



Audit Findings (ISA 260) Report for Leeds City Council

Year ended 31 March 2025

13 February 2026 – FINAL UPDATED



Members of the Corporate Governance and Audit Committee
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13 February 2026

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Dear Members of the Corporate Governance and Audit Committee

Audit Findings for Leeds City Council for the year ended 31 March 2025

This Audit Findings (ISA 260) Report presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process and confirmation of auditor independence, as required by International Standard on Auditing (UK) 260. Its contents have been discussed with management.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of expressing our opinion on the financial statements. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. 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.

Chartered Accountants

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We encourage you to read our transparency report which sets out how the firm complies with the requirements of the Audit Firm Governance Code and the steps we have taken to manage risk, quality and internal control particularly through our Quality Management Approach. The report includes information on the firm's processes and practices for quality control, for ensuring independence and objectivity, for partner remuneration, our governance, our international network arrangements and our core values, amongst other things. This report is available at [transparency-report-2024-.pdf \(grantthornton.co.uk\)](https://www.grantthornton.co.uk/transparency-report-2024-).

We would like to take this opportunity to record our appreciation for the kind assistance provided by the finance team and other staff during our audit.

Sarah Ironmonger

**Partner
For Grant Thornton UK LLP**

Chartered Accountants

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Contents

Section	Page
Headlines	5
Materiality	13
Overview of significant and other risks identified	16
Other findings	29
Communication requirements and other responsibilities	43
Audit adjustments	51
Value for money	74
Independence considerations	77
Appendices	83

Headlines and status of the audit

Three decorative purple arcs of varying radii and positions, starting from the bottom and curving upwards and to the right, creating a modern, abstract background element.

Headlines

This section summarises the key findings and other matters arising from the statutory audit of Leeds City Council (the 'Authority') and the preparation of the Authority's financial statements for the year ended 31 March 2025 for the attention of those charged with governance.

Financial statements

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

- the Authority's financial statements give a true and fair view of the financial position of the Authority and the Authority's income and expenditure for the year; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting and prepared in accordance with the Local Audit and Accountability Act 2014.

We are also required to report whether other information published together with the audited financial statements (including the Annual Governance Statement (AGS) and Narrative Report), is materially consistent with the financial statements and with our knowledge obtained during the audit, or otherwise whether this information appears to be materially misstated.

Our audit work was completed during July to November as planned. Our findings are summarised on the following pages. We have identified a number of agreed adjustments to the financial statements which have no impact on the Authority's usable reserves including the understatement of seven high schools by £23.5m. Further details of these adjustments are detailed on pages 51 to 58. Management has agreed to update the draft accounts for these errors.

Our audit work also identified a number of disclosure and presentational audit adjustments. These adjustments are detailed on pages 59 to 62. Management has agreed to update the financial statements to correct these misstatements.

We have also raised five recommendations for management as a result of our audit work which are set out on pages 65 and 66. Our follow up of recommendations from the prior year's audit are detailed on pages 67 to 73.

Our initial audit findings were reported to the Corporate Governance and Audit Committee at its meeting on 1 December 2025. In concluding our audit work following this meeting, we noted that the Council was continuing to review individual equal pay claims received. As this work remains on-going, the Council is unable to determine its likely, if any, expected liability and associated disclosures by the backstop date of 27 February 2026. As a result, we will issue an except for audit report qualification relating to the equal pay provision as the Council is unable to calculate a materially reliable estimate before the backstop date of 27 February 2026. We reported this matter to the Corporate Governance and Audit Committee at its meeting on 9 February 2026.

Our audit work is now complete and there are no matters outstanding, other than as noted above, which require modification of our proposed audit opinion (Appendix G) or material changes to the financial statements.

Headlines

Financial statements continued

We have concluded that the other information to be published with the financial statements, including the Annual Governance Statement, is consistent with our knowledge of your organisation and with the financial statements we have audited.

Our financial statements audit report opinion will be an except for audit report qualification relating to the equal pay provision as this cannot be recalculated by the Council before the backstop date of 27 February 2026.

Headlines

Value for money (VFM) arrangements

Under the National Audit Office (NAO) Code of Audit Practice (the 'Code'), we are required to consider whether the Authority has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Auditors are required to report in more detail on the Authority's overall arrangements, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

Auditors are required to report their commentary on the Authority's arrangements under the following specified criteria:

- Improving economy, efficiency and effectiveness;
- Financial sustainability; and
- Governance.

We have completed our Value For Money (VFM) work and our detailed commentary is set out in our separate Auditor's Annual Report, which is also presented alongside this report and included on the Corporate Governance and Audit Committee meeting agenda for its meeting on 1 December 2025. We identified two significant weaknesses in the Authority's arrangements and so are not satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. Our findings are set out in the value for money arrangements section of this report (page 74).

Headlines

Statutory duties

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

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

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

We have completed the majority of work required under the Code. However we cannot formally conclude the audit and issue an audit certificate in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until we have completed our work on the Council's Whole of Government Accounts (WGA) submission and received confirmation from the NAO that the group audit (Department of Health & Social Care for NHS and Whole of Government Accounts for non-NHS) has been certified by the C&AG and therefore no further work is required to be undertaken in order to discharge the auditor's duties in relation to consolidation returns under paragraph 2.11 of the Code.

We are satisfied that this work does not have a material effect on the financial statements for the year ended 31 March 2025.

Significant matters

The Council provided us with its draft 2024-25 financial statements on 1 July 2025.

We would like to take this opportunity to record our appreciation for the continued assistance and support provided by the Council's finance team and other staff during our audit. We did not encounter any significant difficulties or identify any significant matters during our audit.

Headlines

National context – audit backlog

Government proposals around the backstop

On 30 September 2024, the Accounts and Audit (Amendment) Regulations 2024 came into force. This legislation introduced a series of backstop dates for local authority audits. These Regulations required audited financial statements to be published by the following dates:

- For years ended 31 March 2025 by 27 February 2026
- For years ended 31 March 2026 by 31 January 2027
- For years ended 31 March 2027 by 30 November 2027

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

Leeds City Council has continued to be able to complete its audits in recent years before the audit backstop deadlines and as such the backstop arrangements have not applied. The dates above indicate that the audit completion timeline is being moved forward over the coming few years with the aim of completing audit work by the end of November from 2026-27. We will continue to work with officers to improve the audit process and ensure these deadlines are met.

Headlines

Implementation of IFRS 16

Implementation of IFRS 16 Leases became effective for local government bodies from 1 April 2024. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and replaces IAS 17. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity.

Local government accounts webinars were provided for our local government audit entities during March, covering the accounting requirements of IFRS 16. Additionally, CIPFA has published specific guidance for local authority practitioners to support the transition and implementation on IFRS 16.

Introduction

IFRS 16 updates the definition of a lease to:

- “a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration.”

In the public sector the definition of a lease is expanded to include arrangements with nil consideration. This means that arrangements for the use of assets for little or no consideration (sometimes referred to as peppercorn rentals) are now included within the definition of a lease.

IFRS 16 requires the right of use asset and lease liability to be recognised on the balance sheet by the lessee, except for:

- leases of low value assets
- short-term leases (less than 12 months).

This is a change from the previous requirements under IAS 17 where operating leases were charged to expenditure.

The principles of IFRS 16 also apply to the accounting for PFI liabilities.

The changes for lessor accounting are less significant, with leases still categorised as operating or finance leases, but some changes when an authority is an intermediate lessor, or where assets are leased out for little or no consideration.

Impact on the Authority

The implementation of IFRS 16 has resulted in the Authority recognising right of use assets in relation to previous operating leases of £16.2m, previous other land and buildings assets of £5.7m, and a right of use asset in relation to Merrion House of £46.6m. In total, this amounts to £68.5m of right of use assets being recognised by the Authority on initial remeasurement on 1 April 2024.

To appropriately update its draft 2024-25 accounts for the effect of IFRS 16, the Council has:

- identified all lease arrangements or potential lease arrangements
- updated its accounting policies and disclosures
- considered the application of judgment and estimation
- reviewed and updated relevant internal controls to reflect the changes in accounting policies and processes
- updated its systems to capture, process and maintain existing and new lease data along with on-going review
- identified and reviewed peppercorn rentals and recognised these as leases under IFRS 16 as appropriate.

Headlines

Implementation of IFRS 16

Our audit work noted a number of disclosures relating to the application of IFRS 16 from 1st April 2024 were missing from the draft accounts meaning that the disclosure requirements of the CIPFA Code 2024-25 had not been met including:

- disclosure in the MIRS relating to the cumulative impact of applying IFRS 16 from 1 April 2024
- inclusion of separate disclosures relating to the initial recognition of leases under IFRS 16 including updating existing leasing disclosure notes
- updating the accounting policies note for the introduction of IFRS 16.

Management has agreed to provide additional disclosures to address these issues and improve its disclosures relating to IFRS 16 to ensure compliance with the 2024-25 CIPFA Code.

Additionally, our audit work identified a number of issues as follows:

Previous operating leases that had not been recognised

We noted the Authority had erroneously missed two previous operating leases (from 2023-24) from the balance sheet in the draft accounts as right of use assets and lease liabilities:

- East Stand Headingley £3,614,222
- Enterprise House £6,030,449.

Misclassification between Other Land and Buildings and Right of Use assets

Additionally, audit work noted five assets already included on the Authority's balance sheet as other land and buildings should have been classified as right of use assets (note, this is a classification issue only within the disclosure note):

- Land at Thornhill Street Calverley £899,000
- Headingley Library £1,407,000
- 1 Killingbeck Court £556,000
- Harewood Church of England (COE) Primary School £1,846,000
- Windmill Youth Club £1,028,000.

Leases erroneously omitted or new leases not recognised in year

Audit work identified that management had inadvertently missed a number of existing and new leases when reviewing those to be recognised under IFRS 16:

- Armley Health Centre £1,764,259
- Woodhouse Health Centre £1,436,339
- Arlington Business Centre £1,389,702 (new lease)
- Hunslet Little Owls £140,600
- Unit 1 Twisting Gallery - Springfield Mills £52,172
- Powerhouse - Unit 51 Springfield Mills £105,259 (new lease)
- Unit 15 (1) B Springfield Mills £37,257 (new lease)
- Unit 15 (1) C Springfield Mills £21,567 (new lease)
- Unit 43A Springfield Mills £34,286 (new lease)
- Unit 40 Springfield Mills £133,391 (new lease)
- Westminster Buildings £298,998 (new lease)

Management has now updated the draft accounts to correctly disclose these leases. Further details are set out on page 26.

Materiality

Three decorative purple arcs of varying radii and positions, starting from the bottom edge and curving upwards and to the right, creating a sense of movement and depth.

Our approach to materiality

As communicated in our Audit Plan dated 29 May 2025, we determined materiality at the planning stage as £36,858k for the Council based on 1.5% of the Council's gross expenditure on cost of services for 2023-24. At the year-end, we have reconsidered planning materiality based on the draft financial statements for 2024-25. The Council's gross expenditure has increased by some £150.1m to £2,607,295k, a 6% increase. Given this increase is not considered significant, materiality for the final accounts audit at the Council has remained the same as at planning stage, £36,858k.

A recap of our approach to determining materiality is set out below.

Basis for our determination of materiality

- We have determined materiality at £36,858k for the Council based on professional judgement in the context of our knowledge of the Authority and consideration of factors such as stakeholder expectations, industry developments, financial stability and reporting requirements for the financial statements.
- We have used 1.5% of gross expenditure on cost of services as the basis for determining materiality.
- We consider this benchmark as the most appropriate criteria given stakeholders interest in the Council delivering its budget.
- The basis of determining materiality for 2024-25 is an increase from the prior year, 2023-24 when a benchmark of 1.3% was used. The increase in materiality percentage has resulted from a review of our materiality methodology in comparison with our peers. We consider that a materiality of 1.5% brings appropriate attention to items in the financial statements that users focus on and is reflective of the nature of the Council and the economic and regulatory environment in which the Council operates.

Performance materiality

- The audit is planned and performed to detect material misstatements in accordance with International Standard on Auditing (UK) 320 (ISA 320). It is possible that a number of individually immaterial misstatements may cause the financial statements to be materially misstated. To address this risk, the audit is performed at a lower materiality called performance materiality.
- Performance materiality has been set at 70% of headline materiality, which is in line with the prior year. This reflects the fact that the Council has a stable financial reporting team with a track record of preparing financial statements, supporting working papers and engaging well throughout the audit process.
- We have determined performance materiality for the Council of £25,800k.

Specific materiality

- The senior officer remuneration disclosures in the financial statements have been identified as an area requiring a specific materiality due to their sensitive nature. Materiality has been determined at £25k and Performance Materiality at £17.5k for senior officer remuneration.

Reporting threshold

- We will report to you all misstatements identified in excess of £1,842k for the Council, in addition to any matters considered to be qualitatively material.

Our approach to materiality

A summary of our approach to determining materiality is set out below.

	Authority (£)	Qualitative factors considered
Materiality for the financial statements	36,858,000	We have determined materiality at 1.5% of total gross expenditure on net cost of services. We consider this as the most appropriate criteria given stakeholders interest in the Council delivering its budget.
Performance materiality	25,800,000	<p>The audit is planned and performed to detect material misstatements in accordance with International Standard on Auditing (UK) 320 (ISA 320). It is possible that a number of individually immaterial misstatements may cause the financial statements to be materially misstated. To address this risk, the audit is performed at a lower materiality called performance materiality.</p> <p>Performance materiality has been set at 70% of headline materiality, which is in line with the prior year. This reflects the fact that the Council has a stable financial reporting team with a track record of preparing financial statements, supporting working papers and engaging well throughout the audit process.</p>
Specific materiality for Senior Officer Remuneration		The senior officer remuneration disclosures in the financial statements have been identified as an area requiring a specific materiality due to their sensitive nature.
- Materiality	25,000	
- Performance Materiality	17,500	
Reporting threshold	1,842,000	This equates to 5% of materiality. This is our reporting threshold to the Corporate Governance and Audit Committee for any errors identified.

Overview of significant and other risks identified

Overview of audit risks

The below table summarises the significant audit and other audit risks discussed in more detail on the subsequent pages.

Significant risks are defined by ISAs (UK) as an identified risk of material misstatement for which the assessment of inherent risk is close to the upper end of the spectrum due to the degree to which risk factors affect the combination of the likelihood of a misstatement occurring and the magnitude of the potential misstatement if that misstatement occurs.

Other risks are, in the auditor’s judgement, those where the risk of material misstatement is lower than that for a significant risk, but they are nonetheless an area of focus for our audit.

Risk title	Risk level	Change in risk since Audit Plan	Fraud risk	Level of judgement or estimation uncertainty	Status of work
Management override of controls	Significant	↔	✓	Low	●
Valuation of land and buildings including council dwellings	Significant	↔	✘	High	●
Valuation of the pension fund net balance	Significant	↔	✘	High	●
Implementation of IFRS 16	Other	↔	✘	Low	●

- ↑ Assessed risk increase since Audit Plan
- ↔ Assessed risk consistent with Audit Plan
- ↓ Assessed risk decrease since Audit Plan

- Not likely to result in material adjustment or change to disclosures within the financial statements
- Potential to result in material adjustment or significant change to disclosures within the financial statements
- Likely to result in material adjustment or significant change to disclosures within the financial statements

Significant risks

Risk identified

Management override of controls

Under ISA (UK) 240, there is a non-rebuttable presumption that the risk of management override of controls is present in all entities.

We therefore identified management override of controls, in particular journals, management estimates and transactions outside the course of business as a significant risk of material misstatement.

Audit procedures performed

We have:

- made inquiries of finance staff regarding their knowledge of potential instances of management override of controls
- evaluated the design and implementation of management controls over journals. This included the review of relevant controls management has in place to check journal postings
- analysed the journals listing and determined the criteria for selecting high risk unusual journals This included criteria relating to journals which have not been authorised
- performed a risk-based interrogation of the financial ledger to identify any unusual and potentially fraudulent transactions for testing
- tested unusual journals identified through the application of our risk-based approach for appropriateness and corroboration
- gained an understanding of the accounting estimates and critical judgements applied and made by management and considered their reasonableness with regard to corroborative evidence
- evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions as applicable.

In performing the procedures above, we identified a population of journals to test using data analytic software to analyse journal entries and to split large batch journals into smaller sets of transactions that support targeted testing based on specific risk criteria assessed by the audit team. These criteria included:

- Year-end and Post year-end journals
- Material journals
- Journals posted by senior management.

Application of these routines and supplementary procedures identified a total sample of 57 journals to test.

Key observations

Our audit work in this area is now complete and has not identified any issues in respect of management override of controls except one:

- As reported last year, 2023-24, officers are able to post journals without these being independently authorised. Without proper authorisation controls, there is an increased risk of inappropriate journal entries being posted to the general ledger which could lead to financial irregularity. We understand management has in place compensating controls to review and identify journals posted and consider the risk of irregularity to be low. However, we consider a formal journal authorisation process should be in place to minimise the risk of inappropriate journals being posted and have updated our follow up of recommendations from last year in this regard at page 67. Our audit work testing journals did not identify any other issues and for all journals subject to review, we concluded that they were appropriate transactions.

We are satisfied that judgements made by management are appropriate and have been determined using consistent methodology.

Having assessed management judgements and estimates individually and in aggregate we are satisfied that we have not identified material misstatement arising from management bias across the financial statements.

Significant risks

Risk identified

The revenue cycle includes fraudulent transactions

Under ISA (UK) 240, there is a rebuttable presumed risk of material misstatement due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud related to revenue recognition.

We have identified and completed a risk assessment of all revenue streams for the Council. We have rebutted the presumed risk that revenue may be misstated due to the improper recognition of revenue for all revenue streams. This is due to the low fraud risk in the nature of the underlying transaction, or immaterial nature of the revenue streams both individually and collectively.

Therefore, we do not consider this to be a significant risk for the Council.

Audit procedures performed

As part of our final accounts audit process, we have reconsidered our rebuttal of revenue recognition and consider the rebuttal still remains appropriate. Notwithstanding that we have rebutted this risk, we have undertaken procedures to test revenue as it is material to the financial statements audit.

As part of our audit work, we have:

Accounting policies and systems

- Evaluated the Council's accounting policies for recognition of income and expenditure for its material income and expenditure streams and compliance with the CIPFA Code
- Updated our understanding of the Council's business processes associated with accounting for income and expenditure.

Fees, Charges and other service income

- Agreed, on a sample basis, income and year end receivables from other income to supporting evidence.

Taxation and non-specific grant income

- Income for non-domestic rates and council tax is predictable and therefore we conducted substantive analytical procedures
- For other grants we sample tested items for supporting evidence and checked the appropriateness of the accounting treatment was in line with the CIPFA Code.

We also carried out sufficient and appropriate audit procedures to ascertain that recognition of income was in the correct accounting period using cut off testing.

Key observations

Our audit work in this area is now complete and has not identified any issues in respect of the risk of fraud in recognition of revenue except for the following matters:

- We identified an incorrect debtor accrual for capital funding of £2,000,000 in respect of the Grey to Greener programme. Management incorrectly expected this income to be provided through developer contributions, however, funding is actually being provided through capital receipts. The Council's debtor balance is overstated by £2,000,000. Management is correcting its accounts for this error
- Collection Fund Note C5 of the draft accounts shows retained income for renewable energy of £8,262k and retained income for designated areas of £295k, however these figures have erroneously been interchanged, and should be designated areas £8,262k and renewable energy £295k. Management has agreed to amend for this disclosure error.

We are satisfied that judgements made by management are appropriate and have been determined using consistent methodology.

Having assessed management judgements and estimates individually and in aggregate we are satisfied that we have not identified material misstatement arising from management bias across the financial statements.

Significant risks

Risk identified

The expenditure cycle includes fraudulent transactions

Practice note 10: Audit of financial statements of Public Sector Bodies in the United Kingdom (PN10) states that the risk of material misstatement due to fraud related to expenditure may be greater than the risk of material misstatement due to fraud related to revenue recognition for public sector bodies.

We have identified and completed a risk assessment of all expenditure streams for the Council. We have considered the risk that expenditure may be misstated due to the improper recognition of expenditure for all expenditure streams and concluded that there is not a significant risk. This is due to the low fraud risk in the nature of the underlying transactions, or immaterial nature of the expenditure streams both individually and collectively.

Therefore, we do not consider this to be a significant risk for the Council.

Audit procedures performed

As part of our final accounts audit process, we have reconsidered our rebuttal of expenditure recognition and consider the rebuttal still remains appropriate. Notwithstanding that we have rebutted this risk, we have undertaken procedures to test expenditure as it is material to the financial statements audit.

As part of our audit work, we have:

Accounting policies and systems

- Evaluated the Council's accounting policies for recognition of income and expenditure for its material income and expenditure streams and compliance with the CIPFA Code
- Updated our understanding of the Council's business processes associated with accounting for income and expenditure.

Expenditure

- Agreed, on a sample basis, non-pay expenditure and year end payables to supporting evidence
- Undertook detailed substantive analytical procedures on pay expenditure.

We also carried out sufficient and appropriate audit procedures to ascertain that recognition of expenditure was in the correct accounting period using cut off testing.

Key observations

Our audit work in this area is now complete and has not identified any issues in respect of the risk of fraud in expenditure recognition.

We are satisfied that judgements made by management are appropriate and have been determined using consistent methodology.

Having assessed management judgements and estimates individually and in aggregate we are satisfied that we have not identified material misstatement arising from management bias across the financial statements.

Significant risks

Risk identified

Valuation of land and buildings including council dwellings

The Council re-values its land and buildings on a rolling five-yearly basis in line with the CIPFA Code requirements.

This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved (some £6.6bn for land & buildings and council dwellings) and the sensitivity of this estimate to changes in key assumptions.

Additionally, management will need to ensure the carrying value in the Council's financial statements is not materially different from the current value or the fair value at the financial statements date, where a rolling programme is used.

We therefore identified the closing valuation of land and buildings including council dwellings, as a significant risk of error, which was one of the most significant assessed risks of material misstatement.

Audit procedures performed

As part of our work we have:

- evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work
- evaluated the competence, capabilities and objectivity of the valuation experts
- discussed with the valuers the basis on which the valuation was carried out
- challenged the information and assumptions used by the valuers to assess completeness and consistency with our understanding
- engaged our own auditor's expert valuer to assess the instructions issued to the Council's valuers, the Council's valuers' report and the assumptions that underpin the valuation
- tested, on a sample basis, revaluations made during the year to see if they had been input correctly into the Council's asset register
- evaluated the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value at year end
- considered, where the valuation date is not 31 March 2025 for assets valued in year, the arrangements management has used to ensure the valuation remains materially appropriate at 31 March 2025. The Authority has a valuation date of 1 January for most assets. We have considered the arrangements management has used to ensure the valuation remains materially appropriate as at 31 March 2025

Key observations

The Council moved its valuation date from 30 September to 1 January in 2020-21. This approach requires an estimation from 1 January to 31 March at the year end to ensure there has not been a material change in asset values. There is a risk that asset values are not correctly valued in the financial statements. In addition, by not having the valuation date set at 31 March, this involves significant work by both the Council and ourselves to ensure there is no material movement from 1 January to 31 March.

We have reported this matter for the last few years in our Audit Findings Report including last year recommending that management should revise its valuation date for the valuation of fixed assets from the current 1 January, to the year end, 31 March each year.

We understand Management has consulted with its valuers and undertaking the valuation at 31 March is not considered possible. The valuation date used for the 2024-25 accounts remains the same, 1 January 2025. We have noted this view in the follow up of prior year recommendations at page 67. However, we consider the Council should value its assets as at 31 March 2025 and have again raised a recommendation in this regard.

Significant risks

Risk identified	Audit procedures performed	Key observations
Valuation of land and buildings including council dwellings continued	<ul style="list-style-type: none">agreed, on a sample basis, the internal floor areas (GIAs) to records held by the estates management functionfor non-specialised properties valued on the existing use value (EUUV) basis, obtained market comparables to assess the appropriateness of market rents and yields selected by management's experts and used in the valuation calculations.	<p>Our audit work in this area is now complete, our work identified the following matters:</p> <ul style="list-style-type: none">Council dwellings – as last year, our review of council dwellings noted that 333 properties did not have a beacon number allocated (based on similar council houses or comparable properties determined by the valuer). We understand management had not allocated a beacon to these properties. The Council should allocate beacon numbers once properties are built to ensure they are correctly categorised. This is included in the follow up of prior year recommendations on page 64High Schools – as part of our testing of Other Land and Buildings (OLB) and queries to the valuer, we identified that pupil numbers were incorrectly recorded for seven high schools. This resulted in an understatement of these school of £23.5m. Management has agreed to correct for this errorPPE Closing Balance Other – we noted last year a large number of assets in the Fixed Asset Register (FAR) with a net book value of £nil (gross book value £97.5m). We recommended management review these assets and either extend their useful life or write out of the FAR if these assets were no longer in use. Management was not able to update the draft 2024-25 accounts for these assets before they were published. However, management has now updated the draft 2024-25 accounts and removed a large number of £nil NBV assets. As a result, the figures included in Note 15.1. Cost for Vehicles, plant & equipment will be reduced by some £95m to £106m, whilst accumulated depreciation and impairment will reduce from £147m to £51m. As these are £nil NBV items, the cost and accumulated depreciation are equal, meaning the net impact on the balance sheet is zero

Significant risks

Risk identified

Audit procedures performed

Key observations

Valuation of land and buildings including council dwellings continued

- Infrastructure and Other Land & Buildings – management identified a misclassification between additions and PFI remeasurement across Infrastructure and Other Land & Buildings as disclosed within note 15.1. Whilst the total included within property, plant and equipment remains the same, infrastructure additions will reduce from £128.6m to £113.7m whilst other land & building additions will increase by the same amount from £22.4m to £37.3m
- Hollybush Primary School – as part of audit challenge, the valuer noted that Blocks 2 and 3 were not in use and should have been taken out of the overall school valuation, totalling £1.3m. However, these blocks are being disposed of and so management has created an asset held for sale of £0.2m resulting in a reduction in valuation of £1.1m
- Leeds Grand Theatre – audit work identified that the location factor used in the valuation calculation had been adjusted for twice in the valuation of Leeds Grand Theatre. The valuation in the draft accounts was, therefore, understated by £1.1m. Management has agreed to correct this error in the draft accounts
- Allerton Grange High School – as a result of audit review and challenge, management identified that the land area used in the valuation of the land at Allerton Grange High School was incorrect. The area used in the initial valuation provided was 18.00 acres but this should have been 26.72 acres. This means that the asset should have been valued at £18.7m rather than £12.6m, an increase of £6.1m. Management has agreed to amend the accounts for this error

Given the number of matters noted above, the Council needs to strengthen its controls in reviewing internal asset valuations to identify errors and anomalies prior to the draft accounts being prepared. We have raised a recommendation in this regard.

Subject to the above matters, we are satisfied:

- that the judgements made by management are appropriate and have been determined using consistent methodology
- having assessed management judgements and estimates individually and in aggregate, we have not identified material misstatement arising from management bias across the financial statements.

Significant risks

Risk identified

Valuation of the pension fund net balance

The Council's pension fund net balance, as reflected in its balance sheet, represents a significant estimate in the financial statements.

The pension fund net balance is considered a significant estimate due to the size of the numbers involved (£208m asset at 31 March 2024) and the sensitivity of the estimate to changes in key assumptions.

The methods applied in the calculation of the IAS 19 estimates are routine and commonly applied by all actuarial firms in line with the requirements set out in the Code. We have therefore concluded that there is not a significant risk of material misstatement in the IAS 19 estimate due to the methods and models used in their calculation.

The source data used by the actuaries to produce the IAS 19 estimates is provided by administering authorities and employers. We do not consider this to be a significant risk as this is easily verifiable.

(continued on the following page)

Audit procedures performed

As part of our work we have:

- updated our understanding of the processes and controls put in place by management to ensure that the Authority's share of the pension fund is not materially misstated and evaluated the design of the associated controls
- evaluated the instructions issued by management to their management expert (AON) for this estimate and the scope of the actuary's work
- assessed the competence, capabilities and objectivity of the actuary (AON) who carried out the Authority's pension fund valuation
- assessed the accuracy and completeness of the information provided by the Authority to the actuary to estimate the net pension balance
- tested the consistency of the pension fund figures and disclosures in the draft financial statements with the actuarial report from the actuary
- undertook procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (PwC as auditor's expert) and performing any additional procedures suggested within the report
- evaluated the continued appropriateness of recognising a pension asset position against the Code and IFRIC 14 criteria
- assessed the calculation performed to identify the IFRIC 14 net pension asset ceiling and where appropriate, challenged management on the validity and appropriateness of the assumptions used in the calculation

Key observations

Our audit work in this area is now complete. Our work has identified the following matters in respect of the valuation of the Council's defined benefit pension scheme:

- Management was informed by the Pension Fund that following audit work on the Pension Fund financial statements, it had been identified that pension fund assets may be understated, whilst not material to the Pension Fund, the movement for Leeds was considered to be significant. As a result, management requested a revised IAS 19 Report from its actuary AON, updating the fair value of assets and related disclosures. This was received by management in late October 2025 and management has now updated the pension disclosures to reflect the changes noted. The key change was an increase to plan assets of £17.9m which reduces the loss on pension assets during the year. Overall, there is no change to the Council's balance sheet as at 31 March 2025
- We were also awaiting the auditor of the pension fund to provide us with their formal report on the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the pension fund. This has now been received.

No other matters have arisen from our work.

Significant risks

Risk identified

Valuation of the pension fund net balance (continued)

The actuarial assumptions used are the responsibility of the entity but should be set on the advice given by the actuary.

A small change in the key assumptions (discount rate, inflation rate, salary increase and life expectancy) can have a significant impact on the estimated IAS 19 liability. We have therefore concluded that there is a significant risk of material misstatement in the IAS 19 estimate due to the assumptions used in the calculation. With regard to these assumptions, we have therefore identified valuation of the Authority's net pension valuation as a significant risk.

Audit procedures performed

- reviewed the accounting for any unfunded liability element of LGPS in line with Code guidance and accounting principles
- requested assurances from the auditor of the West Yorkshire Pension Fund 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.

Key observations

Subject to the above matters, we are satisfied:

- that the judgements made by management are appropriate and have been determined using consistent methodology
- having assessed management judgements and estimates individually and in aggregate we are satisfied that we have not identified material misstatement arising from management bias across the financial statements.

Other risks

Risk identified

Implementation of IFRS 16

Implementation of accounting standard IFRS 16 was previously delayed for local government to the year 2024-25.

The Council included a partial disclosure in their 2023-24 accounts setting out the expected impact of IFRS 16 relating to the Council's PFI schemes when it is introduced. A complete disclosure of the expected impact of IFRS 16 on the Council was not provided for the 2023-24 accounts as management had not completed sufficient work to determine the likely impact.

At the time of issuing our 2024-25 Audit Plan (29 May 2025), management had commenced a review of its leases to identify the impact of IFRS 16 including determining the value of right of use assets on the balance sheet, along with a corresponding lease liability. This assessment also considered the capital finance requirement, and any additional minimum revenue provision required.

We therefore identified the Implementation of IFRS 16 as other risk only.

Audit procedures performed

As part of our audit work we have:

- obtained an understanding of the Council's approach to implementing IFRS 16. This includes understanding the steps taken by the Council to identify and classify all leases, assess lease terms, and ensure the accounting treatment aligns with accounting standards
- obtained the Council's calculation and lease data and assessed the completeness by reviewing rental payments made and accuracy by reviewing the calculation of the lease liabilities and right-of-use assets
- verified the discount rate used and ensured the calculations are in line with IFRS 16 requirements
- reviewed the financial statement disclosures related to leases to ensure this meets the requirements of IFRS 16 such as the nature of leasing activities, key assumptions and judgments made.

Key observations

Our audit work noted a number of disclosure omissions relating to the application of IFRS 16 and the 2024-25 CIPFA Code including:

- missing disclosure in the MIRS relating to the cumulative impact of applying IFRS 16 from 1 April 2024
- no separate disclosures relating to the initial recognition of leases under IFRS 16 including existing leasing disclosure notes not being updated
- accounting policies not being fully updated for the introduction of IFRS 16.

Management has agreed to add further disclosures to address the above matters. Additionally, our audit work identified a number of issues as follows:

Previous operating leases that had not been recognised

We noted the Authority had erroneously missed two previous operating leases (from 2023-24) from the balance sheet in the draft accounts as right of use assets and lease liabilities:

- East Stand Headingley £3,614,222
- Enterprise House £6,030,449.

Misclassification between Other Land and Buildings and Right of Use assets

Additionally, audit work noted five assets already included on the Authority's balance sheet as other land and buildings should have been classified as right of use assets (note, this is a classification issue only within the disclosure note):

continued overleaf.

Other risks

Risk identified	Audit procedures performed	Key observations
Implementation of IFRS 16 continued		<ul style="list-style-type: none">• Land at Thornhill Street Calverley £899,000• Headingley Library £1,407,000• 1 Killingbeck Court £556,000• Harewood Church of England (COE) Primary School £1,846,000• Windmill Youth Club £1,028,000. <p>Leases erroneously omitted or new leases recognised in year</p> <p>Audit work identified that management had inadvertently missed a number of existing and new leases when reviewing those to be recognised under IFRS 16:</p> <ul style="list-style-type: none">• Armley Health Centre £1,764,259• Woodhouse Health Centre £1,436,339• Arlington Business Centre £1,389,702 (new lease)• Hunslet Little Owls £140,600• Unit 1 Twisting Gallery - Springfield Mills £52,172• Powerhouse - Unit 51 Springfield Mills £105,259 (new lease)• Unit 15 (1) B Springfield Mills £37,257 (new lease)• Unit 15 (1) C Springfield Mills £21,567 (new lease)• Unit 43A Springfield Mills £34,286 (new lease)• Unit 40 Springfield Mills £133,391 (new lease)• Westminster Buildings £298,998 (new lease) <p>Management has now updated the draft accounts to correctly disclose these leases.</p>

Other risks

Risk identified

Equal Pay

As disclosed in Note 4.2 of the Council’s draft financial statements for 2024-25:

“The Council has received a number of equal pay claims, for which the legal basis is not yet clear. It is also possible that further such claims could be received. Due to the uncertainty around the legal grounds for the claims, the council is unable to quantify the possible liability which could arise until that uncertainty is resolved”

There remains a risk that the Authority has not adequately considered and appropriately accounted for potential equal pay claims and made the appropriate disclosures in its financial statements.

Audit procedures performed

As part of our audit work, we have had regular meetings with senior finance, legal and HR officers including the Chief Financial Officer and the City Solicitor to remain updated on equal pay claims at the Council to date. These discussions remain on-going.

We have considered management’s approach to equal pay claims including the underlying basis used in determining equal pay claims, the appropriateness of the accounting treatment adopted, and the adequacy of the disclosures made.

Our audit work also challenged management on the methodology used as well as considering the legal advice sought by the Council.

Key observations

Our audit work noted that the Council is continuing to receive and review individual equal pay claims received. As this work remains on-going, the Council is unable to determine its likely expected liability and associated disclosures by the backstop date of 27 February 2026. As a result, we will issue an except for audit report qualification relating to the equal pay provision as this cannot be reliably calculated within materiality by the Council before the backstop date of 27 February 2026. We reported this matter to the Corporate Governance and Audit Committee at its meeting on 9 February 2026.

We have sought a separate management representation relating to equal pay claims in the management letter of representation attached at Appendix D [page 88].

Other findings



Other areas impacting the audit

Issue

Recognition and presentation of grant income

The Authority receives a number of grants and contributions and is required to follow the requirements set out in sections 2.3 and 2.6 of the Code. The main considerations are to determine whether the Authority is acting as principal/ agent, and if there are any conditions outstanding (as distinct from restrictions) that would determine whether the grant be recognised as a receipt in advance or income. The Authority also needs to assess whether grants are specific, and hence credited to service revenue accounts, or of a general or capital nature in which case they are credited to taxation and non-specific grant income.

Commentary

Note 8 to the accounts (General Government Grants) includes a detailed analysis of grant income covering grant income recognised through the Comprehensive Income and Expenditure Statement (CIES). Note 6, within the Statement of Accounting Concepts and Policies provides the accounting principles supporting grant income.

Our audit testing of grant income relating to 2024-25 has not identified any non-compliance with the requirements for grant accounting as specified in the Code. Our work involved, reviewing the Council's treatment of grants as either agent (where the Council passes on the grant without having control over its award) or principal (where the Council determines the grant award to be provided). Grant awards where the Council is acting as principal are recorded within the Council's CIES whereas grants where the Council has acted as agent are not.

Our work also reviewed the appropriateness of the disclosures made and we undertook sample testing of a number of grants.

Auditor view

No issues have been identified in the recognition and presentation of Grant Income except for the following matters:

- As part of responding to our queries on the completeness of grant income, it was noted that social care grant of £32,558k was classed as net cost of services in error and the Improved Better Care Fund (iBCF) grant of £31,239k was classed as non-ringfenced in error. The net error across net cost of services and non-ringfenced grants is £1,319k. Management has agreed to amend the draft accounts for this error
- Note 7.5 Subjective analysis CIES. A misclassification error of £185m was identified within the client workings relating to Capital Grants included within Fees & Charges and Government Grants, leading to an overstatement of Fees & Charges and an understatement of Government Grants. Management has agreed to amend for this disclosure error.

No other issues have been identified in the recognition and presentation of Grant Income.

Other areas impacting the audit

Issue

IT Control deficiencies

As part of our IT audit work, we reviewed the Authority's relevant Information Technology (IT) systems and the controls operating over them which was performed as part of obtaining an understanding of the information systems relevant to financial reporting.

Commentary

Our findings, noted two weaknesses at the Council at system access level as follows:

- The passwords for standard SAP IDs are not secured appropriately. We recommend that password for all SAP standard accounts should be changed from the system default settings
- Insufficient Documentation for Custom Code Change Requests within FMS. We recommend Council to ensures all custom code changes are consistently documented from initiation through to deployment

Our detailed 2024-25 IT work was undertaken by our specialist IT team. Our detailed findings were reported in our IT Audit Findings Report dated 13 November 2025 and included management responses to each of the recommendations noted. Our IT Audit Findings Report is included on the Corporate Governance and Audit Committee agenda for its meeting on 1 December 2025.

Auditor view

Our findings indicate some weaknesses at system access level although there are compensating controls in place to detect and reduce material errors in the financial statements.

The audit team has considered the issues identified from these weaknesses and do not consider them significant enough to have an impact on our audit given we adopt a fully substantive audit approach with no reliance on operating effectiveness of controls, whether they are automated or manual.

Other findings – accounting policies

Accounting area	Summary of policy	Comments	Assessment
Revenue recognition	<p>The Councils financial statements, Statement of Accounting Concepts and Policies set out the Council’s Accounting Policies for 2024-25 in accordance with the Accounts and Audit Regulations 2015 and the Code of Practice on Local Authority Accounting in the United Kingdom 2024-25 (the Code) supported by International Financial Reporting Standards (IFRS) and statutory guidance.</p> <p>The financial statements, other than the cash flow information, are prepared on an accruals basis. This means that expenditure and income are recognised in the accounts in the period in which they are incurred or earned, not as money is paid or received. Similarly, assets and liabilities are recognised when they meet the relevant recognition criteria set out in the Code.</p> <p>Revenue from contracts is recognised when the authority satisfies a performance obligation under a contract, at the transaction price relating to that performance obligation. This means that revenue from the sale of goods is recognised when the purchaser obtains control of the goods from the authority. Similarly, revenue from the provision of one-off services is recognised when the service has been provided. Revenue from on-going services provided over time is recognised over time by measuring the progress towards complete satisfaction of a performance obligation, to the extent that the authority can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the authority.</p>	<ul style="list-style-type: none"> • The Council’s revenue recognition policy is considered appropriate and complies with the accounting framework • There is little judgement involved in the Council’s revenue recognition policy • The Council has adequately disclosed its accounting policy. 	<p style="text-align: center;">● GREEN</p>
Expenditure recognition	<p>As noted above, the Councils financial statements, Statement of Accounting Concepts and Policies set out the Council’s Accounting Policies in accordance with the Accounts and Audit Regulations 2015 and the Code of Practice on Local Authority Accounting in the United Kingdom 2024-25 (the Code) supported by International Financial Reporting Standards (IFRS) and statutory guidance.</p> <p>Accruals accounting is adopted. Expenditure on supplies and services is accrued and accounted for in the period during which they are consumed or received. Accruals have been made for all material sums unpaid at the year end for goods or services received or work completed. Employee costs are charged to the accounts of the period within which the employees worked. Accruals have been made for wages earned but unpaid at the year-end.</p>	<ul style="list-style-type: none"> • The Council’s expenditure recognition policy is considered appropriate and complies with the accounting framework • There is little judgement involved in the Council’s expenditure recognition policy • The Council has adequately disclosed its accounting policy. 	<p style="text-align: center;">● GREEN</p>

Assessment:

- Red = Marginal accounting policy which could potentially be open to challenge by regulators
- Amber = Accounting policy appropriate but scope for improved disclosure
- Green = Accounting policy appropriate and disclosures sufficient

Other findings – accounting policies

Accounting area	Summary of policy	Comments	Assessment
Valuation methods	<p>The Council’s accounting policy for the valuation of its Property, Plant and Equipment is contained within Note 18 of its Statement of Accounting Concepts and Policies. For Property, Plant and Equipment, the Council’s policy is as follows.</p> <p>All expenditure on the acquisition, construction or enhancement of property, plant and equipment, as defined by the Accounting Code of Practice, has been capitalised and classified as a long-term asset, where the asset brings benefit to the authority for a period of more than one year. This includes both economic benefit and benefits derived from service potential.</p> <p>Operational land and properties are valued on the basis of current value in existing use, unless there is no market based evidence of their current value due to their specialist nature, in which case their current value is estimated on a depreciated replacement cost basis. In particular, and in accordance with Department for Levelling Up, Housing and Communities guidance, council house valuations have been reduced by a regional adjustment factor in recognition of their status as social housing. Consequently council dwellings are included in the balance sheet at 41% of current value. Given the volume of properties in this class of asset the council has determined it is most efficient to value such properties by reference to a series of beacon properties. New build or newly acquired properties are assigned to a beacon group once they become operational.</p> <p>The value of infrastructure assets, such as highways, in existence at 1st April 1994 is included in the Balance Sheet at the equivalent of any net loan debt outstanding less subsequent depreciation. Since the 1st April 1994 any new infrastructure assets and enhancements are included at construction cost, net of depreciation where appropriate. From 2020/21 onwards, the council has adopted the option given in statutory regulations to determine the carrying value to be derecognised for any components of infrastructure assets which are replaced as nil.</p> <p>The value of community assets in existence at 1st April 1994 is included in the Balance Sheet at nominal value. Since 1st April 1994 all new community assets and enhancements to existing assets have been included at historic cost, net of depreciation where appropriate.</p> <p>Vehicles, plant and equipment are held at historic cost less depreciation.</p>	<ul style="list-style-type: none"> • The Council’s policy of the valuation of its Property, Plant and Equipment is considered appropriate and complies with the accounting framework • There can be judgement involved in the valuation of the Council’s Property, Plant and Equipment and the Council employs specialist valuers • The Council has adequately disclosed its accounting policy. 	<p style="text-align: center;">● GREEN</p>

Other findings – key judgements and estimates

This section provides commentary on key estimates and judgements in line with the enhanced requirements for auditors.

Assessment:

- [Red] We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- [Amber] We consider the estimate is unlikely to be materially misstated however management’s estimation process contains assumptions we consider optimistic
- [Grey] We consider the estimate is unlikely to be materially misstated however management’s estimation process contains assumptions we consider cautious
- [Green] We consider management’s process is appropriate and key assumptions are neither optimistic or cautious

Key judgement or estimate	Summary of management’s approach	Auditor commentary	Assessment
<p>Council dwellings valuation</p> <p>£2,408m at 31 March 2025</p>	<p>The Council is required to revalue its Council housing in accordance with Department of Levelling up Housing and Communities (DLUHC) Stock Valuation for Resource Accounting guidance. The guidance requires the use of beacon methodology, in which a detailed valuation of representative property types is then applied to similar properties.</p> <p>The Council has engaged its valuer to complete the valuation of these properties. The valuation was at 1 January 2025 and valued Council Housing at £2,408m.</p>	<ul style="list-style-type: none"> • The Council’s Valuer is RICS qualified and valued the entire housing stock using the beacon methodology, in which a detailed valuation of representative property types was then applied to similar properties • Our work indicated that this methodology was applied correctly in the 2024-25 valuation • We have assessed the Council’s valuer to be competent, capable and objective in carrying out the valuations • We have carried out completeness and accuracy testing of the underlying information provided to the valuer used to determine the estimate and have no issues to report • We have agreed the HRA valuation report to the accounts • We have compared the valuation movements with the property valuation specialist's information we use and national reports and held discussions with our own valuation specialist as relevant. We have also challenged management and the Council’s valuation expert on valuation differences as identified through our sensitivity analysis work using other relevant indices when applicable. These discussions remain on-going, and we intend to make our conclusions before we issue the audit opinion. 	<p style="text-align: center;">● GREEN</p> <p>We consider management’s process is appropriate and key assumptions are neither optimistic or cautious</p>

As noted on page 22, our work identified one matter relating to the valuation of Council dwellings. As last year, our review of council dwellings noted that 333

Other findings – key judgements and estimates

Key judgement or estimate	Summary of management's approach	Auditor commentary	Assessment
Council dwellings valuation continued		<p>properties did not have a beacon number allocated (based on similar council houses or comparable properties determined by the valuer). We understand management had not allocated a beacon to these properties as they are awaiting valuation.</p> <p>The Council should allocate beacon numbers once properties are built to ensure they are correctly categorised. This is included in the follow up of prior year recommendations on page 67</p> <p>Other than this matter, there are no issues arising from our work that we wish to bring to the attention of management or the Corporate Governance and Audit Committee.</p>	

Other findings – key judgements and estimates

Key judgement or estimate	Summary of management’s approach	Auditor commentary	Assessment
<p>Other Land and Buildings valuation</p> <p>£2,594m at 31 March 2025</p>	<p>Other land and buildings comprises £2,275m of specialised assets such as schools and libraries as well as the PFI Recycling and Energy Recovery Facility, which are required to be valued at depreciated replacement cost (DRC), reflecting the cost of a modern equivalent asset necessary to deliver the same service provision.</p> <p>The remainder of other land and buildings (£319m) are not specialised in nature and are required to be valued at existing use value (EUV - £75m) for example car parks, and open market value (OMV - £244m) for example Council Offices at the year end. The Council has engaged its in-house valuer to complete the valuation of properties as at 1 January 2025 with two external valuers valuing the Waste to Energy Plant. Approximately 93% of total assets (by value) were revalued during 2024-25.</p> <p>Management has also considered the year end value of non-valued properties, and the potential valuation change in the assets not revalued at 31 March 2025, to determine whether there has been a material change in the total value of these properties.</p> <p>The total year end valuation of Other land and buildings was £2,594m.</p>	<ul style="list-style-type: none"> • We have assessed the Council’s in-house RICS qualified valuer, to be competent, capable and objective • We have carried out completeness and accuracy testing of the underlying information provided to the valuer used to determine the estimate, including floor areas and have no issues to report • The valuation methods remain consistent with the prior year and in line with Code guidance • In relation to assets not revalued in the year, we have compared the Montagu Evans (valuation specialists) property valuation report and held discussions with our own, auditor’s valuation specialist. We have also challenged management and the Council’s valuation specialist on valuation differences identified through our sensitivity analysis work using other indices. This work currently remains on-going. <p>As noted on page 22, our work identified a number of issues relating to the valuation of other land and buildings including:</p> <ul style="list-style-type: none"> • Seven High Schools were incorrectly valued due to the incorrect recording of pupil number resulting in an understatement of these school by £23.5m • We noted last year a large number of assets in the Fixed Asset Register with a net book value of £nil (gross book value £97.5m). These assets remained in the draft 2024-25 accounts presented for audit, however, management has now written out appropriate assets no longer in use resulting in the figures included in Note 15.1. Cost for Vehicles, plant & equipment being reduced by some £95m. As these are £nil NBV items, the cost and accumulated depreciation are equal, meaning the net impact on the balance sheet is zero 	<p style="text-align: center;">●</p> <p style="text-align: center;">GREEN</p> <p>We consider management’s process is appropriate and key assumptions are neither optimistic or cautious</p>

Other findings – key judgements and estimates

Key judgement or estimate	Summary of management's approach	Auditor commentary	Assessment
Other Land and Buildings valuation continued		<ul style="list-style-type: none">Management identified a misclassification between additions and PFI remeasurement across Infrastructure and Other Land & Buildings in Note 15.1. Whilst the total included within property, plant and equipment remains the same, infrastructure additions will reduce from £128.6m to £113.7m whilst other land & buildings additions will increase by the same amount from £22.4m to £37.3mAs part of audit challenge, the valuer noted that Blocks 2 and 3 at Hollybush Primary School were not in use and should have been taken out of the overall school valuation, totalling £1.3m. However, these blocks are being disposed of and so management has created an asset held for sale of £0.2m resulting in a reduction in valuation of £1.1mAudit work identified that the location factor used in the valuation calculation had been adjusted for twice in the valuation of Leeds Grand Theatre. The valuation in the draft accounts was understated by £1.1mFollowing audit review and challenge, management identified that the land area used in the valuation of the land at Allerton Grange High School was incorrect. The area used in the initial valuation provided was 18.00 acres but this should have been 26.72 acres. This results in the valuation increasing by £6.1m to £18.7m. <p>Management has agreed to amend the accounts for these errors.</p>	

Other findings – key judgements and estimates

Key judgement or estimate	Summary of management’s approach	Auditor commentary	Assessment																								
<p>Valuation of net pension</p> <p>£0 at 31 March 2025 (PY £208m asset)</p> <p>IFRIC 14 addresses the extent to which an IAS 19 surplus can be recognised on the Balance Sheet as an asset. IFRIC 14 also limits the measurement of the defined benefit asset to the 'present value of economic benefits' available in the form of refunds from the plan or reductions in future contributions to the plan.</p>	<p>The Council’s net pension valuation as at 31 March 2025 after the asset ceiling calculation is £0m (PY asset after asset ceiling calculation £208m). The surplus at 31 March 2025 before the asset ceiling calculation was £1,150m but reduces to £0 based on the asset ceiling calculation which recognises the present value of employer future service costs less the present value of future employer contributions into perpetuity This gives an indication of the nature of the significant estimate and fluctuations on how the estimate is accounted for.</p> <p>The Council continues to engage AON to provide actuarial valuations of the Council’s assets and liabilities derived from this scheme. A full actuarial valuation is required every three years. The latest full actuarial valuation was completed as at 31 March 2022, utilising key assumptions such as life expectancy, discount rates, salary growth and pension increase rate.</p> <p>A roll forward approach is used in intervening periods which utilises key assumptions such as life expectancy, discount rates, salary growth and investment returns.</p> <p>Given the significant value of the net pension fund asset/liability, small changes in assumptions can result in significant valuation movements.</p>	<p>We have:</p> <ul style="list-style-type: none"> Assessed the competence, capability and objectivity of management’s expert, AON Assessed the actuary’s approach taken and deemed it reasonable Used PwC as auditor’s expert to assess the management actuary and assumptions made by the actuary (see table below) Confirmed the completeness and accuracy of the underlying information used to determine the estimate Confirmed the reasonableness of the Council’s share of pension assets Confirmed the reasonableness of the decrease in the liability estimate Confirmed the adequacy of the disclosure of the estimate in the financial statements. <table border="1"> <thead> <tr> <th>Assumption</th> <th>Actuary value</th> <th>*PwC assessment</th> <th>Assessment</th> </tr> </thead> <tbody> <tr> <td>Discount rate</td> <td>5.80%</td> <td>See below</td> <td>Reasonable</td> </tr> <tr> <td>Pension increase rate</td> <td>2.5%</td> <td>See below</td> <td>Reasonable</td> </tr> <tr> <td>Salary growth</td> <td>3.75%</td> <td>See below</td> <td>Reasonable</td> </tr> <tr> <td>Life expectancy – Males currently aged 45/65</td> <td>21.8/20.9</td> <td>See below</td> <td>Reasonable</td> </tr> <tr> <td>Life expectancy – Females currently aged 45/65</td> <td>24.8/24.1</td> <td>See below</td> <td>Reasonable</td> </tr> </tbody> </table> <ul style="list-style-type: none"> *The PwC report (auditor’s expert) for the year ended 31 March 2025, overall findings commented on AON (management actuary) assumptions as follows: “We are comfortable that the methodologies used by AON to establish assumptions will produce reasonable assumptions as at 31 March 2025 for all employers”. Our work in this area is now complete. Our work has not identified any evidence to conclude that management’s processes and key assumptions are not appropriate. 	Assumption	Actuary value	*PwC assessment	Assessment	Discount rate	5.80%	See below	Reasonable	Pension increase rate	2.5%	See below	Reasonable	Salary growth	3.75%	See below	Reasonable	Life expectancy – Males currently aged 45/65	21.8/20.9	See below	Reasonable	Life expectancy – Females currently aged 45/65	24.8/24.1	See below	Reasonable	<p>GREEN</p> <p>We consider management’s process is appropriate and key assumptions are neither optimistic or cautious</p>
Assumption	Actuary value	*PwC assessment	Assessment																								
Discount rate	5.80%	See below	Reasonable																								
Pension increase rate	2.5%	See below	Reasonable																								
Salary growth	3.75%	See below	Reasonable																								
Life expectancy – Males currently aged 45/65	21.8/20.9	See below	Reasonable																								
Life expectancy – Females currently aged 45/65	24.8/24.1	See below	Reasonable																								

Other findings – key judgements and estimates

Key judgement or estimate	Summary of management's approach	Auditor commentary	Assessment
<p>Recognition and presentation of grant income</p> <p>£1,490m in 2024-25 made up of General Government Grants £461m and Government Grants included in Net Cost of Service £1,029m.</p>	<p>Management has taken into account three main considerations in accounting for grants:</p> <ol style="list-style-type: none"> whether the Council is acting as the principal or agent and particularly whether it controls the goods or services before they transfer to the service recipient. whether there are conditions outstanding (as distinct from restrictions) that would require the grant to be recognised as receipt in advance, otherwise grant should be recognised as income whether the grant is a specific or non-specific grant. General un-ringfenced grants are disclosed on the face of the CIES, whereas ringfenced grants are required to be credited to service revenue accounts. 	<p>The Council receives a number of grants and contributions and is required to follow the requirements set out in the Code. The main considerations are to determine whether the Council is acting as principal or agent, and if there are any conditions outstanding (as distinct from restrictions) that would determine whether the grant be recognised as a receipt in advance or income. The Council also needs to assess whether grants are specific, and hence credited to service revenue accounts, or of a general or capital nature in which case they are credited to taxation and non-specific grant income.</p> <p>As part of our audit work, we have:</p> <ul style="list-style-type: none"> substantively tested a sample of grants across categories and reviewed management's assessment as to whether the Council is acting as the principal or agent for the samples selected, reviewed the completeness and accuracy of the underlying information used to determine whether there are conditions outstanding (as distinct from restrictions) that would determine whether the grant be recognised as a receipt in advance or income assessed for the sample of grants received, whether the grant is specific or non-specific grant (or whether it is a capital grant) – which impacts on where the grant is presented in the CIES or not assessed the adequacy of disclosure of grants received and judgement used by management as part of our detailed testing. <p>Our audit work is now complete and has not identified any matters other than the two matters already noted on page 30:</p> <ul style="list-style-type: none"> social care grant of £32,558k was classed as net cost of services in error and the Improved Better Care Fund (iBCF) grant of £31,239k was classed as non-ringfenced in error. This is a classification error only a misclassification error of £185m was identified within Capital Grants included within Fees & Charges and Government Grants (Note 7.5 only), leading to an overstatement of Fees & Charges and an understatement of Government Grants. 	<p style="text-align: center;"> GREEN</p> <p>We consider management's process is appropriate and key assumptions are neither optimistic or cautious</p>

Other findings – key judgements and estimates

Key judgement or estimate	Summary of management's approach	Auditor commentary	Assessment
<p>Investment Properties valuation: £58.3m (PY £71.8m)</p>	<p>Investment properties are those that are used to earn rentals or for capital appreciation. Investment properties are measured at fair value. The fair values for investment properties are obtained from market valuations.</p> <p>The value of the Council's investment properties has fallen from £71.8m at 31 March 2024 to £58.3m at 31 March 2025. The reduction is mainly due to disposals of £7.9m during the year and downward revaluation movements of £4.6m.</p>	<p>Our audit work on investment properties included:</p> <ul style="list-style-type: none"> evaluating management's processes and assumptions for the calculation of the valuation, the instructions issued to valuation experts and the scope of their work evaluating the competence, capabilities and objectivity of the valuation expert discussing with the valuer the basis on which the valuation was carried out including the use of market rental information challenging the information and assumptions used by the valuer to assess completeness and consistency with our understanding engaging our own auditor's expert valuer to assess the instructions issued to the Authority's valuer, the Authority's valuer's reports and the assumptions that underpin the valuations testing revaluations made during the year to see if they had been input correctly into the Authority's asset register considering, where the valuation date is not 31 March 2025 for assets valued in year, the arrangements management has used to ensure the valuation remains materially appropriate at 31 March 2025. <p>No issues have arisen from our work in relation to investment properties.</p>	<p style="text-align: center;">● GREEN</p> <p>We consider management's process is appropriate and key assumptions are neither optimistic or cautious</p>

Other findings – key judgements and estimates

Key judgement or estimate	Summary of management’s approach	Auditor commentary	Assessment
<p>Minimum revenue provision £72.6m in 2024-25 (HRA £10.5m, GF £62.1m)</p>	<p>The Authority is responsible on an annual basis for determining the amount charged for the repayment of debt known as its minimum revenue provision (MRP). The basis for the charge is set out in regulations and statutory guidance.</p> <p>The year end MRP charge for 2024-25 was £62.1m, a net increase of £4.9m over 2023-24. The MRP charge for 2024-25 represents a 1.8% charge against the general fund capital financing requirement (CFR).</p>	<p>As part of our audit work, we reviewed the calculation of the MRP charge for the year and considered:</p> <ul style="list-style-type: none"> • whether the MRP had been calculated in line with the statutory guidance • whether the Authority’s policy on MRP complied with statutory guidance. • assessed whether any changes to the Authority’s policy on MRP have been discussed and agreed with those charged with governance and have been approved by full Council • the reasonableness of the MRP charge and the movement between years. <p>Whilst our audit work has not noted any issues, we note that statutory guidance states that the useful life of assets should not be assumed to exceed 50 years when used as the basis for calculating MRP. This is equivalent to a benchmark of 2%. The Council’s current MRP is slightly below this level and should be kept under review.</p> <p>New statutory guidance takes full effect from April 2025, introducing new provisions for capital loans. This guidance also clarifies the practices that authorities should already be following.</p> <p>This guidance clarifies that capital receipts may not be used in place of a prudent MRP and that MRP should be applied to all unfinanced capital expenditure and that certain assets should not be omitted from the calculation unless exempted by statute.</p>	<p style="text-align: center;"> GREEN</p> <p>We consider management’s process is appropriate and key assumptions are neither optimistic</p>

Other findings – Information Technology

This section provides an overview of results from our assessment of Information Technology (IT) environment and controls which included identifying risks from the use of IT, related to business process controls, relevant to the financial audit. This includes an overall IT General Control (ITGC) rating per IT system and details of the ratings assigned to individual control areas. Our detailed findings were included in our report to management dated 13 November 2025.

IT system	Level of assessment performed	Overall ITGC rating	ITGC control area rating		
			Security management	Technology acquisition, development and maintenance	Technology infrastructure
SAP	Detailed roll forward ITGC (design effectiveness)				
FMS	Detailed roll forward ITGC (design effectiveness)				
Capita Academy	Detailed roll forward ITGC (design effectiveness)				
Civica CX	Detailed roll forward ITGC assessment (design effectiveness)				
Active Directory	Detailed roll forward ITGC assessment (design effectiveness)			Not In Scope	Not in Scope

Assessment:

-  [Red] Significant deficiencies identified in IT controls relevant to the audit of financial statements
-  [Amber] Non-significant deficiencies identified in IT controls relevant to the audit of financial statements/significant deficiencies identified but with sufficient mitigation of relevant risk
-  [Green] IT controls relevant to the audit of financial statements judged to be effective at the level of testing in scope
-  [Black] Not in scope for assessment

Communication requirements and other responsibilities

Other communication requirements

Issue	Commentary
Matters in relation to fraud	<p>We have previously discussed the risk of fraud with the Council’s Corporate Governance and Audit Committee and the Chief Financial Officer.</p> <p>We are aware of the on-going Police investigation into alleged corruption involving some former employees within the Council’s Planning Department. On the basis of our enquiries, we have not identified any risk of a material impact on the Council’s financial statements given the roles of the individuals were non-financial and they were unable to access or post financial information. We have also been informed of another alleged fraud which is under current investigation, however, the amounts involved are not considered material to the Council’s financial statements. Action is being taken by management to strengthen existing arrangements to prevent repetition. Other than these matters, we have not been made aware of any other material incidents in the year which would impact on our audit approach, and no issues have been identified during the course of our audit.</p>
Matters in relation to related parties	We are not aware of any related parties or related party transactions which have not been disclosed.
Matters in relation to laws and regulations	You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
Written representations	The proposed letter of management representation is included at Appendix D. As highlighted at Appendix D, an additional representation has been requested in relation to equal pay liabilities. This additional representation was also requested last year, 2023-24.

Other communication requirements

Issue	Commentary
Confirmation requests from third parties	We requested from management permission to send a confirmation request to the Council's bankers, and entities who were involved with the Council's investments and borrowings. This permission was granted, and the requests were sent and responded to with positive confirmations.
Disclosures	<p>As part of our audit work, we reviewed the Council's financial statements, accounting policies and disclosure notes. Our review found no material omissions in the financial statements.</p> <p>Our work did however identify a number of presentational disclosure amendments which have been processed by management. These are included on pages 59 to 62. In particular, given the introduction of IFRS 16 for the first time, our audit work noted a number of adjustments and areas where additional disclosures were required relating to IFRS 16. Management has agreed to add these additional disclosures.</p>
Audit evidence and explanations	All information and explanations requested from management were provided.
Significant difficulties	We did not experience any significant challenges during the audit.
Other matters	<p>Our audit work identified the following additional matters:</p> <ul style="list-style-type: none">an error of £360k within note 7.3 Expenditure & Funding analysis. The transfer to earmarked reserves figure of £53,440k should read £53,800k. The figure of £53,800 is correctly stated in both the outturn report and the MIRS. Management has agreed to amend the accounts for this error

Other communication requirements

Issue	Commentary
Other matters continued	<ul style="list-style-type: none"><li data-bbox="563 368 2410 475">▪ The figure for short-term PFI liabilities is included erroneously within Sundry creditors. Sundry creditors are overstated by £46,713k and short-term liabilities understated by the same amount. This is a misclassification only within the creditors note. Management has agreed to correct the accounts for this error<li data-bbox="563 494 2410 746">▪ Management identified a number of changes to the cash flow statement. These amendments relate to errors in classification only and have no impact on the year-end cash and cash equivalents figure. The adjustments include:<ul style="list-style-type: none"><li data-bbox="601 579 2091 608">– Government grants figure will decrease by £7,717k and Other income will increase by the same amount<li data-bbox="601 629 2384 694">– Other operating costs will decrease by £8,220k and Finance lease and PFI scheme principal repayments will increase by the same amount<li data-bbox="601 715 2130 743">– Purchase of fixed assets will reduce by £42m and Other operating costs will increase by the same amount<li data-bbox="563 765 2410 872">▪ Note 12.1 Dedicated Schools Grant (DSG) note will need to be reformatted following notification by Department for Education resulting in a reclassification of £4,996k between in-year adjustments and ISB deployed. Management has agreed to correct the accounts for this change<li data-bbox="563 893 2410 1029">▪ Management identified three errors in note 7.3 Expenditure and Funding Analysis. These are: missing HRA capital accounting adjustment for £68,473k; the pension accounting figure was entered as -£2,146k but should have been £2,146k; and other statutory adjustments figure for central accounts was -£1,752k but should have been £2,190k. Management is correcting for all these errors in the revised accounts<li data-bbox="563 1051 2410 1158">▪ Note 12.3 Employee Remuneration. In line with the Accounts and Audit Regulations, we noted one employee had not been appropriately disclosed in note 12.3 as his salary was above £150,000. The Regulations state that an individual's name is required to be disclosed where salary exceeds £150,000 per annum. Management is updating this disclosure.

Other responsibilities

Issue

Commentary

Going concern

In performing our work on going concern, we have had reference to Statement of Recommended Practice – Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom (Revised 2024). The Financial Reporting Council recognises that for particular sectors, it may be necessary to clarify how auditing standards are applied to an entity in a manner that is relevant and provides useful information to the users of financial statements in that sector. Practice Note 10 provides that clarification for audits of public sector bodies.

Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities:

- The use of the going concern basis of accounting is not a matter of significant focus of the auditor’s time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the entity’s services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist, and so a straightforward and standardised approach for the consideration of going concern will often be appropriate for public sector entities
- For many public sector entities, the financial sustainability of the reporting entity and the services it provides is more likely to be of significant public interest than the application of the going concern basis of accounting. Our consideration of the Authority’s financial sustainability is addressed by our value for money work, which is covered elsewhere in this report.

(continued)

Other responsibilities

Issue

Commentary

Going concern

Practice Note 10 states that if the financial reporting framework provides for the adoption of the going concern basis of accounting on the basis of the anticipated continuation of the provision of a service in the future, the auditor applies the continued provision of service approach set out in Practice Note 10. The financial reporting framework adopted by the Authority meets this criteria, and so we have applied the continued provision of service approach. In doing so, we have considered and evaluated:

- the nature of the Authority and the environment in which it operates
- the Authority's financial reporting framework
- the Authority's system of internal control for identifying events or conditions relevant to going concern
- management's going concern assessment.

On the basis of this work, we have obtained sufficient appropriate audit evidence to enable us to conclude that:

- a material uncertainty related to going concern has not been identified; and
- management's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Other responsibilities

Issue	Commentary
Other information	<p>We are required to give an opinion on whether the other information published together with the audited financial statements (including the Annual Governance Statement and Narrative Report), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.</p> <p>Our review of the Narrative Foreword included in the draft accounts noted no issues except a few minor consistency and typographical differences in the figures disclosed which management has agreed to update. No inconsistencies were identified in our review of the draft Annual Governance Statement.</p> <p>No other issues were noted and we plan to issue an unmodified opinion in this respect – refer to Appendix E.</p>
Matters on which we report by exception	<p>We are required to report on a number of matters by exception in a number of areas:</p> <ul style="list-style-type: none">• if the Annual Governance Statement does not comply with disclosure requirements set out in CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit,• if we have applied any of our statutory powers or duties.• where we are not satisfied in respect of arrangements to secure value for money and have reported [a] significant weakness[es]. <p>We have nothing to report on these matters.</p>

Other responsibilities

Issue	Commentary
Specified procedures for Whole of Government Accounts	<p>We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions.</p> <p>As the Authority exceeds the specified group reporting threshold of £2 billion, we examine and report on the consistency of the WGA consolidation pack with the Authority's audited financial statements. This work will be completed once we have concluded our 2024-25 audit.</p>
Certification of the closure of the audit	<p>As in previous years, we intend to delay the certification of the closure of the 2024-25 audit of the Council in the audit report, as detailed at Appendix E, until we have completed work on the WGA consolidation exercise as mentioned above and have received confirmation that the National Audit Office has concluded their work in respect of WGA for the year ended 31 March 2025.</p>

Audit adjustments



Audit adjustments

We are required to report all non-trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

Impact of adjusted misstatements

All adjusted misstatements are set out in detail below, along with the impact on the key statements and the reported net expenditure for the year ending 31 March 2025 and the Council's useable reserves. .

Detail	Comprehensive Income and Expenditure Statement £'000	Balance Sheet £'000	Impact on total net expenditure £'000	Impact on general fund £'000
1. Note 16.1 Debtors				
Cr Debtors		(2,000)		
Dr Capital Adjustment Account		2,000		
Overstatement of debtors by £2,000,000. This is an incorrect accrual for capital funding for the Grey to Greener programme. Management initially believed this income would come from a developer, however, funding is due from a capital receipt.				
2. Note 15.1 Property, Plant and Equipment				
Cr CIES Net cost of Services	(16,612)			
Cr CIES (surplus)/deficit on revaluation of fixed assets	(6,887)			
Dr Property, Plant and Equipment		23,499		
Pupil numbers were incorrectly recorded for seven high schools. This resulted in an understatement of these school by £23,499,321.				
Overall impact – Sub total c/f	(23,499)	23,499	-	-

Audit adjustments

Detail	Comprehensive Income and Expenditure Statement £'000	Balance Sheet £'000	Impact on total net expenditure £'000	Impact on general fund £'000
3. Note 15.1 Property, Plant and Equipment				
Cr PPE Cost of vehicles, Plant & equipment		(95,986)		
Dr Accumulated depreciation		95,986		
<p>We noted last year a large number of assets in the Fixed Asset Register with a net book value of £nil. These assets remained in the draft 2024-25 accounts presented for audit. Management has now written out appropriate assets no longer in use resulting in the figures included in Note 15.1. Cost for Vehicles, plant & equipment being reduced by £95,986,000.</p>				
4. Note 8 General Government Grants				
Cr CIES Non-ringfenced government grants	(1,319)			
Dr CIES Net cost of services	1,319			
<p>Social care grant of £32,558k classed as net cost of services in error and Improved Better Care Fund (iBCF) grant of £31,239k classed as non-ringfenced in error. The net error across net cost of services and non-ringfenced grants is £1,319k.</p>				
5. Note 7.5 Subjective analysis of comprehensive income and expenditure				
Cr Government Grants	(185,000)			
Dr Fees and Charges	185,000			
<p>An error was identified within the client workings of £185m in regards the classification of Capital Grants, that were included in Fees & Charges as opposed to Government Grants in note 7.5, leading to the overstatement of Fees & Charges and an understatement to Government Grants within note 7.5 of the Draft Accounts.</p>				
Overall impact – Sub total c/f	(23,499)	23,499	-	-

Audit adjustments

Detail	Comprehensive Income and Expenditure Statement £'000	Balance Sheet £'000	Impact on total net expenditure £'000	Impact on general fund £'000
6. Note 15.1 Property, Plant and Equipment				
Cr PPE Other land and buildings additions		(14,856)		
Dr Infrastructure assets additions		14,856		
Management noted a discrepancy between additions and PFI remeasurements across Infrastructure and Other Land & Buildings as disclosed within note 15.1. In total Infrastructure additions will reduce by £14,856,000, whilst Other Land & Buildings additions will increase by the same amount.				
7. Note 17.1 Creditors				
Cr Creditors – Sundry Creditors		(46,713)		
Dr Creditors – PFI liabilities		46,713		
The figure for short-term PFI liabilities is erroneously included within Sundry creditors. This means Sundry creditors are overstated by £46,713,000 and short-term liabilities are understated by the same amount.				
8. Note 15.1 Property, Plant and Equipment				
Cr PPE		(1,281)		
Dr Revaluation reserve		448		
Cr Net Cost of Services	633			
Dr Assets for Sale		200		
Following auditor challenge of Hollybush Primary School, the valuer noted that Blocks 2 and 3 were not in use and should have been taken out of the overall school valuation, totalling £1.3m. However, these blocks are being disposed of and so management has created an asset held for sale of £0.2m resulting in a reduction in valuation of £1,081k.				
Overall impact – Sub total c/f	(22,866)	22,866	-	-

Audit adjustments

Detail	Comprehensive Income and Expenditure Statement £'000	Balance Sheet £'000	Impact on total net expenditure £'000	Impact on general fund £'000
9. Note 15.1 Property, Plant and Equipment				
Cr CIES Net cost of services	(1,092)			
Dr PPE		1,092		
Leeds Grand Theatre. Audit work identified that the location factor used in the valuation calculation had been adjusted for twice in the valuation of Leeds Grand Theatre. The valuation in the draft accounts was, therefore, understated by £1.1m.				
10. Note 15.1 Property, Plant and Equipment				
Cr Revaluation Reserve		(6,100)		
Dr PPE		6,100		
As a result of audit review and challenge, management identified that the land area used in the valuation of the land at Allerton Grange High School was incorrect. The area used in the initial valuation provided was 18.00 acres but this should have been 26.72 acres. This means that the asset should have been valued at £18.7m rather than £12.6m, an increase of £6.1m.				
11. Note 15.1 Property, Plant and Equipment				
Cr PPE – Other land and buildings		(899)		
Dr PPE – Right of Use Asset		899		
Land at Thornhill Street Calverley with value of £899,000 to be moved from PPE other land and buildings to Right of use asset.				
Overall impact – Sub total c/f	(23,958)	23,958	-	-

Audit adjustments

Detail	Comprehensive Income and Expenditure Statement £'000	Balance Sheet £'000	Impact on total net expenditure £'000	Impact on general fund £'000
12. Note 15.1 Property, Plant and Equipment				
Cr PPE – Other land and buildings		(556)		
Dr PPE – Right of Use Asset		556		
1 Killingbeck Court to move from PPE to Right of use asset at value of £556,000. No liability to recognise as lease premium was paid up front.				
13. Note 15.1 Property, Plant and Equipment				
Cr PPE – Other land and buildings		(1,846)		
Dr PPE – Right of Use Asset		1,846		
Harewood CoE Primary School to move from PPE to Right of use asset at value of £1,846,000				
14. Note 15.1 Property, Plant and Equipment				
Cr PPE – Other land and buildings		(1,028)		
Dr PPE – Right of Use Asset		1,028		
Windmill Youth Club to move from PPE to Right of use assets at value of £1,028,000				
15. Note 15.1 Property, Plant and Equipment				
Cr PPE – Other land and buildings		(1,407)		
Dr PPE – Right of Use Asset		1,407		
Headingley Library to move from PPE to Right of use assets at value of £1,407,000				
Overall impact – Sub total c/f	(23,958)	23,958	-	-

Audit adjustments

Detail	Comprehensive Income and Expenditure Statement £'000	Balance Sheet £'000	Impact on total net expenditure £'000	Impact on general fund £'000
16. Note 15.1 Property, Plant and Equipment				
Cr Deferred Liabilities		(6,030)		
Dr PPE – Right of Use Asset		6,030		
Enterprise House to be recorded as a right of use asset and lease liability of £6,030k.				
17. Note 15.1 Property, Plant and Equipment				
Cr Deferred Liabilities		(3,614)		
Dr PPE – Right of Use Asset		3,614		
East Stand Headingley to be recorded as a right of use asset and lease liability of £3,614k.				
18. Note 15.1 Property, Plant and Equipment				
Cr Deferred Liabilities		(1,764)		
Dr PPE – Right of Use Asset		1,764		
Armley Health Centre to be recorded as a right of use asset and lease liability of £1,764k.				
19. Note 15.1 Property, Plant and Equipment				
Cr Deferred Liabilities		(1,436)		
Dr PPE – Right of Use Asset		1,436		
Woodhouse Health Centre to be recorded as a right of use asset and lease liability of £1,436k.				
Overall impact – Sub total c/f	(23,958)	23,958	-	-

Audit adjustments

Detail	Comprehensive Income and Expenditure Statement £'000	Balance Sheet £'000	Impact on total net expenditure £'000	Impact on general fund £'000
20. Note 15.1 Property, Plant and Equipment				
Cr Deferred Liabilities		(1,390)		
Dr PPE – Right of Use Asset		1,390		
Arlington Business Centre to be recorded as a right of use asset and lease liability of £1,390k.				
21. Note 15.1 Property, Plant and Equipment				
Cr Deferred Liabilities		(524)		
Dr PPE – Right of Use Asset		524		
Additional leases to be recorded for, Hunslet Little Owls £141k, Unit 1 Twisting Gallery Springfield Mills £52k, Unit 51 Powerhouse Springfield Mills £105k, Unit 15B Springfield Mills £37k, Unit 15C Springfield Mills £22k, Unit 43A Springfield Mills £34k, Unit 40 Springfield Mills £133k. These have been aggregated in this line given their lower values.				
Overall impact – Total	(23,958)	23,958	-	-

Audit adjustments

Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

	Disclosure	Misclassification or change identified	Adjusted?
1	Cashflow Statement	<p>Management has identified a number of changes to the cash flow statement relating to errors in classification only and have no impact on the year-end cash and cash equivalents figure. The changes include:</p> <ul style="list-style-type: none"> - Government grants figure will decrease by £7,717k and Other income will increase by the same amount - Other operating costs will decrease by £10,140k and Finance lease and PFI scheme principal repayments will increase by the same amount - Purchase of fixed assets will reduce by £42m and Other operating costs will increase by the same amount 	✓
2	Collection Fund Note C5 Business rates – payments to precepting bodies	Per note C5 of the draft accounts, retained income for renewable energy is £8,262k and retained income for designated areas is £295k, however, these numbers are transposed and need correcting.	✓
3	Note 7.3 Expenditure and Funding Analysis	Management identified an error of £360k within note 7.3 Expenditure & Funding analysis. The transfer to earmarked reserves figure of £53,440k should be £53,800k. The figure of £53,800 is correctly stated in both the outturn report and the MIRS.	✓
4	Note 12.1 Dedicated Schools Grant	The figures disclosed for in year adjustments to be reduced by £4,996k and the ISB deployed figure to be increased by the same amount. This changes arises as a result of guidance from DfE. In addition, there are currently two separate tables in the draft accounts which under updated guidance will be replaced by a single table.	✓

Audit adjustments

Misclassification and disclosure changes continued

	Disclosure	Misclassification or change identified	Adjusted?
5	Note 21.1 Capital Commitments	In note 21.1 Capital Commitments, the years shown are '2025/25' and '2028/28' but should read '2025/26' and '2028/29'.	✓
6	Comprehensive Income and Expenditure Statement (CIES)	The entry for prudential borrowings has been entered incorrectly by £795k, as a result, gross expenditure for Strategy and Resources is understated by £795k whilst Communities, Housing and Environment is overstated by the same amount. Net impact £nil.	✓
7	Note 7.3 Expenditure and Funding Analysis	Management identified three errors in note 7.3. These are: missing HRA capital accounting adjustment for £68,473k; pensions accounting figure was entered as -£2,146k but should have been £2,146k; and other statutory adjustments figure for central accounts was -£1,752k but should have been £2,190k. Disclosure impact only.	✓
8	Note 13.4 Transfers to fund new capital expenditure and to repay capital debt	Usable capital receipts reserve is shown as £68,379k in the draft accounts but should be £68,490k.	✓
9	Note 25 The Council's Group	The PipeCo figure included in Note 25 of the draft accounts is incorrect. It states PipeCo paid £467k interest on loans from the Council but this should read £410k.	✓

Audit adjustments

Misclassification and disclosure changes continued

	Disclosure	Misclassification or change identified	Adjusted?
10	HRA Note H5.1 Land and Property Assets	The changes in classification figure for Vehicles, plant and equipment in HRA note H5.1 should be -£559k rather than nil.	✓
11	Note 14 Earmarked Reserves	We identified errors in three figures in note 14 Earmarked reserves: <ul style="list-style-type: none">- Capital reserve at the year-end is £nil in the draft accounts but should be £963k- Insurance reserve at the year-end is £nil in the draft accounts but should be £954k- Other reserves at the year-end are £11,793k in the draft accounts but should be £9,877k Note that the net impact on total earmarked reserves is nil.	✓
12	Movement in Reserves Statement (MIRS)	The £11,220k DSG deficit which is posted to the DSG adjustment account in unusable reserves is shown in the line 'Transfers to/(from) earmarked reserves' but should have been in 'Statutory adjustments between accounting and funding basis'. This is a presentational error only and does not have an impact on year-end unusable/usable reserves.	✓
13	Note 12.3 Employee Remuneration	In line with the Accounts and Audit Regulations, we noted one employee had not been appropriately disclosed in note 12.3 as his salary was above £150,000. The Regulations state that an individual's name is required to be disclosed where salary exceeds £150,000 per annum.	✓

Audit adjustments

Misclassification and disclosure changes continued

	Disclosure	Misclassification or change identified	Adjusted?
14	Note 12.8 Finance leases out	Note 12.8 Finance leases out omitted the lease of Kidd House in error. Repayments in year total £110,897 and the lease carrying value totals £2,896,438. This lease to be added to the disclosure in Note 12.8.	✓
15	Narrative Foreword	Various minor consistency and typographical errors were noted in the review of the Narrative Foreword. To be corrected by management.	✓
16	Financial Statements Glossary	Technical terms used in the financial statements should be explained clearly in a glossary for the reader of accounts.	X
17	Note 10 Pensions	Following receipt of the revised IAS19 Report from AoN, the disclosure relating to the value of plan assets was increased by £17.9m to £4,816m. This has no impact on the Council's balance sheet as at 31 March 2025	✓

Audit adjustments

Impact of unadjusted misstatements

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

Detail	Comprehensive Income and Expenditure Statement £'000	Balance Sheet £'000	Impact on total net expenditure £'000	Impact on general fund £'000
NONE				
Overall impact of current year unadjusted misstatements	0	0	0	0

Impact of unadjusted misstatements in the prior year

The table below provides details of misstatements identified during the prior year audit which were not adjusted for within the final set of financial statements for 2023-24, and the resulting impact upon the 2024-25 financial statements. We also present the cumulative impact of both prior year and current year unadjusted misstatements on the 2024/25 financial statements. The Corporate Governance and Audit Committee is required to approve management's proposed treatment of all items recorded within the table below.

Detail	Comprehensive Income and Expenditure Statement £'000	Balance Sheet £'000	Impact on total net expenditure £'000	Impact on general fund £'000	Reason for not adjusting
NONE					
Overall impact of prior year unadjusted misstatements	0	0	0	0	0
Cumulative impact of prior year and current year unadjusted misstatements on 2024/25 financial statements	0	0	0	0	0

Action plan

We set out here our recommendations for the Authority which we have identified as a result of issues identified during our audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Assessment	Issue and risk	Recommendations
● Medium	<p>1. Council Policies – Employee Code of Conduct</p> <p>Our review of the Council’s Policies noted the Employee Code of Conduct was last updated in 2013, over ten years ago. Whilst we understand this is currently being reviewed, the Council should ensure key Council Policies are regularly reviewed and updated in a timely manner.</p> <p>Without regular review, there remains a risk that policies become out of date and are not fit for purpose.</p>	<p>We recommend the review of the Employee Code of Conduct is concluded in a timely manner and consideration be given to a formal register of all key Council policies with a set date for review of each in date order to ensure all policies are reviewed systematically or when changes are required without long elapse periods.</p> <p>Management response</p> <p>The Employee Code of Conduct is subject to periodic review. The date given on the Code reflects the date that it was originally issued, rather than the most recent review date, as previous reviews have not indicated that any changes were required. The most recent review was completed during 2025, and proposed amendments have been drafted for approval. The Council will consider adding the most recent review date to the Code in future, to clarify this point.</p>
● Medium	<p>2. Valuation of land and buildings</p> <p>The Council moved its valuation date from 30 September to 1 January in 2020-21. This approach requires an estimation from 1 January to 31 March at the year end to ensure there has not been a material change in asset values. There is a risk that asset values are not correctly valued in the financial statements at the year end.</p>	<p>We recommended management should revise its valuation date for the valuation of fixed assets from the current 1 January, to the year end, 31 March each year.</p> <p>Management response</p> <p>For 2025/26, CIPFA has made a significant change to the requirements for property valuations, bringing in annual indexation and a 5 year cycle for full valuations. The Council is in the process of discussing the implications of this with its valuers.</p>
● Medium	<p>3. Controls over internal asset valuations</p> <p>We noted various errors relating to internal valuations in respect of land and buildings, including schools and theatre. Without effective controls to review the accuracy of valuations, there remains a risk that valuations may be misstated.</p>	<p>The Council needs to strengthen its controls in reviewing internal asset valuations to identify errors and anomalies prior to the draft accounts being prepared.</p> <p>Management response</p> <p>The Council will reassess the controls in place for reviewing internal asset valuations. It should be noted that outside of the specific issue covered in recommendation 4, only three other errors in individual property valuations were identified.</p>

Key

- High – Significant effect on control system and/or financial statements
- Medium – Limited impact on control system and/or financial statements
- Low – Best practice for control systems and financial statements

Action plan

Assessment	Issue and risk	Recommendations
<p>● Medium</p>	<p>4. School valuation and use of Pupil numbers</p> <p>As part of our review of High school valuations, we noted seven schools where sixth form pupil numbers had been inadvertently excluded from the calculation impacting on the overall valuation for the schools. Management should introduce a formal process to review each high school valuation to ensure pupil numbers have been correctly applied in undertaking the valuations.</p> <p>Without a formal review process, there remains a risk that high school valuations may be incorrectly determined.</p>	<p>We recommend management introduce a formal process to review each high school valuation to ensure pupil numbers have been correctly applied in undertaking the valuations. This review should be independently evidenced.</p> <p>Management response</p> <p>The omission of sixth form pupil numbers was a systemic issue affecting all high schools which have sixth forms. Individual reviews of each high school were carried out and valuation movements highlighted, but this did not identify the error in the input data. Procedures will be amended to ensure that pupil numbers are verified in future years.</p>
<p>● Medium</p>	<p>5. Implementation of IFRS 16</p> <p>In implementing IFRS 16, management has erroneously excluded various leases which should properly be recorded under IFRS 16 as Right of Use Assets with corresponding lease liabilities. Additionally, various disclosures relating to the application of IFRS 16 were missing from the draft accounts meaning that the disclosure requirements of the CIPFA Code 2024-25 had not been met.</p> <p>Management should ensure sufficient time is given to consider the impact on new accounting requirements in a timely manner with sufficient capacity for officers to review the information needed and likely impact to allow appropriate disclosure in the financial statements. Without appropriate planning and officer resources, there remains a risk that future accounting changes will not be effectively managed resulting in increased adjustments during the audit and increased auditor inputs.</p>	<p>We recommend management should ensure sufficient time is given to consider the impact on new accounting requirements in a timely manner with sufficient capacity for officers to review the information needed and likely impact to allow appropriate disclosure in the financial statements to be made.</p> <p>Management response</p> <p>Now that the accounts and audit cycle has returned to normal timescales, it will be possible to resume the council's usual processes for assessing and implementing new accounting standards. These have had to be suspended in recent years due to the need to address the audit backlog.</p>

Follow up of prior year recommendations

We identified the following issues in the audit of the Authority's 2023-24 financial statements, which resulted in nine recommendations being reported in our 2023-24 Audit Findings Report. We have summarised below management progress in implementing our recommendation.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
X	<p>1. Journals</p> <p>Officers are able to post journals without these being independently authorised. Without proper authorisation controls, there is an increased risk of inappropriate journal entries being posted to the general ledger which could lead to financial irregularity. We understand management has in place compensating controls to review and identify journals posted and consider the risk of irregularity to be low. However, we consider a formal journal authorisation process should be in place to minimise the risk of inappropriate journals being posted.</p>	<p>Recommendation</p> <p>We recommend a formal process is introduced to ensure journals are independently reviewed before being posted.</p> <p>Management response</p> <p>The council requires dual authorisation for those transactions (such as orders and payments) which are considered to be high risk but it has assessed journals in the ledger as being low risk. The low risk assessment is based on the limited scope for individuals to benefit from posting inappropriate journals, and the sound budget monitoring arrangements in place which would identify any material inappropriate journals where posted deliberately or in error. The Council's budget monitoring arrangements are subject to annual review by Grant Thornton through the VFM assessment and their review of a sample of journals which forms part of the annual audit of the financial accounts has not identified any inappropriate journals and therefore confirming the Council's assessment that this is a low risk area.</p> <p>Introducing a dual authorisation requirement would bring an increased administrative burden which does not appear to be justified given the limited nature of the risk. However the council will re-assess the level of risk associated with this and consider:</p> <ol style="list-style-type: none">1.Transaction types as part of the implementation of its new ledger system and the possibility of additional verification controls.2.Implementing a risk based approach to reviewing the appropriateness of journals. Specifically this will be addressed through the Council's Integrity Forum which is an officer panel chaired by the Deputy Chief Officer (Financial Services). <p>Audit Update – November 2025</p> <p>No additional journal authorisation processes introduced in respect of 2024-25. However, the Council introduced a new general ledger system in May 2025 and we understand this has built in journal authorisation and approval processes.</p>

Assessment

✓ Action completed

X Not yet addressed

Follow up of prior year recommendations

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
✓	<p>2. Vehicles, Plant and Equipment</p> <p>Our review of vehicles, plant and equipment in the asset register noted that there were 422 assets with a net book value of £nil (gross book value before depreciation £27m) where assets had been fully depreciated and continue to be in use. This indicates that the asset lives are inappropriate and should be extended to reflect the remaining useful life expected from these assets. Without asset lives being correctly recorded, there is a risk that depreciation charges are under (or overstated).</p> <p>Following the identification of this matter management has undertaken further work and identified an additional 918 assets with a net book value of £nil (gross book value £97.5m). We understand management will review these assets during 2024-25 and update the asset register accordingly.</p>	<p>Recommendation</p> <p>We recommend management formally review the asset register each year and revise asset lives where assets are likely to be used beyond their existing life (or reduced where assets are not expected to last as planned).</p> <p>Management response</p> <p>For vehicles, plant and equipment, the asset register uses an average expected life for the relevant assets. It is inevitable that for example some individual vehicles will be used for longer or shorter lives than the average. Given that any one individual vehicle or piece of equipment would not have a material impact, the council is satisfied that its average life approach is sufficient to ensure that depreciation is materially correct. The council agreed an approach to writing out nil value assets with Grant Thornton during the 2022/23 audit process.</p> <p>The large majority of these Vehicles, Plant and Equipment assets will have become fully depreciated in 2023/24 and so will be written out in 2024/25. These principles have been agreed with Grant Thornton.</p> <p>Audit Update – November 2025</p> <p>Whilst these assets were not reviewed and written out of the draft 2024-25 accounts due to capacity issues, management has now undertaken this review and written out appropriate assets no longer in use resulting in the figures included in Note 15.1. Cost for Vehicles, plant & equipment being reduced by £95,986,000.</p>
✓	<p>3. Land and buildings valuation</p> <p>Our review of school valuations identified some significant changes in valuations compared to last year which informed part of our sample selection. Management in reviewing the samples selected noted that the KEL system used by the Council to record asset data had incorrectly extracted the reference code instead of the construction rate. We understand this is a software error and management are in liaison with the KEL system providers to correct. This error resulted in an understatement of £35.6m. Management has agreed to correct this error. Without a formal review process being in place, there remains a risk that asset valuations may be calculated incorrectly.</p>	<p>Recommendation</p> <p>We recommend management review the source information used for valuations to ensure the data is accurate and complete and to avoid valuation errors.</p> <p>Management response</p> <p>The statutory timescales which the council was working to in producing its draft accounts for 2023/24 prevented a review of significant movements in asset values prior to the production of the draft accounts. Now that the statutory deadline for production of draft accounts has moved back to 30th June, the usual approach of reviewing asset valuations and requesting explanations for significant movements can be resumed.</p> <p>Audit Update – November 2025</p> <p>Management has introduced an additional review process for valuations. We have noted no issues regarding build costs for schools in 2024/25.</p>

Follow up of prior year recommendations

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
X	<p>4. Land and buildings valuation</p> <p>Our sample testing of 41 land and building valuations noted that floor plans showing the area of each asset were not available for 36 land and buildings reviewed. We understand from management that for school assets, the majority are cross referenced to either existing floor plans, are measured by the valuer (based on a rolling programme each year), or checked against the Concerto system within Children’s and Families. For non school assets, the Council has relied on the KEL system which records the gross internal area of each building which we understand has been populated over time but there is no supporting floor plan data to evidence the gross internal floor area which is a key element in the valuation. Without formal floor plans there remains a risk the floor areas are not accurate and valuations could be incorrectly calculated.</p> <p>We understand from management that the Council’s valuers who periodically undertake valuations of individual assets, consider the floor area of each building in undertaking their valuation, along with any additions and demolitions which are then updated to the KEL system. In this way, management consider gross internal floor areas are appropriately recorded.</p>	<p>Recommendation</p> <p>We recommend management should as part of the valuation process, obtain updated floor plan information from their valuers to formally evidence and support the data contained within the KEL system.</p> <p>Management response</p> <p>Floor plan information is available for many properties. Where floor plans are no longer readily available, these would have originally been held as archived hard copies. The finance team will discuss with the Asset Management service how best to work towards the requirement to obtain an updated floor plan when assets are revalued.</p> <p>Audit Update – November 2025</p> <p>Audit work during 2024–25 confirmed there are still a number of assets for which a floor plan was not provided when we tested a sample of land and building valuations.</p>

Follow up of prior year recommendations

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
N/A	<p>5. Council dwellings</p> <p>The Council's housing stock is valued by the District Valuer Service (DVS) part of the Valuation Office Agency (VOA). Valuations are undertaken as at 1 January each year and then passed to the Council's in-house valuation team who then apply these valuations to the Council's housing stock by ward. The Council should consider the appropriateness of allowing the DVS to complete their work at 31 March and undertaking the complete valuation of the Council's housing stock by ward and freeing up capacity for the Council's inhouse valuation team. This approach would reduce the risk of council dwelling valuations being incorrectly valued in the Council's financial statements at the year end, 31 March.</p>	<p>Recommendation</p> <p>We recommend management consider the appropriateness of allowing the DVS to undertake the complete valuation of Council housing at 31 March each year.</p> <p>Management response</p> <p>The Council does not feel that this would be a cost-effective approach since the only element of the housing stock valuation the DVS doesn't provide is applying their weighted average % movement per ward to the housing stock valuation spreadsheet. This will save around 2 hours of work at best.</p> <p>It should also be noted that the DVS have previously stated that they would be unable to produce the current ward valuations data as at 31st March rather than 1st January in time for the draft accounts process. It is therefore not possible that they would be able to produce full valuations for a valuation date of 31st March in the required timescales.</p> <p>Audit Update – November 2025</p> <p>Management has concluded it is not appropriate to progress this option further. This recommendation has been closed on this basis.</p>

Follow up of prior year recommendations

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
X	<p>6. IFRS 16</p> <p>The Council has reported on International Financial Reporting Standard 16 (IFRS 16) in Note 26 – New accounting standards not yet implemented and states that the Council has chosen not to implement the changes until 2024-25. It also notes that the changes will apply prospectively from April 2024 onwards and the Council does not yet have sufficient information to quantify the likely impact on its balance sheet of the new assets and liabilities to be recognised. Management has however, in the most recent update to the draft accounts included the impact specifically of its PFI liabilities.</p> <p>A formal disclosure of the full impact of new accounting standards not yet implemented should be included in the financial statements the year before implementation to indicate the impact on the Council. The current disclosure is not in compliance with Code 3.3.4.3 which states that an authority shall disclose information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. This requirement applies to accounting standards that come into effect for financial years commencing on or before 1 January of the financial year in question (ie on or before 1 January 2024 for 2023/24). Given we are now in February 2025, some one month to the year-end, we consider it important for the Council to fully understand the impact of IFRS 16.</p> <p>We have made a recommendation that the Council should accelerate its work to fully quantify the impact of IFRS 16 on its financial statements as soon as possible.</p>	<p>Recommendation</p> <p>We recommend management should introduce arrangements to disclose the impact of new accounting standards not yet implemented in a timely manner. In addition, the Council should accelerate its work to fully quantify the impact of IFRS 16 on its financial statements as soon as possible.</p> <p>Management response</p> <p>The council has updated its final accounts to include an assessment of the impact of IFRS16 on its PFI schemes, and work on quantifying the impact on leases, which are less material, will be undertaken in time for inclusion in the 2024/25 accounts.</p> <p>The council's normal processes for assessing and implementing new accounting standards have had to be suspended due to the need to address the audit backlog. It should be possible to resume these normal processes for future years.</p> <p>It should be noted that the introduction of IFRS16 will have no impact on spendable reserves.</p> <p>Audit Update – November 2025</p> <p>The Council has implemented the requirements of IFRS 16 in its draft 2024-25 financial statements. However, audit work has noted various errors with some leases being excluded and which should properly be recorded under IFRS 16 as Right of Use Assets with corresponding lease liabilities. Additionally, various disclosures relating to the application of IFRS 16 were missing from the draft accounts meaning that the disclosure requirements of the CIPFA Code 2024-25 had not been met. As a result, we have made a further recommendation in the Action Plan on page 64 to consider the impact of new accounting requirements in a timely manner with sufficient capacity for officers to review the information needed and likely impact to allow appropriate disclosure in the financial statements to be made.</p>

Follow up of prior year recommendations

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
X	<p>7. Bank Reconciliations</p> <p>As part of our audit procedures, we requested the bank reconciliation relating to the Nat West General Account for April 2024. This request was made on 9 December 2024 and was not available at that time, some eight months after the period to which it relates. We understand this delay has been due to work pressures within the central finance team.</p> <p>Without the timely production of bank reconciliations, there remains a risk that the Council may be unable to effectively manage its cash position. There also remains a risk of fraud and irregularity.</p> <p>Management has informed us that the new ledger system (Microsoft Dynamics) includes an integrated bank reconciliation module which is automated and will improve the timely production of bank reconciliations from May 2025.</p>	<p>Recommendation</p> <p>We recommend management ensures the timely production of bank reconciliations which should be independently reviewed.</p> <p>Management response</p> <p>The council's new financial ledger system incorporates a bank reconciliation module, which will significantly change the bank reconciliation process and should make it more efficient. This should help to ensure that in the future the bank reconciliation process can be carried out in a timely way.</p> <p>In the meantime the council will work to bring its monthly summary reconciliations, which draw together the detailed reconciliations of individual day's bank statements, up to date.</p> <p>Audit Update – November 2025</p> <p>The Council has again been unable to provide the bank reconciliation for April 2025 required as part of the 2024-25 audit at the start of the audit process. Management provided this bank reconciliation to us on 12 November 2025, some seven months after the year end. Whilst we note the new ledger system (Microsoft Dynamics) includes an integrated bank reconciliation module which is automated and will improve the timely production of bank reconciliations from May 2025, there is a need for management to ensure bank reconciliations are completed in a timely manner.</p>
X	<p>8. Council Dwellings – beacon number</p> <p>Our review of council dwellings noted that 334 properties did not have a beacon number allocated (based on similar council houses or comparable properties determined by the valuer). We understand management had not allocated a beacon to these properties as they are awaiting valuation. The Council should allocate beacon numbers once properties are built to ensure they are correctly categorised.</p>	<p>Recommendation</p> <p>We recommend management should allocate beacon numbers once properties are built to ensure they are correctly categorised.</p> <p>Management response</p> <p>The Council is not awaiting a valuation of any of these properties. New build properties are valued by the Council's internal team and buy backs are slotted in against a category of a similar, existing property. The utilisation of beacon numbers is not felt to be appropriate until 5 yearly full beacon valuation is undertaken.</p> <p>Audit Update – November 2025</p> <p>As part of our 2024-25 audit, we noted again that 333 properties did not have a beacon number allocated.</p>

Follow up of prior year recommendations

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
✓	<p>9. Business Rates – Retail Relief</p> <p>Our sample testing of 25 items identified 5 instances of retail relief being granted without a formal review each year to confirm entitlement. Central government guidance on this relief was introduced during Covid-19 to ensure businesses were provided retail relief promptly without any formal application process. We understand this guidance has not been updated and the Council continues to automatically pay this relief. Given Covid-19 ended some time ago, the Council should introduce procedures to review relief granted periodically to confirm it remains valid.</p>	<p>Recommendation</p> <p>We recommend management should introduce procedures to review business rates retail relief granted periodically to confirm it remains valid.</p> <p>Management response</p> <p>It is important to stress that the audit did not identify any cases where the retail discount had been awarded incorrectly. In terms of a review of such cases there has been no change in the qualifying criteria for the discount since 2020. The risk is therefore that there has been a change in an individual business from wholly or mainly retail, hospitality or leisure to something else which they have not notified us of. There is no requirement in any of the guidance produced by the Government for Councils to undertake periodic reviews and to do so for the 3k businesses receiving this grant would be resource intensive. However, a review could be undertaken on a risk-based criteria targeting those businesses receiving the relief up to a cap of £11k and those occupying premises which are assessed by the valuation office agency as non-retail, hospitality or leisure premises such as a warehouse or workshop.</p> <p>Audit Update – November 2025</p> <p>No instances identified during the 2024/25 audit where retail discount was awarded incorrectly.</p>

Value for Money arrangements

Value for Money arrangements

Approach to Value for Money work for the year ended 31 March 2025

The National Audit Office issued its latest Value for Money guidance to auditors in November 2024. The Code requires auditors to consider whether a body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Additionally, The Code requires auditors to share a draft of the Auditor's Annual Report (AAR) with those charged with governance by 30th November each year from 2024-25. Our draft AAR accompanies this audit findings report and will be presented to the Corporate Governance and Audit Committee meeting on 1 December 2025.

In undertaking our work, we are required to have regard to three specified reporting criteria. These are as set out below.



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.



Financial sustainability

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



Governance

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

In undertaking this work we have identified two significant weaknesses in arrangements which are summarised on page 7 of our Auditor's Annual Report.

Other statutory powers

We set out below details of other matters which we, as auditors, are required by the Act and the Code to communicate to those charged with governance.

Issue	Commentary
Additional powers used, including for example, Public Interest Report, Statutory Recommendations	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 ascribed to us under the Act. We have not exercised any of our additional statutory powers or duties at Leeds City Council.

Independence considerations

Independence considerations

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant matters that may bear upon the integrity, objectivity and independence of the firm or covered persons (including its partners, senior managers and managers). In this context, there are no independence matters that we would like to report to you.

We are required to report to you details of any breaches of the requirements of the FRC Ethical Standard, and of any safeguards applied and actions we have taken to address any threats to independence. No breaches have been identified.

We confirm that we have implemented policies and procedures to meet the requirement of the Financial Reporting Council's Ethical Standard

Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in February 2025 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

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

We can confirm that we are independent and are able to express an objective opinion on the financial statements.

Independence considerations

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

Matter	Conclusions
Relationships with Grant Thornton	<p>We are not aware of any relationships between Grant Thornton and the Authority that may reasonably be thought to bear on our integrity, independence and objectivity. However, for complete transparency we note the following matters:</p> <ul style="list-style-type: none">• Veolia – we have undertaken work for Veolia UK to update the logical design, construction, and arrangement of the calculations in their PFI financial model to allow Veolia UK to understand the impact of changes in cost and revenue assumptions. The updated model belongs to Veolia and is expected to be used by Veolia in their negotiations with Leeds City Council. Grant Thornton has no involvement in any contractual discussions between Veolia and Leeds City Council. As an added level of protection, we introduced an information barrier to ensure none of the audit team liaise or communicate in any way with any member of the consulting team providing this service to Veolia including ensuring no member of the audit team worked in the same office as the consulting team. This work is undertaken for and billed to Veolia UK and not Leeds City Council.• Grants work – we have been commissioned by the West Yorkshire Combined Authority to undertake work on the social decarbonisation grant. This work is undertaken for and to be billed to the WYCA and not Leeds City Council. It has been disclosed for transparency as Leeds City Council forms part of the WYCA.
Relationships and Investments held by individuals	<p>We have not identified any potential issues in respect of personal relationships with the Authority or group or investments in the group held by individuals.</p>
Employment of Grant Thornton staff	<p>We are not aware of any former Grant Thornton partners or staff being employed, or holding discussions in respect of employment, by the Authority or group as a director or in a senior management role covering financial, accounting or control related areas.</p>
Business relationships	<p>We have not identified any business relationships between Grant Thornton and the Council. However, Grant Thornton UK LLP leases its offices in Leeds City Centre. The offices are located at No 1 Whitehall Riverside, Whitehall Rd, Leeds LS1 4BN. As part of routine business expenses in running these offices, Grant Thornton UK LLP pays business rates (non-domestic rates) to Leeds City Council.</p> <p>We have considered the ethical standards and any threats to our independence resulting from these payments. Given the sums involved are insignificant to both Leeds City Council and Grant Thornton UK LLP, and given they are part of routine business operations, we have not noted any threats to our independence. Following this consideration, we can confirm that we are independent and are able to express an objective opinion on the financial statements.</p>
Contingent fees in relation to non-audit services	<p>No contingent fee arrangements are in place for non-audit services provided.</p>
Gifts and hospitality	<p>We have not identified any gifts or hospitality provided to, or received from, a member of the Authority or group, senior management or staff (that would exceed the threshold set in the Ethical Standard).</p>

Fees and non-audit services

The following table below sets out the total fees for audit and non-audit services that we have been engaged to provide.

None of the below services were provided on a contingent fee basis.

For the purposes of our audit, we have made enquiries of all Grant Thornton teams within the Grant Thornton International Limited network member firms providing services to Leeds City Council. No non-audit services were identified for Leeds City Council. However, we have been engaged by the West Yorkshire Combined Authority (WYCA) to undertake work on the social decarbonisation grant. This is work undertaken for and to be billed to the WYCA and not Leeds City Council. It has been disclosed for transparency as Leeds City Council forms part of the WYCA..

The below non-audit services are consistent with the Authority’s policy on the allotment of non-audit work to your auditor.

Audit fees	Proposed fee 2024-25 (£)	Final fee 2024-25 (£)
Leeds City Council audit scale fee	598,213	598,213
*Additional fee relating to the use of an auditor’s expert for the valuation of property not included within the PSAA scale fee.	3,000	3,000
*Increased audit requirements of ISA 315 Revised – “Identifying and assessing the Risks of Material Misstatement” – (new controls requirement not included in the PSAA tender submission)	15,690	15,690
*Additional fees relating to the review of the Council’s implementation of IFRS 16 not included within the PSAA scale fee. Once we have completed our review of IFRS 16 we will confirm the additional fees.	TBC	TBC
Total (Excluding VAT)	£616,903	£616,903
None-audit fees		
West Yorkshire Combined Authority (WYCA) fees for social decarbonisation grant work. This is work undertaken for and to be billed to the WYCA and not Leeds City Council. It has been disclosed for transparency as Leeds City Council forms part of the WYCA.	0	20,000
Total (Excluding VAT)	£0	£20,000

* All variations to the scale fee will need to be approved by PSAA.

Fees and non-audit services

The 2024-25 fees currently included in the draft financial statements in Note 12.5 – Audit fees of £617,000 (rounded to the nearest £000) agree to the total fees for 2024-25 of £616,903 as shown on the previous slide. Please note the fees shown for fees for social decarbonisation grant work is being undertaken for and to be billed to the West Yorkshire Combined Authority and not Leeds City Council.

As noted above, PSAA will consider and assess any audit fees above the scale fee.

Additional fee analysis – fee variation for in year work

The following table sets out further information on additional fees.

Grade	Rate (Determined by PSAA)	Hours	Fee variation for Audit 2024/25
Partner/Director	£428	7	£2,996
Senior Manager / Manager	£236	15	£3,540
Senior Auditor	£153	29	£4,437
Other staff	£117	40	£4,717
Other	-	-	£3,000
Total			£18,690

The above is subject to review by PSAA who will make a final determination.

Appendices



A. Communication of audit matters with those charged with governance

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	●	
Overview of the planned scope and timing of the audit, form, timing and expected general content of communications including significant risks	●	
Confirmation of independence and objectivity	●	●
A statement that we have complied with relevant ethical requirements regarding independence. Relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence	●	●
Significant matters in relation to going concern	●	●
Views about the qualitative aspects of the Group's accounting and financial reporting practices including accounting policies, accounting estimates and financial statement disclosures		●
Significant findings from the audit		●
Significant matters and issue arising during the audit and written representations that have been sought		●
Significant difficulties encountered during the audit		●
Significant deficiencies in internal control identified during the audit		●
Significant matters arising in connection with related parties		●

A. Communication of audit matters with those charged with governance

Our communication plan	Audit Plan	Audit Findings
Identification or suspicion of fraud involving management and/or which results in material misstatement of the financial statements		●
Non-compliance with laws and regulations		●
Unadjusted misstatements and material disclosure omissions		●
Expected modifications to the auditor's report, or emphasis of matter		●

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

This document, the Audit Findings, outlines those key issues, findings and other matters arising from the audit, which we consider should be communicated in writing rather than orally, together with an explanation as to how these have been resolved.

Respective responsibilities

As auditor we are responsible for performing the audit in accordance with ISAs (UK), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance.

The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

Distribution of this Audit Findings report

Whilst we seek to ensure our audit findings are distributed to those individuals charged with governance, as a minimum a requirement exists for our findings to be distributed to all the company directors and those members of senior management with significant operational and strategic responsibilities. We are grateful for your specific consideration and onward distribution of our report, to those charged with governance.

B. Our team and communications

Grant Thornton core team

Sarah Ironmonger

Engagement Lead & Key Audit Partner

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

Perminder Sethi

Senior Audit Manager

- Audit planning, delivery and resource management
- Contact for the finance team, senior management and Corporate Governance and Audit Committee

Edward Blackburn

Audit Senior / In-charge

- On-site audit team management
- Day-to-day point of contact
- Audit fieldwork

Guy Clifton

VFM Lead

- Value for Money (VFM) planning
- Main contact for the review of VFM arrangements
- Development of the VFM commentary in the Auditor's Annual Report

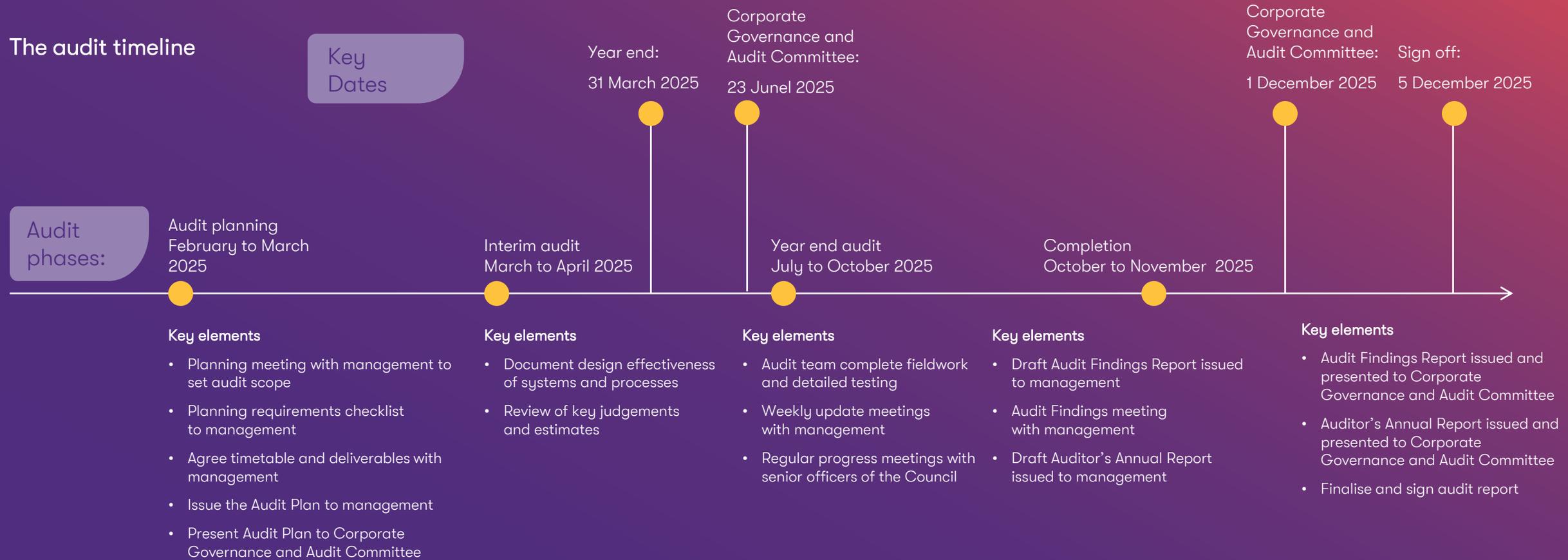
The audit team will be supported by our dedicated IT audit specialists on the Council's IT systems.

	Service delivery	Audit reporting	Audit progress	Technical support
Formal communications	<ul style="list-style-type: none"> • Regular meetings with the Interim Assistant Chief Executive – Finance, Traded and Resources and S151 Officer 	<ul style="list-style-type: none"> • The Audit Plan • Audit Progress and Sector Update Reports • The Audit Findings (ISA 260) Report • Auditor's Annual Report 	<ul style="list-style-type: none"> • Audit planning meetings • Audit clearance meetings • Communication of issues log 	<ul style="list-style-type: none"> • Technical updates
Informal communications	<ul style="list-style-type: none"> • Open channel for discussion 		<ul style="list-style-type: none"> • Communication of audit issues as they arise 	<ul style="list-style-type: none"> • Notification of up-coming issues

As part of our overall service delivery we may utilise colleagues who are based overseas, primarily in India and the Philippines. Those colleagues work on a fully integrated basis with our team members based in the UK and receive the same training and professional development programmes as our UK based team. They work as part of the engagement team, reporting directly to the Audit Senior and Manager and will interact with you in the same way as our UK based team albeit on a remote basis. Our overseas team members use a remote working platform which is based in the UK. The remote working platform (or Virtual Desktop Interface) does not allow the user to move files from the remote platform to their local desktop meaning all audit related data is retained within the UK.

C. Logistics

The audit timeline



D. Management letter of representation

We have requested a letter of representation from management. The letter includes representations on the following area, Equal Pay.

[To be prepared on client letterhead]

Grant Thornton UK LLP
Whitehall Riverside
Leeds
LS1 4BN

1 December 2025

Dear Grant Thornton UK LLP

Leeds City Council

Financial Statements for the year ended 31 March 2025

This representation letter is provided in connection with the audit of the financial statements of Leeds City Council (“the Authority”) for the year ended 31 March 2025 for the purpose of expressing an opinion as to whether the Authority financial statements give a true and fair view in accordance with International Financial Reporting Standards, and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024-25 and applicable law.

We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Financial Statements

- i. We have fulfilled our responsibilities, as set out in the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited, for the preparation of the Authority’s financial statements in accordance with the Accounts and Audit Regulations 2015, International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024-25 (“the Code”); in particular the financial statements are fairly presented in accordance therewith.
- ii. We have complied with the requirements of all statutory directions affecting the Authority and these matters have been appropriately reflected and disclosed in the financial statements.
- iii. The Authority has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of any regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.
- iv. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.
- v. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. We are satisfied that the material judgements used in the preparation of the financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements. We understand our responsibilities includes identifying and considering alternative, methods, assumptions or source data that would be equally valid under the financial reporting framework, and why these alternatives were rejected in favour of the estimate used. We are satisfied that the methods, the data and the significant assumptions used by us in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement or disclosure that is reasonable in accordance with the Code and adequately disclosed in the financial statements.

D. Management letter of representation

- vi. We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme assets and liabilities for International Accounting Standard 19 Employee Benefits disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant post-employment benefits have been identified and properly accounted for.
- vii. Except as disclosed in the financial statements:
 - a. there are no unrecorded liabilities, actual or contingent;
 - b. none of the assets of the Authority has been assigned, pledged or mortgaged; and
 - c. there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.
- viii. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the Code.
- ix. All events subsequent to the date of the financial statements and for which International Financial Reporting Standards and the Code require adjustment or disclosure have been adjusted or disclosed.
- x. The financial statements are free of material misstatements, including omissions.
- xi. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.
- xii. We have considered whether the Council is required to reflect a liability in respect of equal pay claims within its financial statements. We confirm that we are satisfied that no additional liability needs to be recognised or disclosed on the grounds of detailed work undertaken by management of any potential liabilities. We confirm we have provided and made available all relevant information and documentation relating to equal pay to Grant Thornton to allow them to complete their work.
- xiii. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.
- xiv. We have updated our going concern assessment. We continue to believe that the Authority's financial statements should be prepared on a going concern basis and have not identified any material uncertainties related to going concern on the grounds that:
 - the nature of the Authority means that, notwithstanding any intention to cease its operations in their current form, it will continue to be appropriate to adopt the going concern basis of accounting because, in such an event, services it performs can be expected to continue to be delivered by related public authorities and preparing the financial statements on a going concern basis will still provide a faithful representation of the items in the financial statements;
 - the financial reporting framework permits the Authority to prepare its financial statements on the basis of the presumption set out under a) above; and
 - the Authority's system of internal control has not identified any events or conditions relevant to going concern.We believe that no further disclosures relating to the Authority's ability to continue as a going concern need to be made in the financial statements

D. Management letter of representation

- xv. We have considered whether accounting transactions have complied with the requirements of the Local Government Housing Act 1989 in respect of the Housing Revenue Account ring-fence.
- xvi. The Authority has complied with all aspects of ring-fenced grants that could have a material effect on the Authority's financial statements in the event of non-compliance.

Information Provided

- xvii. We have provided you with:
 - a. access to all information of which we are aware that is relevant to the preparation of the Authority's financial statements such as records, documentation and other matters;
 - b. additional information that you have requested from us for the purpose of your audit; and
 - c. access to persons within the Authority from whom you determined it necessary to obtain audit evidence.
- xviii. We have communicated to you all deficiencies in internal control of which management is aware.
- xix. All transactions have been recorded in the accounting records and are reflected in the financial statements.
- xx. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- xxi. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the Authority and involves:
 - a. management;
 - b. employees who have significant roles in internal control; or
 - c. others where the fraud could have a material effect on the financial statements.
- xxii. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, analysts, regulators or others.
- xxiii. We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.
- xxiv. We have disclosed to you the identity of the Authority's related parties and all the related party relationships and transactions of which we are aware.
- xxv. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

D. Management letter of representation

Annual Governance Statement

xxvi. We are satisfied that the Annual Governance Statement (AGS) fairly reflects the Authority's risk assurance and governance framework and we confirm that we are not aware of any significant risks that are not disclosed within the AGS.

Narrative Report

xxvii. The disclosures within the Narrative Report fairly reflect our understanding of the Authority's financial and operating performance over the period covered by the Authority's financial statements.

Approval

The approval of this letter of representation was minuted by the Authority's Corporate Governance and Audit Committee at its meeting on 1 December 2025.

Yours faithfully

Name.....

Position.....

Date.....

Name.....

Position.....

Date.....

Signed on behalf of the Authority

E. Audit opinion – Draft

Independent auditor's report to the members of Leeds City Council

Report on the audit of the financial statements

Opinion on financial statements

We have audited the financial statements of Leeds City Council (the 'Authority') for the year ended 31 March 2025, which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, the Housing Revenue Income and Expenditure Statement, the Statement of Movement on the Housing Revenue Account Reserve, the Collection Fund and notes to the financial statements, including material accounting policy information. The notes to the financial statements include the Statement of Accounting Concepts and Policies and Explanatory Notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2025 and of its expenditure and income for the year then ended;
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law, as required by the Code of Audit Practice (2024) ("the Code of Audit Practice") approved by the Comptroller and Auditor General. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the Chief Finance Officer's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Authority to cease to continue as a going concern.

E. Audit opinion - Draft

In our evaluation of the Chief Finance Officer's conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25 that the Authority's financial statements shall be prepared on a going concern basis, we considered the inherent risks associated with the continuation of services provided by the Authority. In doing so we had regard to the guidance provided in Practice Note 10 Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2024) on the application of ISA (UK) 570 Going Concern to public sector entities. We assessed the reasonableness of the basis of preparation used by the Authority and the Authority's disclosures over the going concern period.

In auditing the financial statements, we have concluded that the Chief Finance Officer's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Authority's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Chief Finance Officer with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the Annual Governance Statement and the Statement of Accounts, other than the financial statements and our auditor's report thereon. The Chief Finance Officer is responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Other information we are required to report on by exception under the Code of Audit Practice

Under the Code of Audit Practice published by the National Audit Office in November 2024 on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25, or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

Opinion on other matters required by the Code of Audit Practice

In our opinion, based on the work undertaken in the course of the audit of the financial statements, the other information published together with the financial statements in the Statement of Accounts for the financial year for which the financial statements are prepared is consistent with the financial statements.

E. Audit opinion - Draft

Matters on which we are required to report by exception

Under the Code of Audit Practice, we are required to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

We have nothing to report in respect of the above matters.

Responsibilities of the Authority and the Chief Finance Officer

As explained more fully in the Statement of Responsibilities the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Chief Finance Officer. The Chief Finance Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25, for being satisfied that they give a true and fair view, and for such internal control as the Chief Finance Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Chief Finance Officer is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have been informed by the relevant national body of the intention to dissolve the Authority without the transfer of its services to another public sector entity.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) 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.

E. Audit opinion - Draft

Irregularities, including fraud, are instances of non-compliance with laws and regulations. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Authority and determined that the most significant which are directly relevant to specific assertions in the financial statements are those related to the reporting frameworks (the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25, the Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015, the Accounts and Audit (Amendment) Regulations 2024, the Local Government Act 1972, the Local Government and Housing Act 1989, the Local Government Finance Act 1988 (as amended by the Local Government Finance Act 1992), the Local Government Finance Act 2012 and the Local Government Act 2003).
- We enquired of management and the Corporate Governance and Audit Committee, concerning the Authority's policies and procedures relating to:
 - the identification, evaluation and compliance with laws and regulations;
 - the detection and response to the risks of fraud; and
 - the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.
- We enquired of management, internal audit and the Corporate Governance and Audit Committee, whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.
- We assessed the susceptibility of the Authority's financial statements to material misstatement, including how fraud might occur, by evaluating management's incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of control. We determined that the principal risks were in relation to:
 - Year-end and Post year-end journals
 - Material journals
 - Journals posted by senior management.
- Our audit procedures involved:
 - evaluation of the design effectiveness of controls that management has in place to prevent and detect fraud;
 - journal entry testing, with a focus on large and unusual items and journals falling within identified risk criteria;
 - challenging assumptions and judgements made by management in its significant accounting estimates in respect of land and buildings valuation and pension asset and liability valuations; and
 - assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.

E. Audit opinion - Draft

- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.
- We communicated relevant laws and regulations and potential fraud risks to all engagement team members. We remained alert to any indications of non-compliance with laws and regulations, including fraud, throughout the audit.
- The engagement partner's assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's:
 - understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation
 - knowledge of the local government sector
 - understanding of the legal and regulatory requirements specific to the Authority including:
 - the provisions of the applicable legislation
 - guidance issued by CIPFA/LASAAC and SOLACE
 - the applicable statutory provisions.
- In assessing the potential risks of material misstatement, we obtained an understanding of:
 - the Authority's operations, including the nature of its income and expenditure and its services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.
 - the Authority's control environment, including the policies and procedures implemented by the Authority to ensure compliance with the requirements of the financial reporting framework.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Report on other legal and regulatory requirements – the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Matter on which we are required to report by exception – the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Under the Code of Audit Practice, we are required to report to you if, in our opinion, we have not been able to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2025.

E. Audit opinion - Draft

We have nothing to report in respect of the above matter except on 1 December 2025, we identified two significant weaknesses in how the Authority plans and manages its resources to ensure it can continue to deliver its services.

1.Reducing Level of Reserves

In our 2023/24 AAR we identified a significant weakness in relation to the reducing level of reserves because of the need to compensate for budget overspending. The Council has taken steps to make appropriate budget provision for Strategic Contingency and Social Care reserves in 2025/26 within its earmarked reserves provision which is an appropriate approach. Nevertheless, the Council's low level of reserves continues to be a significant weakness in arrangements in 2024/25.

We recommended the Council should establish a target level of earmarked reserves intended to support the management of volatility in demand-led budgets in the medium-term which, together with the existing target of raising the General Fund reserve to £50 million, should be a key priority in its Medium-Term Financial Strategy. Plans to meet these targets should specify a timescale. The Council should continue to focus its efforts on reducing the high level of borrowing and reducing the impact of borrowing costs on the revenue budget, including accelerating the process of identifying and realising capital receipts. This will help to reduce the level of risk from unforeseen financial shocks while levels of reserves are below target.

This key recommendation replaces our key recommendation in our 2023/24 Auditor's Annual Report.

2.Savings Plans

We identified the delivery of savings plans as a significant weakness in our 2023/24 Auditor's Annual Report and made a key recommendation. We recognise that the Council has responded to that recommendation and made significant efforts to improve the delivery of savings in Children's and Families. However, overall savings achieved were well short of the level required to enable the Council to balance its budget and improve its medium-term financial sustainability and we have concluded that the significant weakness we identified in 2023/24 remained in place in 2024/25.

We recommended the Council should continue to improve its delivery of transformation and savings plans within the Children and Families Directorate. It should assess the capacity and capability required to accelerate the pace of delivery of savings and transformation plans across the organisation, including rapid acceleration of the delayed delivery of plans in Children and Families and Adults and Health from 2024/25. The Council should develop options to make substantial additional savings across the whole organisation which may need to be implemented if continued overspending in demand-led statutory services cannot be contained.

This key recommendation replaces our key recommendation in our 2023/24 Auditor's Annual Report.

Responsibilities of the Authority

The Authority is responsible for putting in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Auditor's responsibilities for the review of the Authority's arrangements for securing economy, efficiency and effectiveness in the Authority's use of resources

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to be satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

E. Audit opinion - Draft

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in November 2024. This guidance sets out the arrangements that fall within the scope of 'proper arrangements'. When reporting on these arrangements, the Code of Audit Practice requires auditors to structure their commentary on arrangements under three specified reporting criteria:

- Financial sustainability: how the Authority plans and manages its resources to ensure it can continue to deliver its services;
- Governance: how the Authority ensures that it makes informed decisions and properly manages its risks; and
- Improving economy, efficiency and effectiveness: how the Authority uses information about its costs and performance to improve the way it manages and delivers its services.

We have documented our understanding of the arrangements the Authority has in place for each of these three specified reporting criteria, gathering sufficient evidence to support our risk assessment and commentary in our Auditor's Annual Report. In undertaking our work, we have considered whether there is evidence to suggest that there are significant weaknesses in arrangements.

Report on other legal and regulatory requirements – Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate for Leeds City Council for the year ended 31 March 2025 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until we have completed the work necessary in relation to the Authority's consolidation returns and we have received confirmation from the National Audit Office the audit of the Whole of Government Accounts is complete for the year ended 31 March 2025. We are satisfied that this work does not have a material effect on the financial statements for the year ended 31 March 2025.

Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 85 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

****Signature****

Sarah Ironmonger, Key Audit Partner

for and on behalf of Grant Thornton UK LLP, Local Auditor

Leeds

xx December 2025



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