

Leicester City Council

Audit progress report and sector updates

1 September 2026

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Audit Progress Report

Introduction

This paper provides the Governance and Audit Committee with a report on progress in delivering our responsibilities as your external auditors.

The paper also includes a series of sector updates in respect of emerging issues which the Committee may wish to consider.

Members of the Governance and Audit Committee can find further useful material on our website, where we have a section dedicated to our work in the public sector. Here you can download copies of our publications:

[Local government | Grant Thornton](#)

If you would like further information on any items in this briefing or would like to register with Grant Thornton to receive regular email updates on issues that are of interest to you, please contact either your Engagement Lead or Engagement Manager.



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Progress as of September 2026

Financial Statements Audit

As communicated in our Audit Plan, we are working towards an audit deadline for 2025/26 of 30 November 2026, putting us in a strong position ahead of the backstop formally moving to 30 November 2027 for future years (2026/27 onwards).

We agreed with management that the audit would be split into two phases to allow time for audit evidence to be collated in between audit fieldwork dates, and to improve efficiency.

There are no significant issues or risks to the planned timetable to bring to the Governance and Audit Committee's attention at this stage.

This is reflective of the stage of the audit given the detailed testing, including the work on significant risk areas, is concentrated in Phase 2 and is still in progress. We note that there have been improvements in the timeliness of working papers and transactional data provided to us so far, compared to the previous year.

Events

We provide a range of workshops and network events.

On 2nd July 2026, we hosted a webinar on how the local government Governance and Audit Committee functions within a wider governance landscape. Insights from our webinar can be found here: [Supporting Effective Governance and Audit Committees in a Changing Local Government Landscape | Grant Thornton.](#)

On 25th September 2026, we will be hosting a webinar on grants delivery, unpacking how to tackle funding certainty; achieve consistency; reduce administration friction; and build capacity. To attend, members and officers can: [Register here.](#)

Value for Money

We have progressed the Value for Money work, including following up on risks of significant weakness. We have held meetings with key contacts in the Council including the Director of Finance, Monitoring Officer and Director of Housing.

We are on track to issue the Annual Auditor's report for the Governance and Audit committee in November.

Audit timeline for final accounts audit

The audit timeline

Key
Dates

Year end:
31 March 2026

Audit
phases:

Phase 1 – 5 weeks
w/c 29 June 2026

Phase 2 – 6 weeks
w/c 21 September 2026

Completion – 1 week
w/c 2 November 2026

Governance and Audit
committee and sign off
18 November 2026

Key elements

- Initial audit work on the financial statements with a focus on sample selection, and specific early areas of detailed testing. We have completed the following to date:
 - Cash and cash equivalents
 - Heritage assets
 - PPE existence and rights and obligations testing
- Technical review of financial statements
- Issue Audit Progress Report and sector update to management and Governance and Audit committee

Key elements

- Audit teams onsite to complete fieldwork and detailed testing, including the testing of significant risk areas.

Key elements

- Draft Audit Findings issued to management
- Audit Findings meeting with management
- Draft Audit Findings issued to Governance and Audit committee
- Audit Findings presentation to Governance and Audit committee
- Auditor's Annual Report
- Finalise and sign financial statements and audit report

Audit Deliverables

Below are some of the audit deliverables planned for 2025/26

2025/26 Deliverables	Planned Date	Status
Audit Plan We are required to issue a detailed audit plan to the Governance and Audit Committee setting out our proposed approach in order to give an opinion on the Council’s 2025/26 financial statements.	June 2026	Completed
Audit Findings Report The Audit Findings Report will be reported to the Governance and Audit Committee.	November 2026	On track
Auditor’s Report This includes the opinion on your financial statements.	November 2026	On track
Auditor’s Annual Report This report communicates the key outputs of the audit, including our commentary on the Council's value for money arrangements.	November 2026	On track

Sector Updates

Local government reorganisation (LGR)

Governance and Audit Committees need to be aware of latest announcements and useful guidance.

On 16th July 2026 the Government LGR decisions for 14 areas of England. Together with decisions already announced for Surrey, Essex, Hampshire, Norfolk and Suffolk, this takes the total programme to 134 existing councils being replaced by 38 new unitary authorities.

Areas covered by the decisions on 16th July were:

- ❖ Derbyshire and Derby;
- ❖ Devon, Plymouth and Torbay;
- ❖ East Sussex and Brighton and Hove;
- ❖ Gloucestershire;
- ❖ Hertfordshire;
- ❖ Kent and Medway;
- ❖ Lancashire, Blackpool & Blackburn with Darwen;
- ❖ Leicestershire, Leicester and Rutland;
- ❖ Lincolnshire, North & Northeast Lincolnshire;
- ❖ Nottinghamshire and Nottingham;
- ❖ Oxfordshire (plus part of West Berkshire);
- ❖ Staffordshire and Stoke-on-Trent;
- ❖ Warwickshire; and
- ❖ Worcestershire.

All changes are subject to Parliamentary approval, but the common timetable across all areas is: Shadow authority elections in May 2027, with new councils formally taking over service delivery (“vesting day”) on 1 April 2028.

In the meantime, [Rewiring the State](#) was published on 31st July 2026, setting out the government’s wider plan to fundamentally rewire the state by shifting power, funding and accountability from Whitehall to local leaders.

Helpful guidance from Grant Thornton:

For our learning from the eight new unitary councils that were created between 2019 and 2024, see [Learning from the new unitary councils](#).

- ❖ For insights into how best to prepare for the new changes now to come, see three recent publications from July and August 2026:
- ❖ [Why agreeing the balance sheet split early matters](#).
- ❖ [The financial planning process and Medium-Term Financial Strategy for newly created unitary councils](#).
- ❖ [Managing assets through Local Government Reorganisation](#).

Governance and Audit Committee members are also encouraged to visit our LGR hub for additional information on how their council can successfully navigate change: [Local Government Reorganisation | Grant Thornton](#).

Adult Social Care



Governance and Audit Committees should seek to understand how risks surrounding Adult Social Care are mitigated within their Council.

CQC findings:

On 14th July 2026, CQC published key findings from their assessment programme of all 153 local authorities in England with adult social care responsibilities.

CQC highlighted that the majority of local authorities are rated 'good', but are mainly at the lower end of the scoring threshold for 'good'. Key themes in the report act as a roadmap for strengthening the sector:

- ❖ Prevention
- ❖ Safeguarding
- ❖ Transitions from Children's to Adult's services
- ❖ Unpaid carers
- ❖ Equity in experience and outcomes
- ❖ Co-production (partnerships with voluntary, community, faith and social enterprise organisations)
- ❖ Commissioning.

Other recent developments in relation to the Adult Social Care sector:

- ❖ **29th July 2026** – The Prime Minister set out his commitment to reform adult social care and deliver a National Care Service.
- ❖ **29th July 2026** – Baroness Casey launched a “big conversation on care”, an online survey intended to inform work to develop a National Care Service.
- ❖ **4th August 2026** – ADASS published Learning from Safeguarding Adults Reviews: How can they have national impact?



Children's Social Care

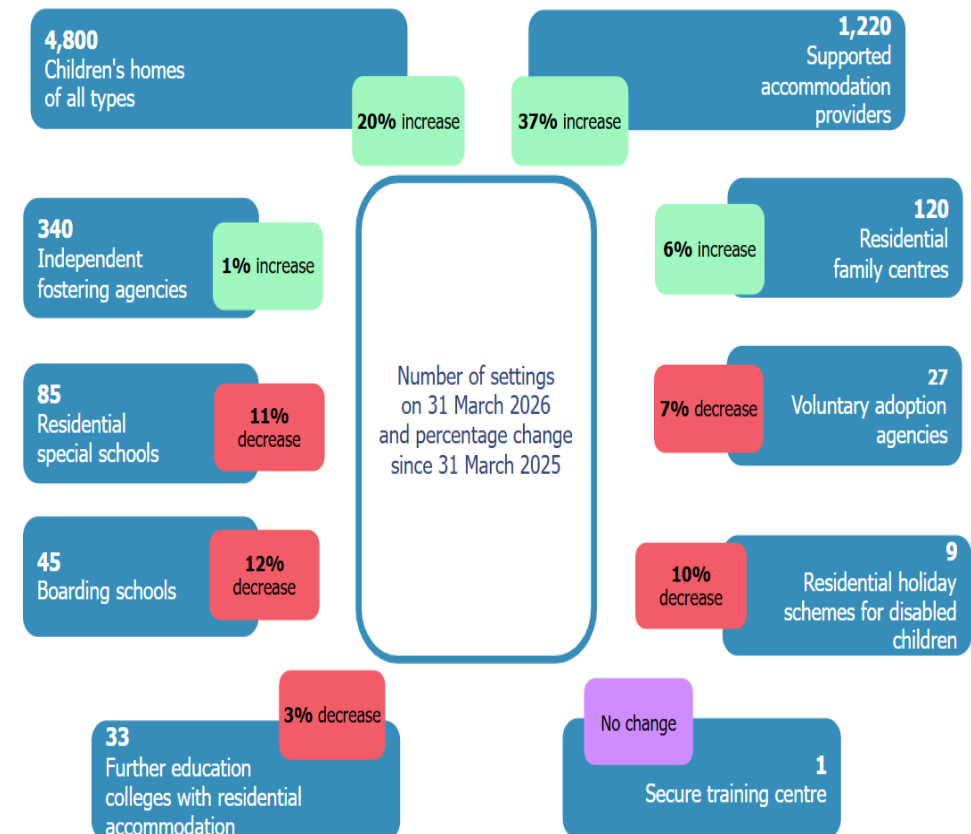
Governance and Audit Committees should seek to understand how the risk of unregistered placements is being mitigated by their

Tackling dependency on unregistered children's homes

Supply and demand pressures in recent years have forced many local authorities to rely on placing children in unregistered homes, which offer less protection than they are entitled to. Pressure to prevent this practice is escalating, but Council's overall need more children's homes that they used to, putting them at risk of malpractice:

- ❖ **2nd July 2026** – Ofsted published [research on sufficiency of children's homes places in England](#) – highlighting that issues with workforce capacity, affordability of housing and lack of foster carers has contributed to a sharp growth in local authorities' use of unregistered children's homes.
- ❖ **7th July 2026** – Ofsted launched an [open consultation](#) on proposals to improve how it inspects and regulates children's social care providers. The original proposals aimed, amongst other things, at tackling the “shadow system” of children living unprotected in illegal settings.
- ❖ **30th July 2026** – [Ofsted's official statistics](#) show that there was a 20% increase in the use of children's homes overall in 2026.
- ❖ **5th August 2025** – Ofsted won its first successful prosecution of an illegal children's home provider.

Source: [Ofsted main findings: children's social care in England 2026](#) – GOV.UK



Making the Annual Governance Statement matter

Governance and Audit Committees are responsible for approving the AGS (sometimes with Full Council too) and should seek assurance it reflects a robust review against the CIPFA/SOLACE principles, a well-developed Code of Corporate Governance, and a clear assessment of effectiveness.



An evidence-based, candid view of strengths, weaknesses and planned improvements



Effectiveness is a qualitative judgement — not just a policy checklist



The review and drafting of the AGS should always be internally led



Senior officers must show genuine ownership, directed by members



An organisation-wide understanding of how governance works in practice

“

The AGS is a key indicator of the effectiveness of a council’s governance framework and a potential early warning sign of wider governance weaknesses.

Grant Thornton UK, July 2026

[Read our full article →](#) Published 20 July 2026

Best Value – have your say

New consultation to take part in

The Ministry of Housing, Communities and Local Government (MHCLG) is currently seeking views on revised statutory guidance for local and strategic authorities in England on compliance with the Best Value Duty.

A new consultation opened on Citizen Space on 15th July 2026, and will remain open until 11:59pm on 7th October 2026. This follows the government's March 2026 publication of Lessons learnt from best value interventions 2025. All local authorities are encouraged to take part in the new consultation, to help shape guidance going forward.

There has been a significant increase in the number of councils entering best value intervention since 2020. The government is aiming to learn from direct council experiences to improve policy, practice, and central government's relationship with local government. For the first time, MHCLG has undertaken structured engagement with all councils in statutory and non-statutory interventions exploring their challenges, recovery actions, and outcomes.

To have your say on the revised guidance and what should happen next, follow this link:

[Consultation on revised Best Value guidance - Ministry of Housing, Communities and Local Government - Citizen Space](#)



Governance and Audit Committee resources

Commentary from Grant Thornton on recovering the accounts preparation and audit timetable:

[Local audit reset: What comes after the backstop? | Grant Thornton](#)

Latest guidance and learning from Grant Thornton on local government reorganisation and devolution:

[Navigating the future: The dual challenge of local Government reorganisation and devolution | Grant Thornton](#)

[Dual delivery - How can areas successfully reorganise local government and implement devolution at the same time?](#)

[Learning from the new unitary councils](#)

Grant Thornton learning on procurement and contract management:

[Local government procurement and contract management](#)

Governance and Audit Committee and organisational effectiveness in local authorities (CIPFA):

<https://www.cipfa.org/services/support-for-audit-committees/local-authority-audit-committees>

LGA Regional Audit Forums for Governance and Audit Committee Chairs

These are convened at least three times a year and are supported by the LGA. The forums provide an opportunity to share good practice, discuss common issues and offer training on key topics. Forums are organised by a lead authority in each region. Please email ami.beeton@local.gov.uk LGA Senior Adviser, for more information.

CIPFA Application Note: Global Internal Audit Standards in the UK Public Sector

[Global Internal Audit Standards in the UK Public Sector | CIPFA](#)

CIPFA Good Governance

[Delivering Good Governance in Local Government Addendum](#)

The Three Lines of Defence Model (IAA)

<https://www.theiia.org/globalassets/documents/resources/the-ias-three-lines-model-an-update-of-the-three-lines-of-defense-july-2020/three-lines-model-updated-english.pdf>

Risk Management Guidance / The Orange Book (UK Government):

<https://www.gov.uk/government/publications/orange-book>



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