

Appendix A



Blaby District Council

External Audit Plan

Year ended 31 March 2026

April 2026

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Adding value through the audit

All of our clients demand of us a positive contribution to meeting their ever-changing business needs. Our aim is to add value to the Council through our external audit work by being constructive and forward looking, by identifying areas of improvement and by recommending and encouraging good practice. In this way, we aim to help the Council promote improved standards of governance, better management and decision making and more effective use of resources.

Management responsibility

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, as a whole, are free from material misstatement, whether caused by fraud or error.

This report has been prepared for the sole use of those charged with governance, should not be quoted in whole or in part without our prior written consent, and should not be relied upon by third parties. No responsibility is assumed by Azets Audit Services to any third parties. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting, on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

Introduction and audit scope

This audit plan highlights the key elements of our proposed audit strategy and provides an overview of the planned scope and timing of the statutory external audit of Blaby District Council ('the Council') for the year ended 31 March 2026

Scope of our audit

The scope of our audit is set in accordance with the Code of Audit Practice published by the National Audit Office and International Standards on Auditing UK (ISAs). We are responsible for:

- ▶ **Financial statements:** forming and expressing an opinion on the Council's financial statements; and
- ▶ **Value for money:** considering whether there are sufficient arrangements in place at the Council for securing economy, efficiency and effectiveness in its use of resources (our value for money work).

The audit does not relieve management or the Audit Committee of their responsibilities. It is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We consider how the Council is fulfilling these responsibilities.

Our audit approach is based on a thorough understanding of the Council's business and is risk-based.

We will conduct our audit in accordance with International Standards on Auditing (ISAs) (UK), the Local Audit and Accountability Act 2014 (the 'Act') and the National Audit Office Code of Audit Practice 2024. The Code of Audit Practice sets out what local auditors of relevant local public bodies are required to do to fulfil their statutory responsibilities under the Act.

Our communication to those charged with governance at the Council will be through the Audit Committee.



Introduction and audit scope

Our respective responsibilities

Council responsibilities	Auditor responsibilities	Statutory powers
<p>Your responsibilities include:</p> <ul style="list-style-type: none"> ▶ Preparing financial statements which give a true and fair view, in accordance with the applicable financial reporting framework and relevant legislation; ▶ Preparing and publishing, along with the financial statements, an annual governance statement and narrative report; ▶ Maintaining proper accounting records and preparing working papers to an acceptable professional standard that support your financial statements and related disclosures; ▶ Establishing and maintaining a sound system of internal control; ▶ Maintaining standards of conduct for the prevention and detection of fraud and other irregularities; ▶ Maintaining strong corporate governance arrangements and a financial position that is soundly based; ▶ Establishing and maintaining an effective internal audit function; ▶ Ensuring the proper financial stewardship of public funds, complying with relevant legislation and establishing effective arrangements for governance, propriety and regularity. 	<p>Our primary responsibility is to form and express an independent opinion on the Council’s financial statements, stating whether they provide a true and fair view and have been prepared properly in accordance with applicable law and the CIPFA Code of Practice on Local Authority Accounting in the UK (the ‘CIPFA Code’). We are also required to:</p> <ul style="list-style-type: none"> ▶ Report on whether the other information included in the Statement of Accounts (including the Narrative Report and Annual Governance Statement) is consistent with the financial statements; ▶ Report by exception if the disclosures in the Annual Governance Statement are incomplete or if the Annual Governance Statement is misleading or inconsistent with our knowledge acquired during the audit; ▶ Report by exception any significant weaknesses identified in arrangements for securing value for money and a summary of associated recommendations; ▶ Report by exception on the use of our other statutory powers and duties; and ▶ Certify completion of our audit. <p>We will issue our Audit Completion Report and an Auditors Annual Report to the Audit Committee setting out the findings from our work.</p>	<p>Under the Act we have a broad range of reporting responsibilities and powers that are unique to local authorities in the United Kingdom. These include:</p> <ul style="list-style-type: none"> ▶ Reporting matters in the public interest; ▶ Making written recommendations to the Council; ▶ Making an application to the court for a declaration that an item of account is contrary to law; ▶ Issuing an advisory notice; ▶ Making an application for judicial review; and ▶ Giving electors the opportunity to raise questions about your financial statements and considering and deciding upon any objections received in relation to the financial statements.



Audit approach

General approach

Our objective when performing an audit is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement and to issue an auditor's report that includes our auditor's opinion.

As part of our risk-based audit approach, we will:

- ▶ Perform risk assessment procedures including updating our understanding of the Council, its environment, the financial reporting framework and its system of internal control;
- ▶ Review the design and implementation of key internal controls;
- ▶ Identify and assess the risks of material misstatement, whether due to fraud or error, at the financial statement level and the assertion level for classes of transaction, account balances and disclosures;
- ▶ Design and perform audit procedures responsive to those risks, to obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion; and
- ▶ Exercise professional judgment and maintain professional scepticism throughout the audit recognising that circumstances may exist that cause the financial statements to be materially misstated.

We would ordinarily undertake a variety of audit procedures designed to provide reasonable assurance that the financial statements are free from material misstatement. However, as your prior years' financial statements have been disclaimed, we will this year undertake specific procedures to build back assurance in accordance with LARRIG06 and in line with our overarching build back plan.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

We include an explanation in the auditor's report of the extent to which the audit was capable of detecting irregularities, including fraud and respective responsibilities for prevention and detection of fraud.

Accounting systems and internal controls

The purpose of an audit is to express an opinion on the financial statements. We will follow a substantive testing approach to gain audit assurance rather than relying on tests of controls. As part of our work, we consider certain internal controls relevant to the preparation of the financial statements such that we are able to design appropriate audit procedures. However, this work does not cover all internal controls and is not designed for the purpose of expressing an opinion on the effectiveness of internal controls. If, as part of our consideration of internal controls, we identify significant deficiencies in controls, we will report these to you in writing.



Audit approach

Other key areas

Going concern: management responsibility

Management is required to make and document an assessment of whether the Council is a going concern when preparing the financial statements. The review period should cover at least 12 months from the date of approval of the financial statements. Management are also required to make balanced, proportionate and clear disclosures about going concern within the financial statements where material uncertainties exist in order to give a true and fair view.

Related party transactions

ISA 550 requires that the audit process starts with the audited body providing a list of related parties to the auditor, including any entities under common control.

During our initial audit planning you have informed us of the individuals and entities that you consider to be related parties. Please advise us of any changes as and when they arise.

Going concern: auditor responsibility

Under ISA (UK) 570, we are required to consider the appropriateness of management's use of the going concern assumption in the preparation of the financial statements and consider whether there are material uncertainties about the Council's ability to continue as a going concern that need to be disclosed in the financial statements.

In assessing going concern, we will consider the guidance published in the CIPFA Code and Practice Note 10, which focuses on the anticipated future provision of services in the public sector rather than the future existence of the entity itself.

Use of experts

We will use audit specialists to assist us in our audit work in the following areas:

- The audit of actuarial assumptions used in the calculation of the defined benefit pension liability; and
- ▶ The audit of property valuations, should the need arise during the audit.

Additional procedures required by the National Audit Office

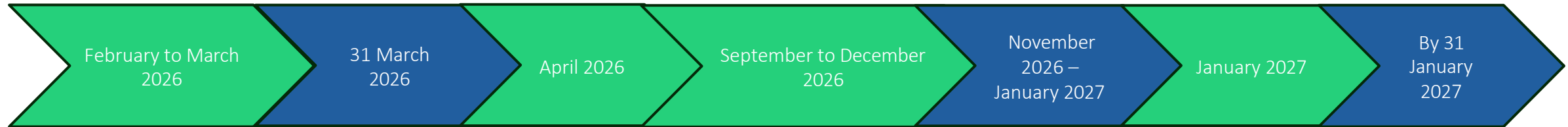
The National Audit Office (NAO) team for the Whole of Government Accounts issues group audit instructions which set out additional audit requirements. We expect the procedures for this year to be similar to previous years.

The NAO audit team request us to undertake specific audit procedures in order to provide them with additional assurance over the amounts recorded in the Council's WGA schedules. The extent of these procedures will depend on whether the Council has been selected by the NAO as a sampled component for 2025/26. As at the date of this report, the draft instructions have not yet been issued by the NAO and the NAO has not yet confirmed which entities will be sampled components. We will comply with the instructions and report to the NAO in accordance with their requirements once instructions have been issued.



Audit Timeline

The following timeline indicates the key milestones of the audit



Planning	Period end: 31 March 2026	Communicating	Final accounts	Audit Committee	Completion	Sign off
<ul style="list-style-type: none"> ▶ Identify changes in your business environment ▶ Determine materiality ▶ Scope the audit ▶ Risk assessment ▶ Planning meetings with management ▶ Planning requirements checklist to management ▶ Issue audit plan ▶ Document control design and effectiveness 	<ul style="list-style-type: none"> ▶ Management to produce draft accounts for audit by statutory deadline of 30 June 2026. 	<ul style="list-style-type: none"> ▶ Discuss audit plan with audit committee. 	<ul style="list-style-type: none"> ▶ Regular updates with management ▶ Completion of all audit testing ▶ Review of Narrative Report and Annual Governance Statement ▶ Undertake procedures on significant risk areas ▶ Report observations on other risk areas, management judgements ▶ Draft Audit Completion Report ▶ Close-out meeting with management 	<ul style="list-style-type: none"> ▶ Discuss audit findings with audit committee ▶ Issue draft Audit Completion (ISA260) report 	<ul style="list-style-type: none"> ▶ Subsequent events procedures ▶ Management representation letter ▶ Receive IAS19 assurance letter from pension fund auditor ▶ Sign financial statements ▶ Issue Auditor's Annual Report. 	<ul style="list-style-type: none"> ▶ Sign audit report opinion ▶ Issue delayed audit certificate



Materiality

We apply the concept of materiality both in planning and performing the audit, and in evaluating the effect of identified misstatements on the audit and of uncorrected misstatements

An omission or misstatement is regarded as material if it would reasonably influence the users of the financial statements. The assessment of what is material is a matter of professional judgement and is affected by our assessment of the risk profile of the Council and the needs of the users. When planning, we make professional judgements about the size of misstatements which we consider to be material, based on our knowledge of the Council, considering factors such as financial stability, expectations of readers and stakeholders, sector developments and financial reporting requirements. In determining materiality, we consider the level of misstatement that could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Whilst our audit procedures are designed to identify misstatements which are material to our audit opinion, we also report any uncorrected misstatements of lower value errors we identify.

Under ISA (UK) 260 we are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial'. ISA (UK) 260 defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria.

Our determination of materiality:

- ▶ Informs the scope of our audit and audit procedures
- ▶ Informs the sample sizes required for substantive testing
- ▶ Informs our evaluation of the effect of actual and projected misstatements in the financial statements.

Materiality is revised as our audit progresses, should we become aware of any information that would have caused us to determine a different amount had we known about it during our planning.

We also consider whether any specific items of account require a separate, lower materiality. We have determined that no specific materiality levels need to be set for this audit.



Materiality

The table below highlights the levels of materiality determined at the planning stage of the audit

	Council £'000	Explanation
Overall materiality for the financial statements	782	This is 1.75% of gross revenue expenditure based on the prior year audited financial statements. This is a common measure for calculating materiality for councils as the primary interest of users of the Council's financial statements is in the cost of providing services, how the Council manages its spending and where the Council has expended its income during the year.
Performance materiality	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	39.1	This is set at 5% of the overall materiality calculation. Individual errors above this threshold are communicated to those charged with governance.



Significant risks of material misstatement

Significant risks are risks that require special audit consideration

Significant risks include risks of material misstatement that are close to the upper range of inherent risk due to their nature and the likelihood and potential magnitude of misstatement or are required to be treated as significant risks by auditing standards.

The table below summarises the significant risks we have identified from our audit planning. Detail behind each risk and the work proposed is set out on the subsequent pages.

All other material balances and transaction streams will also be audited; however, the procedures will not be as extensive as for the risks identified below.

Significant risk	Financial Statement / Assertion Level Risk	Fraud risk?	Approach to controls	Inherent risk of material misstatement
Management override of controls	Financial Statement Level	Yes	Assess design & implementation	Very high
Prior year opinion on financial statements	Financial Statement level	No	Assess design & implementation	Very high
Presumption of fraud in revenue recognition	Assertion Level	Rebutted	Process documentation only	Low
Presumption of fraud in expenditure recognition	Assertion level	Rebutted	Process documentation only	Low
Valuation of land and buildings	Assertion Level	No	Assess design & implementation	High
Valuation of investment properties	Assertion Level	No	Assess design & implementation	High
Valuation of the defined benefit pension fund net liability (IAS19)	Assertion Level	No	Assess design & implementation	High
Implementation of IFRS 16 (rolled forward from 2024/25)	Assertion Level	No	Assess design & implementation	High



Significant risks of material misstatement

Significant risks at the financial statement level

The table below summarises significant risks of material misstatement at the financial statement level. 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>Management override of controls</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 will vary 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>Risk of material misstatement: Very High</p>	<p>Procedures we will perform to mitigate risks of material misstatement in this area will include:</p> <ul style="list-style-type: none"> • Documenting our understanding of the journals posting process and evaluating the design effectiveness and implementation of management controls over journals; • Analysing the journals listing and determining the criteria for selecting high risk and/or unusual journals; • Testing 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 has been undertaken in line with the Council's journals policy; • Gaining an understanding of the key accounting estimates and critical judgements made by management. We will also challenge assumptions and consider for reasonableness and indicators of bias which could result in material misstatement due to fraud; and • Evaluating the rationale for any changes in accounting policies, estimate or significant unusual transactions.



Significant risks of material misstatement

Significant risk	Audit approach
<p>Prior year disclaimed audit opinions As a result of the backstop implemented on 27 February 2026, a disclaimer audit opinion was provided on the Council’s 2024/25 financial statements. Disclaimed audit opinions have also been provided on the council’s accounts for 2020/21, 2021/22, 2022/23, 2023/24 and 2024/25.</p> <p>As a result of prior year disclaimed audit opinions:</p> <ul style="list-style-type: none"> • 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 building and investment property valuations, amongst others); and • 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. <p>The absence of prior year assurance raises a significant risk of material misstatement at the financial statement level that may require additional audit procedures.</p> <p>Inherent risk of material misstatement:</p> <ul style="list-style-type: none"> • Prior year opinion on the financial statements: Very high 	<p>Our approach to address this risk is covered in detail in the “Building back assurances” section later in this plan.</p>



Significant risks of material misstatement

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

The following tables summarise significant risks of material misstatement at the assertion level for classes of transaction, account balances and disclosures.

Significant risk	Audit approach
<p>Fraud in revenue recognition (rebutted)</p> <p>Material misstatement due to fraudulent financial reporting relating to revenue recognition is a rebuttable presumed risk in ISA (UK) 240.</p> <p>Having considered the nature of the revenue streams at the Council, we consider that the risk of fraud in revenue recognition can be rebutted due to the following:</p> <ul style="list-style-type: none">• There is little incentive to manipulate revenue;• Opportunities to manipulate revenue are very limited;• The culture and ethical frameworks of local authorities includes counter-fraud policies, procedures and controls. <p>Therefore, we do not consider this to be a significant risk for the Council.</p>	<p>We do not consider this to be a significant risk for the Council and standard audit procedures will be carried out. We will keep this judgement under review throughout the audit to ensure it remains appropriate.</p>



Significant risks of material misstatement

Significant risk	Audit approach
<p>Fraud in expenditure recognition (rebutted)</p> <p>Due to the presumption that there are risks of fraud in expenditure recognition, we are required to evaluate which types of expenditure, transactions or assertions give rise to such risks.</p> <p>We have considered Practice Note 10 which comments that, for certain public bodies, the risk of manipulating expenditure could exceed the risk of manipulating revenue. We have therefore considered the risk of fraud in expenditure at the Council for all expenditure streams and concluded that there is not a significant risk. This is due to the low fraud risk in the underlying nature of the transactions, the high predictability of certain expenditure streams, such as payroll or interest, or the immaterial nature of the expenditure streams both individually and collectively.</p> <p>Our consideration of expenditure streams also included capital expenditure and we similarly concluded that there is not a significant risk. Capital expenditure transactions are likely to be larger and subject to more scrutiny, reducing the risk of improper recognition.</p>	<p>We do not consider this to be a significant risk for the Council and standard audit procedures will be carried out. We will keep this judgement under review throughout the audit to ensure it remains appropriate.</p>



Significant risks of material misstatement

Significant risk	Audit approach
<p>Valuation of land and buildings (key accounting estimate)</p> <p>Revaluation of operational land and buildings should be performed in line with the revised revaluation requirements for 2025/26 onwards set out in the CIPFA Code. The Council has adopted a quinquennial programme of revaluation with use of indexation in the intervening years. In 2025/26, the Council is using indexation given the last full valuation was completed in 2024/25. Management engaged the services of a qualified valuer, who is a Regulated Member of the Royal Institute of Chartered Surveyors (RICS) to undertake any valuations required as of 31 March 2026 and to provide advice on appropriate indices.</p> <p>The valuations and index uplifts 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. 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 operational land and buildings as a significant risk.</p> <p>We will further pinpoint this risk to specific assets, or asset types, on receipt of the draft financial statements and the year-end updated asset valuations, to those assets where the valuation movement falls outside of our expectations and/or there are significant changes to any of the key assumptions.</p> <p>Inherent risk of material misstatement:</p> <ul style="list-style-type: none"> Land and Buildings (valuation): High 	<p>Procedures we will perform to mitigate risks of material misstatement in this area will include:</p> <ul style="list-style-type: none"> Evaluating management processes, controls and assumptions for the calculation of the estimate, the instructions issued to the valuation experts and the scope of their work; Evaluating the competence, capabilities and objectivity of the valuation expert; Considering the basis on which the valuations and indexation uplifts are carried out and challenging the key assumptions applied; Evaluating the reasonableness of the valuation movements for assets revalued during the year, with reference to market data; For unusual or unexpected valuation movements, testing the information used by the valuer to ensure it is complete and consistent with our understanding; 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; Evaluating the assumptions made by management for any assets not revalued during the year and how management are satisfied that these are not materially misstated; and Engaging our own valuations expert, where necessary, to assess any judgemental assumptions used that underpin the final valuations.



Significant risks of material misstatement

Significant risk	Audit approach
<p>Valuation of investment properties (key accounting estimate)</p> <p>The Council undertakes a full revaluation of its investment properties annually, to ensure that the carrying value is not materially different from the fair value. 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 as of 31 March 2026.</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. 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 investment properties as a significant risk.</p> <p>We will further pinpoint this risk to specific assets, or asset types, on receipt of the draft financial statements and the year-end updated asset valuations, to those assets where the valuation movement falls outside of our expectations and/or there are significant changes to any of the key assumptions.</p> <p>Inherent risk of material misstatement:</p> <ul style="list-style-type: none"> Investment properties (valuation): High 	<p>Procedures we will perform to mitigate risks of material misstatement in this area will include:</p> <ul style="list-style-type: none"> Evaluating management processes, controls and assumptions for the calculation of the estimate, the instructions issued to the valuation experts and the scope of their work; Evaluating the competence, capabilities and objectivity of the valuation expert; Considering the basis on which the valuations are carried out and challenging the key assumptions applied; Evaluating the reasonableness of the valuation movements for assets revalued during the year, with reference to market data; For unusual or unexpected valuation movements, testing the information used by the valuer to ensure it is complete and consistent with our understanding; 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 Engaging our own valuations expert, where necessary, to assess any judgemental assumptions used that underpin the final valuations.



Significant risks of material misstatement

Significant risk	Audit approach
<p>Valuation of the defined benefit pension net liability – IAS19 (key accounting estimate)</p> <p>The pension fund net liability is considered a significant estimate due to the size of the numbers involved and the sensitivity of the estimate to changes in key assumptions. An actuarial estimate of the net defined benefit 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.</p> <p>This represents a key accounting estimate made by management within the financial statements due to the size of the gross asset and liability 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>Inherent risk of material misstatement:</p> <ul style="list-style-type: none"> • Pension fund net liability (valuation): High 	<p>Procedures we will perform to mitigate risks of material misstatement in this area will include:</p> <ul style="list-style-type: none"> • Evaluating managements processes for the calculation of the estimate, the instructions issued to management’s expert (the actuary) and the scope of their work; • Evaluating the competence, capabilities and objectivity of the actuary; • 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; • Evaluating the methods, assumptions and source data used by the actuary in their valuations, with the support of an auditors’ expert; • Testing the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary; • If the pension fund is in surplus, ensuring that any asset recorded in the financial statements, and any additional liabilities for secondary contributions have been accounted for correctly in line with the requirements of IFRIC 14; • Obtaining assurances from the pension fund auditor as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements; and • Ensuring pension valuation movements for the year and related disclosures have been correctly reflected in the financial statements.



Significant risks of material misstatement

Significant risk	Audit approach
<p>Implementation of IFRS 16 (rolled forward from 2024/25)</p> <p>We have rolled forward this risk from our 2024/25 audit. This is due to work commencing in 2024/25 but not concluding. The risk is detailed below.</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 has resulted in significant changes to the accounting for leased assets and the associated disclosures within the financial statements.</p> <p>The implementation of this new accounting standard also represents a key accounting estimate 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.</p> <p>Work relating to the evaluation of the implementation of the standard was commenced in the prior year and will be completed in the 2025/26 year. We have therefore identified the implementation of IFRS 16 remains a significant risk.</p> <p>Inherent risk of material misstatement:</p> <ul style="list-style-type: none"> Lease liabilities following implementation of IFRS 16 (completeness): High 	<p>Procedures we will perform to mitigate risks of material misstatement in this area will include:</p> <ul style="list-style-type: none"> 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; Review the council's accounting policies for the year ended 31 March 2025 and 31 March 2026 to reflect the requirements of the new accounting standard; Evaluate the competence, capabilities and objectivity of management's IFRS 16 expert; 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 Evaluate whether lease liabilities have been appropriately remeasured in line with the requirements of IFRS 16 as set out in the CIPFA Code.



IT Audit strategy

We require to obtain an understanding of the IT environment related to all key business processes, identify all risks from the use of IT relevant to our audit and assess the IT general controls (ITGCs) in place to mitigate them.

Our audit will include completing an assessment of the design and implementation of ITGCs related to security management; technology acquisition, development and maintenance; and technology infrastructure.

The following IT applications are in scope for IT controls assessment based on the planned financial statement audit approach:

IT Application	Audit area	Planned level of IT audit assessment
eFinancials	Financial reporting	ITGC assessment (design and implementation effectiveness only).
Active Directory	Network access and authentication	ITGC assessment (design and implementation effectiveness only).



Building back assurance

This section sets out the work we plan to undertake in 2025/26 to build back assurance from disclaimed years of audit. Our work is planned in accordance with Local Audit Reset and Recovery Implementation Guidance (LARRIG) 01 to 06 published by the National Audit Office

On 30 September 2024, Statutory Instrument (2024) No. 907 - “The Accounts and Audit (Amendment) Regulations 2024” came into force. This legislation imposed annual statutory backstop dates up to and including the 2027/28 year of account for the publication by the Council of its audited financial statements. For 2025/26, the statutory backstop date is 31 January 2027.

The Code of Audit Practice specifies that auditors are required to issue their auditor’s report before these dates, even if planned audit procedures are not fully complete, so that local government bodies can comply with the statutory reporting deadline. Where audit work is not complete, this will give rise to a disclaimer of opinion. This means the auditor has not been able to form an opinion on the financial statements.

Disclaimed opinions were issued by the predecessor auditor for 2020/21, 2021/22 and 2022/23 and by Azets in 2023/24 and 2024/25. Following the publication of LARRIGs 01 to 06 we have developed an overarching strategy for building back assurance for the Council, with the aim of recovering assurance by 31 March 2028. This is subject to:

- ▶ Management implementing in full all recommendations in respect of the financial statements raised in our 2024/25 audit completion report;
- ▶ No adverse or unexpected transactions, errors or misstatements being identified in the current or previous periods as part of our work and minimal retrospective changes to previously published financial statements;
- ▶ Robust and effective control environments being in place and operating throughout the disclaimed period;
- ▶ Full availability of supporting records, information and evidence in the current and previous periods;
- ▶ Sufficient capacity within the finance team to facilitate the current year audit and additional work required as part of building back assurance;
- ▶ Current and previous years’ financial statements being of good quality, including all notes, the Narrative Report and the Annual Governance Statement;
- ▶ The availability of good quality working papers being readily available to support previous years of account;
- ▶ The provision of agreed data reports as required, fully reconciled to the values in the accounts, to facilitate our selection of samples for testing in current and previous years;
- ▶ Ensuring staff are available during the period of the audit for current and previous years’ financial statements;
- ▶ Prompt and sufficient responses to audit queries within three working days to minimise delays.



Building back assurance

Following the release of LARRIG06 in July 2025 our focus in 2024/25 was commencing the significant and comprehensive risk assessment required under the statutory guidance, analysing reserves movements across the disclaimed period, commencing the substantive testing to build back property, plant and equipment movements across the disclaimed period, and reviewing the capital financing requirement and minimum revenue provision calculations across the disclaimed period.

For 2025/26, our focus will be on in-year transactions, obtaining full closing balances assurance as at 31 March 2026 and continuing our programme of build-back work over the disclaimed period. A status update on all areas of build-back work is set out below.

Component	Activity	Work planned
Planning	<p>Risk Assessment (Qualitative risk assessment (LARRIG 06))</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. In the prior year we commenced our detailed assessment of a number of risk factors, as set out in LARRIG 06, including consideration of the following:</p> <ul style="list-style-type: none"> • Whether the Council has a history of timely production of the financial statements • The number of years for which disclaimed opinions have been issued • The complexity and volume of movement in reserves over the disclaimed period • The strength of the control environment in place over the period of disclaimed opinions • Changes in key personnel, financial reporting systems or key processing activities during the disclaimed period • Previous reporting of significant deficiencies in control, significant weaknesses in arrangements to secure VFM or material or other misstatements • The level of reserves in place over the disclaimed period • Issues reported by Internal Audit and in the Annual Governance Statements 	<p>As part of our 2024/25 audit, we completed a comprehensive qualitative risk assessment covering the areas specified in the LARRIG06 guidance from NAO. This risk assessment concluded that the Council is at the lower end of the risk spectrum for building back assurance. This means less extensive procedures over the Council's income and expenditure transactions will be required to build back assurance over the disclaimed period. Our detailed build back work in 2025/26, will therefore be informed by the quantitative risk assessment summarised on the next slide.</p>



Building back assurance

Component	Activity	Work planned
<p>Planning</p>	<p>Analysis of movements in reserves (Quantitative Risk Assessment (LARRIG 06))</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. In the prior year we concluded our detailed analysis of the Council’s useable and unusable reserves movements over the disclaimed period, with a view to assessing the cumulative impact of movements and the impact of any identified inconsistencies or irregularities.</p>	<p>As reported in our Audit Completion Report for 2024/25, we completed an analysis of the movement in reserves for each of the disclaimed periods. We have reconciled and validated reserve movements within the Movement in Reserves Statement (MIRS) back to the last clean audit opinion (2019/20). 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 noted on the previous page, it helps determine any areas where we may need to perform focussed audit testing as part of our build back approach.</p> <p>In 2025/26, we will consider any additional substantive testing which we may need to perform over the disclaimed period as a result of the MIRS work we have undertaken for the disclaimed periods.</p>



Building back assurance

Component	Activity	Work planned
Planning	<p>Integrity of accounts and agreement of financial statements to Council systems</p> <p>This work involves confirming that the accounts produced each year during the disclaimed period agree to the Council's own systems, such as agreeing the accounts to the general ledger for each year and agreeing the opening ledger for each year to the prior year financial statements.</p>	<p>We completed the majority of this work over the disclaimed period in 2024/25. In 2025/26 we will maintain this assurance by undertaking our standard audit procedures.</p> <p>Our planned work for building back assurance over the disclaimed periods to address the management override of control risk will mean we will complete an additional check on reconciling the Council's systems and financial statements to the journals posted, providing a further completeness check. This is planned to be done in 2025/26.</p>
Planning	<p>Review of predecessor auditor files</p> <p>We have concluded our work reviewing the predecessor auditor's file to the last clean opinion, 2019/20.</p>	<p>This is complete.</p>
Planning	<p>Consideration of fraud and the control environment over the disclaimed period</p> <p>We are required by LARRIG06 and ISA315 to consider the risk of fraud and the control environment over the disclaimed period. In the prior year we concluded our work in this area.</p>	<p>We have concluded our work over the disclaimed period.</p> <p>In 2025/26 we will maintain this assurance by undertaking our standard audit procedures.</p>



Building back assurance

Component	Activity	Work planned
Substantive testing	<p>Property, Plant and Equipment: building back assurance over the disclaimed period</p> <p>In order to build back assurance over the reserves, we are required to undertake substantive testing of movements in property, plant and equipment over the disclaimed period. In the prior year we commenced our work in this area.</p>	<p>We substantially completed this work in 2024/25. In 2025/26, we will conclude our work building back assurance over the Council's property, plant and equipment movements over the disclaimed period.</p> <p>In 2025/26 we will maintain this assurance by auditing the current movements for property, plant and equipment.</p>
Substantive testing	<p>Balances directly influenced by the opening position: building back assurance over the disclaimed period</p> <p>In order to build back assurance over balances where the closing position is directly influenced by the opening position, we are required to undertake substantive testing of movements in these balances over the disclaimed period. In the prior year we commenced our work in this area.</p>	<p>In 2025/26 we will conclude our work building back assurance over these areas during the disclaimed period. In 2025/26 we will maintain this assurance by auditing the current closing balances for these areas.</p>



Building back assurance

Component	Activity	Work planned
Substantive testing	<p>Capital financing requirement and minimum revenue provision: building back assurance over the disclaimed period</p> <p>In order to build back assurance over the reserves, we need to substantively verify the calculations behind the capital financial requirement and minimum revenue provision over the disclaimed period. In the prior year we concluded our work in this area.</p>	<p>We have concluded our work over the disclaimed period. In 2025/26 we will maintain this assurance by auditing the current disclosures for these areas.</p>
Substantive testing	<p>Journals over the disclaimed period</p> <p>To mitigate the risk of management override of controls over the disclaimed period, we need to undertake substantive, risk-based journals testing over the disclaimed period. In the prior year we commenced our work in this area for the 2024/25 and 2023/24 years.</p>	<p>In 2025/26 we will conclude our work building back assurance in this area over the disclaimed period for the financial years we have started, 2023/24 and 2024/25. In addition, we will focus our work on completing the additional disclaimed years, 2020/21, 2021/22 and 2022/23 journals testing. In 2025/26 we will maintain this assurance by auditing the current disclosures for these areas.</p>
Substantive testing	<p>Reserves assurance over the disclaimed period</p> <p>Our analysis of movements in reserves has confirmed that the Council is at the lower end of the risk spectrum for building back assurance on reserves balances. This means less extensive procedures over the Council's income and expenditure transactions will be required to provide assurance on reserves over the disclaimed period.</p>	<p>In 2025/26 we will commence any focussed testing of income and expenditure transactions over the disclaimed period and reach a conclusion on opening reserves for 2025/26 in accordance with the outcome of our qualitative and quantitative risk assessments undertaken in line with LARRIG06.</p>



Building back assurance

Component	Activity	Work planned
Balance sheet assurance	<p>Closing balances as at 31 March 2026</p> <p>Obtaining full closing assurance over all balances as at 31 March 2026 is subject to:</p> <ul style="list-style-type: none"> • management implementing in full the recommendations raised during our 2024/25 audit to support the building back of assurance. • obtaining historic assurance over those balances directly influenced by the closing position. • receiving full assurances from the pension fund auditor in respect of the net pension liability (IAS19). • no significant errors being identified in either our build back assurance work or the current year audit. 	<p>In 2025/26 we plan to obtain full closing assurance over all balances as at 31 March 2026.</p> <p>Once obtained, this will form the first of three years of balance sheet assurance required to move to a non-disclaimed position in 2027/28.</p>
Reporting	<p>Reporting the results of the audit</p> <p>We will again provide a detailed Audit Completion Report providing additional information over the build back work undertaken, the outcome of our work and the progress against the overarching build back journey. This includes the additional work required to issue the disclaimer of opinion, additional review and consultation requirements and additional file documentation requirements.</p>	<p>In 2025/26 we will issue an extended Audit Completion report to the Audit Committee before the backstop date of 31 January 2027.</p>



Value for money

We are required to consider whether the Council has established proper arrangements to secure economy, efficiency and effectiveness in its use of resources, as set out in the NAO Code of Practice 2024 and the requirements of Auditor Guidance Note 3 ('AGN 03').

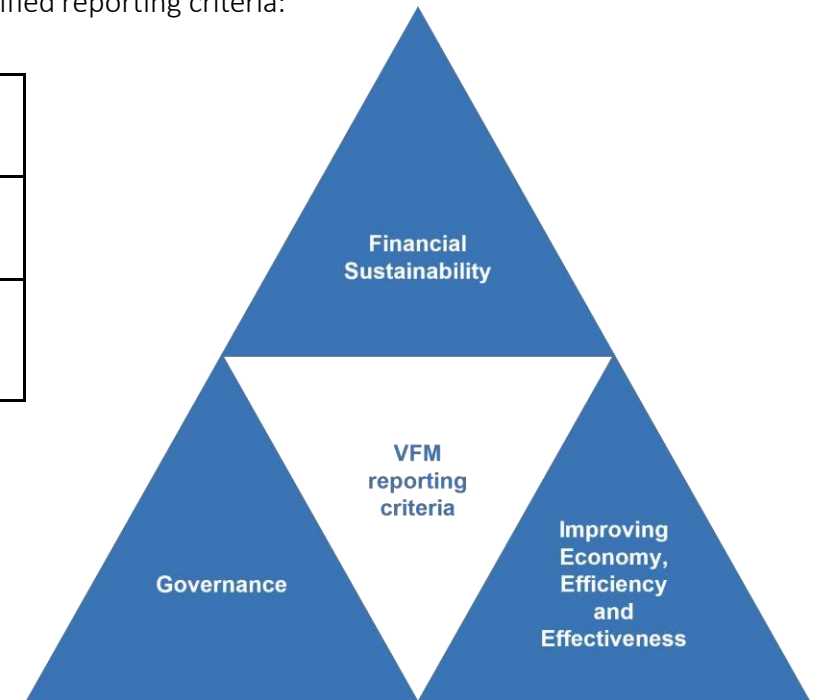
NAO Auditor Guidance Note 03 'Auditors' Work on Value for Money Arrangements' ("AGN 03") was updated and issued on 14 November 2024 and requires us to provide an annual commentary on arrangements, which will be published as part of the Auditor's Annual Report. Such commentary will highlight any significant weaknesses in arrangements, along with recommendations for improvements.

When reporting on such arrangements, the Code of Practice requires us to structure our commentary under three specified reporting criteria:

Financial sustainability	How the body plans and manages its resources to ensure it can continue to deliver its services
Governance	How the body ensures it makes informed decisions and properly manages risk
Improving economy, efficiency and effectiveness	How the body uses information about its costs and performance to improve the way it manages and delivers its services

As part of the planning process, we are required to perform procedures to identify potential risks of significant weaknesses in the Council's arrangements to secure VFM through the economic, efficient and effective use of its resources.

We are required to re-evaluate this risk assessment during the course of the audit and, where appropriate, update our work to reflect emerging risks or findings that may suggest a significant weakness in arrangements. We may make recommendations following the completion of our work.



Value for money

Risks of significant weakness

We have carried out an initial risk assessment to identify any risks of potential significant weakness in respect of the three specific areas of proper arrangements using the guidance contained in AGN 03. As set out in the table below, we have not identified any specific risks of significant weaknesses. We will re-evaluate this risk assessment during the audit and, where appropriate, update our work to reflect emerging risks or findings. For 2025/26 the National Audit Office's draft updated VFM guidance (AGN03) highlights that the arrangements bodies put in place to manage reorganisation fit within the scope of VFM arrangements work. Risks may increase where an entity is involved in, or planning, for reorganisation. Our VFM work will therefore be extended in 2025/26 to consider the impact of local government reorganisation on the council's VFM arrangements.

Reporting criteria	2024/25 significant weaknesses reported?	2025/26 planning: risk of significant weakness identified?	Risk based procedures include but are not limited to the following:
Financial sustainability How the body plans and manages its resources to ensure it can continue to deliver its services	No	No	Whilst we have not identified, at this stage, any risks of significant weakness, we will consider as part of our review the arrangements in place around the Council's financial planning, including but not limited to the capacity to achieve recurrent savings.
Governance How the body ensures it makes informed decisions and properly manages risk	No	No	We have not at this stage identified any risks of significant weakness that require specific audit procedures. We will undertake sufficient work to document our understanding of your arrangements as required by the Code.
Improving economy, efficiency and effectiveness How the body uses information about its costs and performance to improve the way it manages and delivers its services	No	No	We have not at this stage identified any risks of significant weakness that require specific audit procedures. We will undertake sufficient work to document our understanding of your arrangements as required by the Code.



Audit team and requirements

Your core audit team

Partner	Director	Audit senior	Value for money
<p>Chris Brown Chris.Brown@azets.co.uk</p> <p>Chris is the key contact for senior management and has overall responsibility for audit quality and the audit opinion.</p>	<p>Bethany Hincks Bethany.Hincks@azets.co.uk</p> <p>Bethany is responsible for the overall management of the audit and quality assurance of audit work. She is the key contact for the finance team management.</p>	<p>Malintsa Mohapi Malintsa.Mohapi@azets.co.uk</p> <p>Malintsa leads the on and off-site audit visits. She is the key day-to-day contact for the finance team.</p>	<p>Bethany Hincks Bethany.Hincks@azets.co.uk</p> <p>Bethany will lead on our value for money work. She is responsible for meeting with Officers and Members and reviewing the arrangements for obtaining value for money.</p>

Our requirements

For us to be able to deliver the audit in line with the agreed fee and timetable, we require the following:

- ▶ Draft financial statements to be produced to a good quality by the deadlines you have agreed with us. These should be complete including all notes, the Narrative Report and the Annual Governance Statement;
- ▶ The provision of good quality working papers at the same time as the draft financial statements. These will be discussed with you in advance to ensure clarity over our expectations;
- ▶ The provision of agreed data reports at the start of the audit, fully reconciled to the values in the accounts, to facilitate our selection of samples for testing
- ▶ Ensuring staff are available and on site (as agreed) during the period of the audit;
- ▶ Prompt and sufficient responses to audit queries within three working days to minimise delays.

The audit process is underpinned by effective project management to ensure we co-ordinate and apply our resources efficiently to meet your deadlines. It is therefore essential that the audit team and the Council's finance team work closely together to achieve this timetable.



Independence, objectivity and other services provided

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	2025/26 Fee	Threats identified	Safeguards
Audit related: Certification of Housing Benefit Assurance Process (HBAP) claim (2025/26)	£28,000 +£2,000 per additional 40+ workbook (if required)	Self interest (recurring fee) Self review Management	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. 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. 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.



Fees

Our estimated fees for the year ending 31 March 2026 are shown to the right.

PSAA set a scale fee for each audit that assumes the audited body has sound governance arrangements in place, has been operating effectively throughout the year, prepares comprehensive and accurate draft accounts and meets the agreed timetable for audit. This scale fee is reviewed by PSAA each year and adjusted, if necessary, based on auditors' experience, new requirements, or significant changes to the audited body. The fee may be varied above the fee scale to reflect the circumstances and local risks within the audited body.

This fee is estimated based on our understanding at this point in time and may be subject to change. Our planned fee is on the basis that our expectations set out on the previous page are met.

It is our policy to bill for overruns or scope extensions e.g., where we have incurred delays, deliverables have been late or of poor quality, where key personnel have not been available, or we have been asked to do extra work.

The PSAA contract stipulates that fees must be raised upon completion of specific milestones:

- ▶ Issue of prior year's draft Auditor's Annual Report or Opinion issued, but not before 1 December
- ▶ Issue of the Draft Audit Plan
- ▶ Completion of 50% of planned hours
- ▶ Completion of 75% of planned hours

Audit fees	Proposed fee £
Scale fee: for the audit of the Council financial statements	158,705
Value for money: additional work required to meet the NAO's Code requirements in respect of the arrangements for local government reorganisation	TBC
Building back assurance: completion of planned work set out in this plan, including PPE build back, IFRS 16 work commenced in 24/25 and journals build back over disclaimed periods.	TBC
Enhanced disclaimer 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	TBC
Total audit fees	158,705

MHCLG has announced additional funding to Councils to support the cost of building back assurance. This is subject to draft accounts being published by 30 June 2026 and audit fees being paid.

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

Our fee estimate also assumes that you will engage suitably competent experts to assist management in the following areas:

- ▶ Actuarial valuation of the defined benefit pension liability
- ▶ RICS compliant valuation of land and buildings and investment property.



Fees

The approximate total fees charged to the Council for the provision of services in 2025/26 is as follows:

Non audit fees for other services	Proposed fee £
Council audit	158,705
Total audit fee	158,705
Non audit services	28,000
Total fees charged	186,705



