with our understanding;</li> <li>• Ensuring revaluations made during the year have been input correctly to the fixed asset register and the accounting treatment within the financial statements is correct; and</li> <li>• Evaluating the assumptions made by management for any assets not revalued during the year and how management are satisfied that these are not materially different to the current value.</li> </ul>



# Key audit findings: significant risks

## Audit findings and conclusion

Our testing over land and buildings valuations is substantially complete. The following is outstanding:

- We have one query outstanding with the valuer relating to one asset;
- Finalising our work on testing the revaluation accounting treatment; and
- Manager and partner reviews.

As at the date of this report, we have not identified any matters to report to you.

Based on the above, we are unable to reach a conclusion on this area. Along with the other factors explained in the report, we therefore plan to issue a disclaimer of opinion for the financial year 2024/25. More detailed findings on our consideration of this estimate are contained later in this report.



# Key audit findings: significant risks

Significant risks	Audit approach
<p><b>Valuation of pension liability (IAS19) (key accounting estimate)</b></p> <p>An actuarial estimate of the net defined pension liability/asset is calculated on an annual basis under IAS 19 ‘Employee Benefits’, and on a triennial funding basis, by an independent firm of actuaries with specialist knowledge and experience. The triennial estimates are based on the most up to date membership data held by the pension fund and a roll forward approach is used in intervening years, as permitted by the CIPFA Code.</p> <p>The calculations involve a number of key assumptions, such as discount rates and inflation and local factors such as mortality rates and expected pay rises. The estimates are highly sensitive to changes in these assumptions and the calculation of any asset ceiling when determining the value of a pension asset (where relevant). ISAs (UK) 500 and 540 require us to undertake audit procedures on the use of external experts (the actuary) and the methods, assumptions and source data underlying the estimates. This represents a key accounting estimate made by management within the financial statements due to the size of the values involved, the subjectivity of the measurement and the sensitive nature of the estimate to changes in key assumptions. We have therefore identified the valuation of the net pension liability/asset as a significant risk.</p> <p><b>Inherent risk of material misstatement:</b> Defined pension fund net liability (valuation): High</p>	<p>In 2024/25, we did not carry out any work on this significant risk area due to the lack of prior year assurance available relating to the current triennial valuation. We will recommence work on the pension fund liability in 2025/26 by which time the next triennial valuation will have been performed.</p> <p>From 2025/26, procedures to be performed to mitigate risks of material misstatement in this area will include:</p> <ul style="list-style-type: none"> <li>• Evaluating management’s processes for the calculation of the estimate, the instructions issued to management’s expert (the actuary) and the scope of their work;</li> <li>• Evaluating the competence, capabilities and objectivity of the actuary;</li> <li>• Assessing the controls in place to ensure that the data provided to the actuary by the Council and their pension fund was accurate and complete;</li> <li>• Evaluating the methods, assumptions and source data used by the actuary in their valuations, with the support of an auditors’ expert;</li> <li>• Evaluating whether any asset ceiling was appropriately considered (if applicable) when determining the value of any pension asset included in the financial statements;</li> <li>• Assessing the impact of any significant differences between the estimated gross asset valuations included in the financial statements and the Council’s share of the investment valuations in the audited pension fund accounts’ and</li> <li>• Ensuring pension valuation movements for the year and related disclosures have been correctly reflected in the financial statements</li> </ul>



# Key audit findings: significant risks

## Audit findings and conclusion

We have not been able to gain any assurance over year-on-year movements, interest costs, interest on assets, actual return on asset, share of assets and service costs due to the prior year balances being disclaimed, meaning we have no assurance over opening balances. The closing balances in these areas are directly influenced by the opening balances.

In addition, we have not been provided with assurance by the pension fund auditor over membership of the pension fund back to the last triennial valuation.

This means we have no assurance on the movements in year and cannot gain sufficient audit evidence on the material accuracy of the valuation of the pension fund liability as at 31 March 2025. Therefore, we are unable to reach a conclusion on this area. Along with the other factors explained in the report, we therefore plan to disclaim the audit for the financial year 2024/25. More detailed findings on our consideration of this estimate are contained later in this report.



# Key audit findings: significant risks

Significant risks	Audit approach	Audit findings and conclusion
<p><b>Implementation of IFRS 16 on Leases</b></p> <p>IFRS 16 was adopted and implemented by local government bodies under the Code of Audit Practice from 1 April 2024. Under IFRS 16 a lessee is required to recognise a right of use asset and associated lease liability in its Balance Sheet. This will result in significant changes to the accounting for leased assets and the associated disclosures within the financial statements for the year ended 31 March 2025.</p> <p>The implementation of this new accounting standard also represents a key accounting estimate made by management within the financial statements due to the size of the values involved, the subjectivity of the measurement upon recognition of the right of use asset and associated lease liability. We have therefore identified the implementation of IFRS 16 as a significant risk.</p> <p><b>Inherent risk of material misstatement:</b> Lease liabilities following implementation of IFRS 16 (completeness): High</p>	<ul style="list-style-type: none"> <li>• Perform a walkthrough of the council’s systems and processes to capture the data required to account for right of use lease assets and associated liability in accordance with IFRS 16;</li> <li>• Review the council’s accounting policies for the year ended 31 March 2025 to reflect the requirements of the new accounting standard;</li> <li>• Evaluating the competence, capabilities and objectivity of management’s IFRS 16 expert Link Group (part of MUFG Pension and Market Services);</li> <li>• Understand the process the Council has gone through to ensure the completeness of the IFRS 16 disclosure, including inspecting the audit trail which documents the process the Council has undertaken to identify leases and contracts falling into scope of IFRS 16; and</li> <li>• Evaluate whether lease liabilities have been appropriately remeasured in line with the requirements of IFRS 16 as set out in the CIPFA Code.</li> </ul>	<p>Our work in this area is still in progress based on an updated disclosure as follows:</p> <ul style="list-style-type: none"> <li>• Testing of the lease liability</li> <li>• Ensuring the requirements of the CIPFA Code have been complied with for implementing IFRS 16 for existing finance leases</li> <li>• Confirming the operating leases falling out of scope of IFRS16 are appropriate.</li> </ul>



# Key audit findings: other balances and areas of testing

## Comprehensive Income and Expenditure Statement

Testing area	Commentary	Conclusion
Income £46.893m  Expenditure £44.716m	<p>In line with LARRIG06 we completed a comprehensive risk assessment which identified the Council as low risk. Following this, and in view of capacity constraints, we elected to focus resources on testing balance sheet items in the 2024/25 financial statements and building back assurance on PPE movements in the disclaimed audit years.</p> <p>Therefore, we agreed the value of income and expenditure line items to the trial balance but did not complete any detailed testing on transactions.</p>	No testing completed in line with build back assessment.



# Key audit findings: other balances and areas of testing

## Balance Sheet

Testing area	Amount	Commentary	Conclusion
Land and buildings			
• Revaluations	£2,180,506	We have included our findings within the significant risk section earlier in this report.	See significant risk section.
• Additions	£3,461,951	We have completed our testing of this area with the exception of agreeing three of our additions sample to the fixed asset register. We have raised a control recommendation in relation to this. We have not identified any issues with the remainder of this testing.	Subject to outstanding testing, no issues noted.
• Disposals	£566,785	We have completed our testing of this balance.	No issues noted.
• Depreciation	£2,550,248	We performed a predictive analytical review of the depreciation balance, considering changes in useful lives and other in-year movements. Where variances exceeded the expected threshold, we discussed and investigated them with management. We identified as part of this work an amendment to the accounting policy for depreciation for additions and disposals which management have agreed to amend.	No issues noted.
Investment property	£490,000	We have included our findings within the significant risk section earlier in this report.	See significant risk section.
Intangible assets	£101,751	This is below our performance materiality and therefore in line with our risk-based approach, we have agreed this to the trial balance only.	Not material.
Long Term Investments	£664,651	We have: <ul style="list-style-type: none"> <li>• Agreed the ledger breakdown to the TB and supporting notes for long term investments.</li> <li>• Sought direct confirmation from the financial institutions, with management's consent, for the value of each investment as at 31 March 2025 and have received the responses. No issues has been identified in the balances confirmed.</li> </ul>	No issues noted.



# Key audit findings: other balances and areas of testing

## Balance Sheet

Testing area	Amount	Commentary	Conclusion
Long Term Debtors	£91,629	This is below our performance materiality set out on page 11 and therefore in line with our risk-based approach, we have agreed this to the trial balance only.	Not material.
Inventories	£14,590	This is below our performance materiality set out on page 11 and therefore in line with our risk-based approach, we have agreed this to the trial balance only.	Not material.
Short Term Investments	£4,199,108	We have: <ul style="list-style-type: none"> <li>• Agreed the ledger breakdown to the TB and supporting notes for short term investments.</li> <li>• Sought direct confirmation from the financial institutions, with management's consent, for the value of each investment as at 31 March 2025 and have received the responses. No issues has been identified in the balances confirmed.</li> </ul>	No issues noted.
Short Term Debtors	£8,216,039	We have <ul style="list-style-type: none"> <li>• Agreed the ledger breakdown to the TB and supporting notes for short-term debtors.</li> <li>• Selected samples to verify accuracy and existence of the balances as at year-end.</li> <li>• Selected samples for completeness and cut off testing of debtors as at 31 March 2025.</li> </ul>	Subject to clearing internal review notes, we have not identified any matters to report to you.
Cash and Cash Equivalents	£18,977,571	We have: <ul style="list-style-type: none"> <li>• Agreed the ledger breakdown to the TB and supporting notes for cash and cash equivalents.</li> <li>• Sought direct confirmation from the financial institutions, with management's consent, for the value of each bank accounts as at 31 March 2025 and have received the responses. No issues has been identified in the balances confirmed.</li> </ul>	Subject to clearing internal review notes, we have not identified any matters to report to you.



# Key audit findings: other balances and areas of testing

## Balance Sheet

Testing area	Amount	Commentary	Conclusion
Assets Held for Sale	£245,923	This is below our performance materiality set out on page 11 and therefore in line with our risk-based approach, we have agreed this to the trial balance only.	Not material.
Short Term Borrowing	£888,463	We have: <ul style="list-style-type: none"> <li>• Agreed the ledger breakdown to the TB and supporting notes for short term borrowing.</li> <li>• Substantively tested a sample from the short-term borrowing figure back to supporting evidence to support the balance on the balance sheet.</li> </ul>	No issues noted.
Short Term Creditors	£18,010,872	We have <ul style="list-style-type: none"> <li>• Agreed the ledger breakdown to the TB and supporting notes for long and short-term creditors.</li> <li>• Selected samples to verify accuracy and existence of the balances as at year-end.</li> <li>• Selected samples for completeness and cut off testing of creditors as at 31 March 2025.</li> </ul>	Subject to follow up queries as a result of manager review, we have not identified any matters to report to you.
Provisions	£2,595,343	We have: <ul style="list-style-type: none"> <li>• Agreed the ledger breakdown to the TB and supporting notes for provisions.</li> <li>• Tested the NNDR business rates appeals provision back to supporting data provided by analyse local.</li> </ul>	Subject to clearing internal review notes, we have not identified any matters to report to you.
Grants Receipts in Advance-Capital	£2,415,252	We have: <ul style="list-style-type: none"> <li>• Agreed the ledger breakdown to the TB and supporting notes for grants receipts in advance.</li> <li>• Substantively tested a sample from the balance at 31 March 2025 back to supporting evidence to support the accounting treatment.</li> </ul>	Subject to clearing internal review notes, we have not identified any matters to report to you.



# Key audit findings: other balances and areas of testing

## Balance Sheet

Testing area	Amount	Commentary	Conclusion
Long Term Borrowing	£4,843,731	<p>We have:</p> <ul style="list-style-type: none"> <li>Agreed the ledger breakdown to the TB and supporting notes for long term borrowing.</li> <li>Substantively tested £4,000,000 of this balance which relates to PWLB borrowing back to third party confirmation.</li> </ul> <p>We have £843,731 outstanding to test which relate to finance leases and right of use leases. This work is currently in progress.</p>	<p>No issues noted on element tested.</p> <p>Work on the lease liability is still in progress.</p>
Other Long-Term Liabilities	£7,459,396	<p>£7,308,000 of this liability relates to the Defined Pension Fund Liability.</p> <p>In 2024/25, we did not carry out any work on this significant risk area due to the lack of prior year assurance available relating to the current triennial valuation.</p> <p>The remaining liability is not material.</p>	<p>We will re-commence work on the pension fund liability in 2025/26, by which time the next triennial valuation will have been performed.</p>



# Key audit findings: other balances and areas of testing

## Other areas

Testing area	Amount	Commentary	Conclusion
Reserves	n/a - various	<p>We have:</p> <ul style="list-style-type: none"> <li>• Evaluated the completeness of the statutory adjustments included in the 2024/25 movement in reserves statement</li> <li>• Reconciled the internal consistency of reserves movements in year with other parts of the financial statements</li> <li>• Not been able to conclude the accuracy of the movements as the movements and the closing balance are directly influenced by the opening balance.</li> </ul>	We have started but not been able to conclude our work for the reasons set out to the left.
Cash Flow Statement	n/a - various	Due to the time constraints arising from the statutory backstop we have not been able to complete our planned audit procedures. We have no further matters to report in respect of this beyond those set out elsewhere in this report.	Due to the time constraints arising from the statutory backstop we have not been able to complete our planned audit procedures.
Collection Fund	n/a - various	Due to the time constraints arising from the statutory backstop we have not been able to complete our planned audit procedures. We have no further matters to report in respect of this beyond those set out elsewhere in this report.	Due to the time constraints arising from the statutory backstop we have not been able to complete our planned audit procedures.



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# Key audit findings: other procedures

## Other procedures undertaken in 2024/25 include:

- ▶ Considering any actual or suspected non-compliance with laws and regulations;
- ▶ Reviewing minutes of meetings including full Council, Cabinet and the Audit and Corporate Governance Committee;
- ▶ IT general controls and work under ISA315;
- ▶ Business process documentation and walkthroughs;
- ▶ Agreeing opening balances and comparative figures to prior year financial statements;
- ▶ Agreeing the financial statements to the Council's trial balance and general ledger;
- ▶ Checking financial statements for internal consistency and arithmetic accuracy;
- ▶ Confirming the audit fee reported in the financial statements;
- ▶ Completing disclosure checklists to assess for material omissions or disclosure errors;
- ▶ Undertaking a high-level Audit Manager and Engagement Lead review of the 2024/25 financial statements;
- ▶ Confirming that accounts have been issued and approved in line with The Accounts and Audit Regulations 2015;
- ▶ Procedures in respect of subsequent events after the balance sheet date, including enquiries of management;
- ▶ Updating our planning and risk assessment and procedures on receipt of the financial statements (post-statement procedures) including re-considering our materiality thresholds;
- ▶ Updating our scoping procedures following receipt of the financial statements;
- ▶ Undertaking post-statement analytical procedures;
- ▶ Evaluating any misstatements identified; and
- ▶ Drafting an Audit Plan and Audit Completion Report and presenting these to the Audit Committee.



# Key audit findings: other areas of focus

Area of focus	Issue	Audit findings and conclusion
Significant matters on which there was disagreement with management	There were no significant matters on which there was disagreement with management.	None noted.
Significant management judgements which required additional audit work and / or where there was disagreement over the judgement and / or where the judgement is significant enough that we are required to report it to those charged with governance before they consider their approval of the accounts	At the time of writing this report, there were no major transactions that required special accounting consideration.	None noted.
Prior year adjustments identified	At the time of writing this report, there were no prior year adjustments noted.	None noted which require a prior period adjustment. We have noted findings which pertain to prior years as part of our build back work which are detailed in the Audit Adjustments section of this report.
Concerns identified in the following: <ul style="list-style-type: none"> <li>• Consultation by management with other accountants on accounting or auditing matters</li> <li>• Matters significant to the oversight of the financial reporting process</li> <li>• Adjustments / transactions identified as having been made to meet an agreed system position / target</li> </ul>	No concerns were identified.	None noted.



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# Accounting policies, key judgements and estimates



# Accounting policies, key judgements and estimates

## Accounting policies

We have evaluated the appropriateness of the Council’s accounting policies, taking into account consistency with the disclosures from the prior year and requirements as set out in the CIPFA LASAAC Code of Practice on Local Authority Accounting in the UK (the ‘CIPFA Code’) 2024/25 where appropriate.

We identified additional information required to the accounting policies as set out in the draft financial statements.

## Key judgements and estimates

Key judgements and estimates, as well as other judgements and estimates made by management, are set out in the table below along with audit commentary on these judgements and estimates in line with the enhanced requirements for auditors.

Significant judgement or estimate	Value in accounts	Summary of management’s approach	Audit comments and assessment
Land and buildings valuations (key accounting estimate)	32,606,815 – other land and buildings (excluding IFRS 16)	The Council’s valuation programme ensures that all Property, Plant and Equipment required to be measured at fair value is formally revalued at least every five years, although any material changes to valuations are adjusted in the interim period. Land and buildings are valued by an independent external valuer (Valuation Office Agency). The valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. For non-specialised operational assets, fair value equates to existing use value, and for specialised operational assets fair value is estimated using a depreciated replacement cost approach.	<p>Our testing over land and buildings valuations is substantially complete. The following is outstanding:</p> <ul style="list-style-type: none"> <li>• We have one query outstanding with the valuer relating to one asset;</li> <li>• Finalising our work on testing the revaluation accounting treatment; and</li> <li>• Manager and partner reviews</li> </ul> <p>As at the date of this report, we have not identified any matters to report to you.</p> <p>Based on the above, we are unable to reach a conclusion on this area. Along with the other factors explained in the report, we therefore plan to issue a disclaimer of opinion for the financial year 2024/25. More detailed findings on our consideration of this estimate are contained later in this report.</p>



# Accounting policies, key judgements and estimates

Significant judgement or estimate	Value in accounts	Summary of management's approach	Audit comments and assessment
...continued		<p>Vehicles, plant, and equipment are valued internally by reference to current replacement costs provided by suppliers and estimated disposal values (open market value in existing use). Assets not yet re-valued are shown at depreciated value based on historical cost but are not considered to be materially under or overvalued. The Council is not aware of any material change in value and these valuations have not been updated.</p> <p>Surplus assets are measured at fair value, representing highest and best use value from a market participant's perspective.</p>	
Investment properties (key accounting estimate)	490,000	<p>Investment properties are measured initially at cost and subsequently at fair value, being the price that would be received to sell such an asset in an orderly transaction between market participants at the measurement date. As a non-financial asset, investment properties are measured at highest and best use. They are not depreciated but are revalued annually according to market conditions at the year end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.</p>	<p>Our testing over investment property valuations is substantially complete. The following is outstanding:</p> <ul style="list-style-type: none"> <li>• We have one query outstanding with the valuer relating to one asset;</li> <li>• Finalising our work on testing the revaluation accounting treatment; and</li> <li>• Manager and partner reviews</li> </ul> <p>As at the date of this report, we have not identified any matters to report to you.</p> <p>Based on the above, we are unable to reach a conclusion on this area. Along with the other factors explained in the report, we therefore plan to issue a disclaimer of opinion for the financial year 2024/25. More detailed findings on our consideration of this estimate are contained later in this report.</p>



# Accounting policies, key judgements and estimates

Significant judgement or estimate	Value in accounts £000	Summary of management's approach	Audit comments and assessment
Pension assets and liabilities valuations (key accounting estimate)	£7,308,000	<p>The Council is a member of the Leicestershire Local Government Pension Fund (LGPS). Hymans Robertson provide actuarial valuations of the Council's share of the assets and liabilities of the pension fund. A full valuation is required every three years</p>	<p>Due to the missing assurance for prior periods and the time constraints imposed by the statutory backstop we have been unable to complete all our planned procedures on the significant risks we identified.</p> <p>As a result of the material and pervasive nature of missing assurance, and the imminent statutory backstop date of 27 February 2026 for the 2024/25 audit, we intend to issue a disclaimer of opinion.</p>



# Accounting policies, key judgements and estimates

Significant judgement or estimate	Value in accounts £000	Summary of management's approach	Audit comments and assessment
Depreciation	2,550,248	<p>Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (that is, freehold land and certain community assets) and assets that are not yet available for use (that is, assets under construction).</p> <p>Depreciation is calculated on the following bases:</p> <p>Dwellings and other buildings – straight-line allocation over the useful life of the property as estimated by the valuer.</p> <p>Vehicles, plant, furniture, and equipment – straight-line allocation over the useful life of the asset, based on the historic cost of that asset.</p> <p>Infrastructure – straight-line allocation over 1 to 15 years</p> <p>Where an item of Property, Plant and Equipment has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.</p> <p>Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.</p>	<p>We performed a predictive analytical review of the depreciation balance, considering changes in useful lives and other in-year movements. Where variances exceeded the expected threshold, we discussed and investigated them with management.</p> <p>We have not identified any issues that require reporting to Those Charged with Governance. We noted an additional disclosure required within the accounting policy for depreciation. This is to clarify the Council's approach to charging depreciation for additions. This is charged at a 50% depreciation rate in the year of acquisition. This is noted on page 43.</p>



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# Other responsibilities



# Financial statements: other responsibilities

Matter	Commentary	Findings
<b>Fraud risk</b>	We have previously discussed the risk of fraud with management and the Audit and Corporate Governance Committee. We have not been made aware of any other incidents in the period. No other issues have been identified during the course of our audit from the work we have been able to complete.	As we plan to issue a disclaimer of opinion for the audit, we are unable to reach a final conclusion on this area.
<b>Related parties</b>	We are not aware of any related parties or related party transactions which have not been disclosed from the work we have been able to complete elsewhere in the financial statements.	As we plan to issue a disclaimer of opinion for the audit, we are unable to reach a final conclusion on this area.
<b>Compliance with laws and regulations</b>	You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any instances from the audit work we have been able to complete.	As we plan to issue a disclaimer of opinion for the audit, we are unable to reach a final conclusion on this area.
<b>Written representations</b>	A letter of management representations has been requested from the Council.	Please refer to the letter of representation included alongside this report.
<b>Confirmation requests from third parties</b>	We requested permission from the Council for us to send confirmation requests to their financial institutions, comprising Lloyds, HSBC and various other institutes in which the Council hold cash or investments. All requested confirmations have been received.	We have no issues to report in response to this area.
<b>Disclosures</b>	From the work completed, our review found no material omissions in the financial statements that management has not agreed to correct.	As we plan to issue a disclaimer of opinion for the audit, we are unable to reach a final conclusion on this area.



# Financial statements: other responsibilities

Matter	Commentary	Findings
<b>Going concern</b>	<p>As auditors, we are required to “obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern” (ISA (UK) 570).</p> <p>Management prepared the financial statements on a going concern basis applying the continuation of services provision set out in Practice Note 10. We have confirmed that this is appropriate as there is no known intention to transfer the services provided by the Council outside the public sector. We have not identified any material uncertainties relating to going concern at the Council.</p>	<p>As we have been unable to conclude our audit in advance of the backstop date, we have not been able to obtain sufficient appropriate audit evidence to enable us to conclude that:</p> <ul style="list-style-type: none"> <li>• a material uncertainty related to going concern has not been identified</li> <li>• management’s use of the going concern basis of accounting in the preparation of the financial statements is appropriate.</li> </ul>
<b>Other information (Narrative report and Annual Governance Statement)</b>	<p>We are required to read and report on whether the other information included in the Statement of Accounts (including the Narrative Report and Annual Governance Statement) is materially inconsistent with the financial statements and our knowledge obtained from the audit or otherwise appears to be materially misstated. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or whether risks are satisfactorily addressed by internal controls.</p>	<p>As we plan to issue a disclaimer of opinion for the audit, we are unable to reach a final conclusion on this area.</p>
<b>Matters on which we report by exception</b>	<p>We are required to report on a number of matters by exception:</p> <ul style="list-style-type: none"> <li>• If the annual governance statement does not comply with the disclosure requirements set out in CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit</li> <li>• Where we are not satisfied in respect of arrangements to secure value for money and have reported a significant weakness.</li> </ul>	<ul style="list-style-type: none"> <li>• As we plan to issue a disclaimer of opinion for the audit, we are unable to reach a final conclusion on this area.</li> <li>• We have not reported any significant weaknesses in our value for money work.</li> </ul>



# Financial statements: other responsibilities

Matter	Commentary	Findings
<p><b>Specified procedures for the Whole of Government Accounts</b></p>	<p>We are required to carry out specified procedures on behalf of the NAO on the WGA consolidation pack under WGA group audit instructions. Group instructions were issued in August 2025 which set out the procedures that the NAO require from component auditors. However, the NAO may direct auditors of components below the audit threshold to undertake additional work.</p> <p>The Council does not exceed the audit threshold for detailed testing set out in the group instructions. Submission of a partial assurance statement is required.</p>	<p>We will complete and submit a partial assurance statement after issue of our auditor’s report and await further guidance on whether or not any additional testing is required.</p>
<p><b>Certification of closure of the audit</b></p>	<p>We are required to certify the closure of the audit on completion of all audit work for the financial year required under the Code.</p>	<p>We cannot issue our certificate of closure until the Comptroller and Audit General has certified the WGA for 2024-25. Our auditor’s report will therefore include a delayed certificate.</p>
<p><b>Statutory powers and duties</b></p>	<p>We are required to report by exception if we have applied our other statutory powers or duties during the audit.</p>	<p>We have not exercised any of our additional statutory powers or duties.</p>



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# Audit adjustments



# Audit adjustments

## Adjusted misstatements

We are required to report all non-trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management. Details of items corrected following discussions with management are as below.

Detail	CIES DR (CR)	Balance sheet DR (CR)	Impact on total net expenditure DR (CR)	Impact on useable reserves DR (CR)
<p><b>Property, Plant and Equipment – classification of the valuation movement within note 13</b></p> <p>As part of our audit work, we noted an incorrect classification of the split of the valuation movement disclosed in note 13.</p> <p>This impacts the following lines within note 13:</p> <ul style="list-style-type: none"> <li>• Revaluation increases / (decreases) recognised in the Revaluation Reserve.</li> <li>• Revaluation increases / (decreases) recognised in the surplus/deficit on the provision of services.</li> <li>• Additions</li> </ul> <p>Whilst this has a net nil impact to the PPE note and the Balance Sheet, it is incorrectly classified within the PPE note and also impacts consistency checks when completing the work on the MIRS.</p> <p>This error has been noted in the following financial periods: 2021/22, 2022/23 and 2023/24. No correction to prior year accounts is required as these accounts have already been published and it has no brought forward impact on the financial statements.</p>	nil	<p>1,287,248</p> <p>(1,251,252)</p> <p>(35,996)</p>	nil	nil
<b>Overall impact</b>	Nil	Nil	Nil	Nil



# Audit adjustments

## Unadjusted misstatements

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

Detail	CIES DR (CR)	Balance sheet DR (CR)	Impact on total net expenditure DR (CR)	Impact on useable reserves DR (CR)	Reason for not adjusting
<p><b>Incorrect classification of Heritage Asset</b></p> <p>Cr PPE Cost – Community Assets            Dr PPE Accumulated depreciation – Community Assets            Dr Heritage Assets</p> <p>As part of our build back work on the MIRS consistency tracker, we noted that Heritage Assets were being classified within the Property, Plant and Equipment (PPE) line on the Balance Sheet as a Community Asset.</p> <p>Per the CIPFA Code, this is incorrect, and the asset should be identified as either a Heritage Asset or Community Asset.</p> <p>From discussions with management, the Council consider this to be a Heritage Asset, and as such, agree this should not be disclosed as a Community Asset within PPE.</p> <p>Management are not correcting this classification error in 2024/25 as this is not material and have confirmed this will be corrected in a future period.</p> <p>This has been the case since the Council first recognised the Heritage Asset on the Balance Sheet in 2021/22.</p> <p>In addition, the CIPFA Code allows for Heritage Assets to be held at Valuation or Historic Cost. The Council have made an assessment that the cost to value the asset outweighs the benefits to the users of the financial statements. There is also no historic cost of this asset as it was not purchased. The Council have therefore chosen to hold the asset at the depreciated value of the project cost to renovate the asset.</p>	nil	(106,442) 44,342 62,100	nil	nil	Immaterial
<b>Overall impact</b>	nil	nil	nil	nil	



# Audit adjustments

## Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit.

Disclosure / issue / omission	Outcome	Adjustment agreed?
<p><b>Note 17 disclosure note consistency with the Balance Sheet</b>            We noted a consistency error between long term borrowings per the Balance Sheet of £4,843,731 and what is disclosed in note 17 of £4,454,275. This is due to the IFRS 16 element of the long-term borrowing not being included within the disclosure note of £389,456.</p> <p>In addition, there is a trivial difference between the short-term borrowings in the Balance Sheet of £888,463 and the amount in note 17 is £872,446. The difference is £16,017.</p> <p>These have both been corrected as they both relate to IFRS 16.</p>	Management has agreed to change the disclosure.	Yes
<p><b>Accounting policy update</b>            We noted an additional disclosure required within the accounting policy for depreciation. This is to clarify the Council's approach to charging depreciation for additions. Depreciation is charged at a 50% depreciation rate in the year of acquisition.</p>	Management has agreed to change the disclosure.	Yes
<p><b>Assets held for sale disclosure</b>            We noted a change to the assets held for sale disclosure (note 20). This is to ensure consistency between this disclosure note and note 13 PPE to ensure the reclassifications out of PPE agree to the assets held for sale.</p>	Management has agreed to change the disclosure.	Yes
<p><b>Heritage asset narrative change</b>            We noted a change to the heritage asset disclosure (note 14). This was due to the disclosure not having been updated from prior years to ensure that it was accurate and reflected the latest position for the Council to ensure clear to the reader.</p>	Management has agreed to change the disclosure.	Yes
<p><b>Note 31 External audit costs</b>            We identified a change to the external audit costs note to ensure that the fee disclosed reconciles back to the scale fee.</p>	Management has agreed to change the disclosure.	Yes



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# Audit adjustments

## Impact of prior year unadjusted misstatements on the 2024/25 financial statements

We did not identify any unadjusted misstatements as part of the prior year audit (2023/24) which would need to be considered or reported here.



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# Building back assurance on disclaimed audit years



# Building back assurance

We set out below the work we have done to build back assurance from disclaimed years of audit. Our work has been undertaken in accordance with the statutory guidance set out in Local Audit Reset and Recovery Implementation Guidance (LARRIG) 01 to 06.

Build back activity	Summary of work completed	Outcome
<p><b>Risk Assessment</b></p> <p>We are required by LARRIG 06 to evaluate the inherent risk of material misstatement in the opening general fund balances and associated earmarked reserves following prior year disclaimers.</p>	<p>We have considered the guidance set out in LARRIG 06 issued by the National Audit Office to determine the risk of material misstatement in the general fund reserves at 31 March 2025.</p> <p>This involved a detailed assessment of a number of risk factors including:</p> <ul style="list-style-type: none"> <li>• Whether the Council has a history of timely production of the financial statements</li> <li>• The number of years for which disclaimed opinions have been issued</li> <li>• The complexity and volume of movement in reserves over the disclaimed period</li> <li>• The strength of the control environment in place over the period of disclaimed opinions</li> <li>• Changes in key personnel, financial reporting systems or key processing activities during the disclaimed period</li> <li>• Previous reporting of significant deficiencies in control, significant weaknesses in arrangements to secure VFM or material or other misstatements</li> <li>• The level of reserves in place over the disclaimed period</li> <li>• Issues reported by Internal Audit and in the Annual Governance Statements</li> </ul>	<p>We have substantially completed this work, subject to final write-up to document our conclusions.</p> <p>Our assessment is to categorise the Council at the low end of the risk spectrum. Key factors driving this conclusion are:</p> <ul style="list-style-type: none"> <li>• The Council’s strong history of timely production of financial statements</li> <li>• Stability and experience of finance team</li> <li>• Explanations received for unexpected variances identified in reserves movements</li> <li>• No indicators of significant weaknesses in control environment</li> <li>• Adequate level of reserves maintained.</li> </ul>



# Building back assurance

Build back activity	Summary of work completed	Outcome
<p><b>Analysis of movements in reserves</b></p> <p>Combined with the risk assessment, the analysis of movements in reserves informs the volume of work necessary to recover assurance over the reserves position at 31 March 2025.</p>	<p>We have performed an analysis of the movements in useable and unusable reserves and reconciled these to elsewhere in the financial statements to ensure consistency and to support our low risk approach as identified by the qualitative risk assessment.</p> <p>This has substantially been completed for years: 2020/21, 2021/22, 2022/23 and 2023/24. In addition, we have completed this work for 2024/25 to aid in continuing to build back assurance in future.</p>	<p>This has been a large piece of work which we are still in the process of writing up in full to document on our audit file. Whilst this is supporting our assessment that the Council is lower risk, we will consider any further work which may be needed in specific pin-pointed areas in the future</p>



# Building back assurance

Build back activity	Summary of work performed	Outcome
<p><b>Build back of assurance in respect of Property, Plant and Equipment over the disclaimed period</b></p> <p>In order to build back assurance over the revaluation reserve, we are required to undertake substantive testing of movements in property, plant and equipment over the disclaimed period.</p>	<p>We have completed testing on the following areas:</p> <ul style="list-style-type: none"> <li>• Additions (2020/21, 2021/22, 2022/23 and 2023/24)</li> <li>• Disposals (2020/21, 2021/22, 2022/23 and 2023/24)</li> <li>• Reclassifications – no material reclassifications in the disclaimed periods.</li> <li>• Depreciation (2020/21, 2021/22, 2022/23 and 2023/24)</li> </ul> <p>Conclusions on work in this area:</p> <ul style="list-style-type: none"> <li>• Additions – we have been unable to agree our sample of additions back to the fixed asset register for each of the disclaimed periods. We have raised a control recommendation in relation to the fixed assets register. We have not identified any issues with the remainder of this testing and plan to follow up on this work in the 2025/26 audit.</li> <li>• Disposals – we have not identified any material issues in this area.</li> <li>• Depreciation – we have not identified any material issues in this area.</li> </ul>	<p>We have some follow up queries to resolve in these areas as noted in the narrative to the left.</p>



# Building back assurance – findings

## Findings relating to build back work

Our build back work is still in progress. Our findings to date are summarised below. We have also reported control findings on the subsequent page.

Detail	CIES DR (CR)	Balance sheet DR (CR)	Impact on total net expenditure DR (CR)	Impact on useable reserves DR (CR)
<p><b>Valuation difference between Valuer’s report and financial statements</b></p> <p>As part of our build back work for PPE, we noted a discrepancy between the 2020/21 Valuation Report and the amounts accounted for in the financial statements.</p> <p>The Valuer’s report detailed an asset at £1,066,730 lower than the Council accounted for it.</p> <p>The Council explained that this was due to enhancement works which were carried out on the asset which the Valuer was not made aware of, and therefore did not take account of this in their valuation.</p> <p>We are unable to confirm whether this would have resulted in a material misstatement to the accounts in 2020/21 as we were not appointed auditors at the time. Further discussions and challenge would have needed to take place in order to ascertain whether this would have been adjusted for.</p> <p>Given the Council have a valuation completed each year on their asset base, this likely would have been corrected in subsequent periods through this process.</p> <p><i>We have not yet completed any additional checks between the financial statements and the Valuation Report for the other disclaimed years and will consider the need to do this as part of our continued assessment of the build back work required.</i></p> <p>Cr Land and buildings valuation Dr Revaluation reserve</p>		(1,066,730)	1,066,730	
<b>Overall impact</b>				



# Building back assurance - Control observations

Assessment	Issue	Recommendation	Management response
<b>Significant</b>	<p><b>Valuation difference between Valuer's report and financial statements</b> As reported on the previous page, we noted a material inconsistency between the Valuation Report and the financial statements.</p> <p>This likely arose due to communication error between the Council and valuer when agreeing the scope of the valuation for 2020/21 and the valuer not being aware of the enhancements to the asset in question.</p>	<p>We note that this finding relates to 2020/21, however we have reported this control recommendation as this is a finding coming out of our build back approach.</p> <p>We recommend that management ensure a clear scope for all future valuations.</p>	<p>Management agree to the recommendation, and this has been undertaken in each year since. If the audit had been undertaken in the year as planned, this would have been a discussion with the Auditor at the time.</p>
<b>Amber</b>	<p><b>2020/21 - Inconsistency between Fixed Asset Register and Accounts</b> As part of our build back work on PPE, our work for 2020/21 identified a difference between the Fixed Asset Register (FAR) and the Accounts of £170,000 for investment property additions.</p> <p>Whilst management have confirmed the amount recorded in the accounts is correct and the subsequent correction made to the FAR, this has been identified as a control weakness. This highlights risk in maintaining sufficient and appropriate accounting records.</p> <p>We have not completed any specific testing over the valuation of these additions.</p> <p>We will further consider this as part of our build back work to pin-point any additional testing needed.</p>	<p>We note that this finding relates to 2020/21, however we have reported this control recommendation as this is a finding coming out of our build back approach.</p> <p>We recommend that management ensure reconciliations between the fixed asset register and the general ledger are completed on a regular basis to reduce the risk of inconsistencies within records.</p>	<p>Management agree to the recommendation, We constantly work to make improvements to our reconciliations, therefore we will look to review and increase the frequency that the reconciliation between the Fixed asset register and general ledger is undertaken.</p>

Key: **Significant** effect on financial statements **Limited** effect on financial statements **Low** improvement point / best practice



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# Value for money



# Value for money

We consider whether the Council has established proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

We have completed our value for money work. Our detailed findings are reported in our Auditor’s Annual Report which was presented to the Audit and Corporate Governance Committee in November 2025.

We have not identified any significant weaknesses in the Council’s arrangements for securing economy, efficiency and effectiveness in its use of resources.

Reporting criteria	Planning – risk of significant weakness identified?	Final – significant weakness identified?	Recommendations made		
			Statutory	Key	Other
<b>Financial sustainability</b> How the body plans and manages its resources to ensure it can continue to deliver its services	No	No	No	No	No
<b>Governance</b> How the body ensures it makes informed decisions and properly manages risk	No	No	No	No	Yes
<b>Improving economy, efficiency and effectiveness</b> How the body uses information about its costs and performance to improve the way it manages and delivers its services	No	No	No	No	No



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# Independence and ethics



# Independence and ethics

The Ethical Standards and ISA (UK) 260 require us to give you full and fair disclosure of matters relating to our independence. In accordance with our profession’s ethical requirements and further to our audit plan issued confirming audit arrangements we confirm that there are no further facts or matters that impact on our integrity, objectivity and independence as auditors that we are required or wish to draw to your attention. We consider an objective, reasonable and informed third party would take the same view.

We confirm that Azets Audit Services and the engagement team complied with the FRC’s Ethical Standard. We confirm that all threats to our independence have been properly addressed through appropriate safeguards and that we are independent and able to express an objective opinion on the financial statements. In addition, we have complied with the National Audit Office’s Auditor Guidance Note 01, which sets out supplementary guidance on ethical requirements for auditors of public sector bodies.

In particular:

- ▶ Non-audit services: We provide assurance services as set out below.
- ▶ Contingent fees: No contingent fee arrangements are in place for any services provided
- ▶ Gifts and hospitality: We have not identified any gifts or hospitality provided to, or received from, any member of the Council, senior management or staff
- ▶ Relationships: We have no other relationships with the Council, its directors, senior managers and affiliates, and we are not aware of any former partners or staff being employed, or holding discussions in anticipation of employment, as a director, or in a senior management role covering financial, accounting or control related areas.

## Non-audit service fees

Service	2024/25 fee	Threats identified	Safeguards
Housing Benefit (HBAP) certification	£28,000 (plus £2,000 for each additional workbook)	Self interest (recurring fee) Self-review Management	<p><b>Self-interest:</b> The level of this recurring fee in and of itself is not considered a significant threat to independence, given the low level of the fee compared to the total fee for the audit and in particular compared to Azets’ UK turnover as a whole. The fee is fixed based on the volume of work required, with no contingent element. These factors, in our view, mitigate the perceived self-interest threat to an acceptable level.</p> <p><b>Self-review:</b> Whilst housing benefit revenue and expenditure streams are within the financial statements, we do not complete the claim form. The focus of our work is solely testing the data in the claim form prepared by the management.</p> <p><b>Management:</b> As above, the claim form is completed by management and any adjustments or amendments identified to the form during the certification work are discussed and agreed by management prior to submission of the certification report. We therefore consider these risks sufficiently mitigated.</p>



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# Appendix I

# Recommendations



# Internal control recommendations

The matters reported here represent deficiencies identified during our audit which we feel are of sufficient importance to merit reporting to you. Recommendations arising from our value for money work are reported separately in our Auditor’s Annual Report.

Assessment	Issue	Recommendation	Management response
<b>Amber</b>	<p><b>Fixed Asset Register</b></p> <p>We have noted as part of our work on Property, Plant and Equipment that the Council’s Fixed Asset Register (FAR) has been challenging to use and interrogate to retrieve the required information.</p> <p>There is limited functionality from the reports produced by the Council’s FAR system, RAM. This has meant it has been challenging to perform certain aspects of work including; being able to agree additions to the FAR and track through valuation movements.</p> <p>As a result, a considerable amount of manual involvement is required by the finance team. Manual involvement carries risk through human error.</p> <p>In addition, this relies heavily on one finance team member’s knowledge of the system and is therefore a risk to the Council having to rely on this knowledge from a continuity and contingency point of view.</p>	<p>We recommend that the Council consider whether their current Fixed Asset Register system is appropriate for use. This may include considering whether any additional functionality of the existing system could be explored to ease in making the FAR more user friendly with clearer audit trails.</p>	<p>The Council are considering other options for the Fixed Asset Register as part of an upgrade to the Finance system which is currently in progress.</p>

Key: **Significant** effect on financial statements **Limited** effect on financial statements **Low** improvement point / best practice



# IT recommendations

Assessment	Issue	Recommendation	Management response when work was completed (August 2025)	Further management update (January 2026)
Amber	Blaby District Council does not have an approach in place for the assessment of third parties and suppliers. As such, the Council does not proactively perform sufficient and appropriate risk assessment of third parties to identify cyber threats and vulnerabilities. The Council has acknowledged the need to implement this process, and is in the process of investigating options.	Blaby District Council should prioritise the implementation of a process by which suppliers and third parties are subject to risk assessment both at initial procurement and throughout their contract. This assessment should be based on a pre-defined set of requirements set by the organisation to form a baseline maturity which third-parties must meet.  Periodic reassessment of suppliers should be undertaken at contract renewal, in response to any significant changes, and using a risk-based approach which considers the criticality to the organisation.	The whole process is being reviewed including a risk assessment of third parties. This assessment will establish a pre-defined set of requirements set by Blaby District Council to form a baseline maturity which third-parties must meet. The scheduling of reassessment of suppliers will also be established during this process.	No further update at this stage. The review of third-party and supplier risk assessment processes remains ongoing and will be implemented in line with the Council's agreed risk management framework.
Amber	Blaby District Council has not undertaken any testing of the Incident Management Plan in the 2024/25 reporting period. There are no plans to undertake testing or exercising with regard to cyber security.	Blaby District Council should ensure that incident response plans are subject to regular testing to assess the effectiveness of response and recovery procedures, with tests encompassing formats such as desktop scenarios and simulations. Testing should be documented, with lessons learned activities performed and used to inform planning going forward.	Alongside the establishment of a cyber security incident team, partnership with Cyber Centre of Excellence, Blaby District Council have an external Security Operations Centre to advise and guide on desktop scenarios, phishing tests, and operational & strategic business continuity plans. These tasks will be formalised and put into operation during Q3 25/26.	No further update. Formal testing and exercising of cyber incident response arrangements will align to the establishment of the Cyber Security Incident Response Team and external partners, with structured scenarios forming part of the 2025/26 operational programme.



# IT Recommendations

Assessment	Issue	Recommendation	Management response when work was completed (August 2025)	Further management update (January 2026)
Amber*	The Active Directory password configuration has been deemed ineffective as the account lockout and multi-factor authentication (MFA) has not been enabled.	We recommend that the accounts are set to lock if the user enters an incorrect password five times and that multi-factor authentication is enabled.	User accounts all now have Phishing Resistant Multi Factor Authentication through physical FIDO2 keys. Blaby District Council's Microsoft Defender Plan reaches across cloud resources, physical devices and all user data and is established to lockout any at risk accounts. Our external Security Operations Centre are also empowered 24/7/365 to lock out any compromised or suspected compromised accounts, devices or systems.	No further update.
Amber*	There are six privileged accounts in Active Directory that were deemed not appropriate.	We recommend that privileged accounts are provisioned on a least privilege basis and reviewed regularly to confirm that users access remains appropriate.	Administrative privileged accounts are now protected with Phishing Resistant Multi Factor Authentication during every login, and Privileged Identity Management has been established to provide an auditable and lowest privilege system to reduce any associated risks.	No further update.

During 2024/25, the Council's IT function was outsourced using the Leicestershire ICT Partnership (LICTP). The IT function was brought back in-house within Blaby District Council in July 2025. We therefore have made observations during our 2024/25 work, when the IT function was under the LICTP, which now are being considered and responded to as part of the in-house function.

\* these two observations have not been agreed with the LICTP function. We are working in conjunction with the Council to ensure we are able to conclude on these areas with LICTP. Blaby District Council have provided a response to these as noted above.

# Follow up of prior year recommendations

Assessment 2023/24	Issue	Recommendation	Auditor update 2024/25	Outcome
Green	<p>As part of our work on journals testing, we identified a best practice recommendation for the Council to consider.</p> <p>We identified that journals do not require approval before being posted in the general ledger. The risk associated with this is that inappropriate postings could be made resulting in fraud or error. This then relies on monthly management reviews to identify and correct any journals which have been posted in error or journals where mistakes have been made. There is also a risk these reviews do not pick up journals which require correction and therefore this could have an impact on the reported financial position.</p>	<p>Management should consider implementing a review process for journals over a specified monetary amount to ensure they are appropriate and free from error.</p>	<p>We are rolling this recommendation forward in 2024/25 as we note that due to the timing of our Audit Completion Report in 2023/24, management would have been unable to action for the 2024/25 financial year.</p>	<p>Action not addressed. Recommendation remains open.</p>

Key: **Significant** effect on financial statements **Limited** effect on financial statements **Low** improvement point / best practice



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# Appendix II

## Fees



# Appendix II: Fees

Our fees for the year ending 31 March 2025 are set out below and on the next page.

Audit fees	£
<i>Scale fee – base fee for the audit of the Council 's financial statements (as set out in the scale fees issued by PSAA)</i>	
Core work	154,656
<i>Other fees relating to core audit</i>	
<b>IFRS16 Leases:</b> work needed to audit the new standard. PSAA have confirmed this work is not included in the above scale fee.	12,772
<b>Consideration of potential objection received</b> Initial analysis of potential objection received and responding to confirm not a valid objection.	1,328
<b>Sub total</b>	<b>168,756</b>



# Appendix II: Fees

Our fees for the year ending 31 March 2025 are set out in the PSAA scale fees communication and are shown below and on the next page

Audit fees	£
<i>Disclaimer reporting fees</i>	
<b>Disclaimer fees:</b> in-year disclaimer planning and reporting. Additional work required to issue the disclaimer of opinion. This includes the extended reporting contained in this report and the audit plan, additional review and consultation requirements and additional file documentation requirements.	14,940
<i>Build back fees</i>	
Costs to recover assurance over disclaimed periods including: LARRIG 06 risk assessment PPE build back Analysis of reserves for 2020/21, 2021/22, 2022/23 and 2023/24. This includes costs of addressing findings and raising queries relating to consistency issues with the reserves work for each period.	19,438 22,726 25,741
<b>Sub total</b>	<b>82,845</b>
<b>Sub-total carried forward from previous page</b>	<b>168,756</b>
<b>Total audit fees</b>	<b>251,601</b>



# Appendix II: Fees

## Total fees

Non audit fees for other services	Proposed fee £	Final fee £
Housing Benefit (HBAP) certification*	28,000	28,000
<b>Total non audit fees</b>	<b>28,000</b>	<b>28,000</b>
Fees brought forward for the core audit and build back, plus disclaimer reporting costs (see previous page)	TBC	<b>251,601</b>
<b>Total fees charged</b>	TBC	279,601

The core audit fee charged reconciles to the fees disclosed in the financial statements.

As per PSAA's Scale Fees Consultation, the scale fees did not include the new requirements of IFRS16 Leases. Additional Fees charged are subject to the fees variation process as outlined by the PSAA. MHCLG has announced additional funding for councils to meet the cost of work undertaken to issue disclaimed opinions and recover (build back) assurance over prior disclaimed periods with a view to returning to unmodified opinions at a future date.

\*subject to additional fees of £2,000 per additional workbook required.



