

# **POLICE & CRIME COMMISSIONER FOR LEICESTERSHIRE JOINT AUDIT, RISK & ASSURANCE PANEL**

PAPER MARKED

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Report of	OFFICE OF THE CHIEF CONSTABLE AND OFFICE OF THE POLICE AND CRIME COMMISSIONER
Subject	EXTERNAL AUDIT PROGRESS REPORT
Date	WEDNESDAY 27 <sup>TH</sup> AUGUST 2025
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## **Purpose of Report**

1. This report seeks to update members of the Joint Audit, Risk and Assurance Panel (JARAP) on the progress of the audit year ending 31<sup>st</sup> March 2025.

## **Recommendation**

2. The Panel is recommended to discuss the contents of the report.

## **Background**

3. None

## **Implications**

Financial: none.

Legal: none.

Equality Impact Assessment: none.

Risks and Impact: as per individual reports.

Link to Police and Crime Plan: as per audit plan

## **List of Attachments / Appendices**

External Audit Progress Report

## **Background Papers**

None

## **Officer to Contact**

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# **Police and Crime Commissioner for Leicestershire and Chief Constable of Leicestershire**

## **Joint Audit Progress Report and Sector Update**

August 2025



# Agenda

1	Audit progress report	03
2	Introduction	04
3	Progress at August 2025	05
4	Audit deliverables	07
5	Policing Sector Update	08
6	Wider Sector Update	12

# Audit Progress Report

# Introduction

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This paper provides the Police and Crime Commissioner, the Chief Constable, and the Joint Audit Risk and Assurance Panel with a report on progress in delivering our responsibilities as your external auditors.

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

Additional useful material can be found on our website, where we have a section dedicated to our work in the public sector. Here you can download copies of our publications:

[Local government | Grant Thornton](#)

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

# Progress at August 2025

## Financial Statements Audit

We undertook our initial planning for the 2024/25 audit in March and April 2025. We began our work on your draft financial statements in July.

We issued a detailed audit plan in April, setting out our proposed approach to the audit of the 2024/25 financial statements. This was presented to the JARAP on 14 May 2025.

We received the draft financial statements on the 27 June 2025 with our audit work commencing on 30 June 2025.

We will report our work in the Audit Findings Report and aim to give our opinion on the Statement of Accounts in October 2025.

## Value for Money

We aim to complete all 2024/25 value for money audit reviews by 30 November 2025.

From current trends around cost pressures and service demand, we anticipate that risks around financial sustainability and reserves will require consideration across most value for money reviews for 2024/25. Arrangements for governance and improving economy, efficiency and effectiveness will also be reviewed. The current estimated financial trajectory of the sector is shown within the sector update in this report.

Where there are lessons to be learnt from the findings for our 2023/24 value for money reviews, we will seek to share them on a timely basis, to inform future practice.

We anticipate issuing our Auditor's Annual Report in October 2025.

# Progress at August 2025 (cont.)

## Events

We provide a range of workshops, along with network events for members and publications to support the Police and Crime Commissioner and Chief Constable. Your officers attended our Accounts Workshop in March 2025, where we highlighted financial reporting requirements for the 2024/25 accounts and gave insight into elements of the audit approach.

Further details of the publications that may be of interest to the Police and Crime Commissioner, Chief Constable and Joint Audit Risk and Assurance Panel members are set out in our Sector Update section of this report.

## Audit Fees

PSAA have published their scale fees for 2024/25:

### 2024/25 audit fee scale – PSAA

For the Police and Crime Commissioner and Chief Constable's of Leicestershire these fees are £103,086 for the Police and Crime Commissioner and £54,029 for the Chief Constable. These fees are derived from the procurement exercise carried out by PSAA in 2022. They reflect both the increased work auditors must now undertake as well as the scarcity of audit firms willing to do this work.





# Audit Deliverables

Below are some of the audit deliverables planned for 2024/25

2024/25 Deliverables	Planned Date	Status
<p><b>Audit Plan</b></p> <p>We are required to issue a detailed audit plan to the Police and Crime Commissioner and Chief Constable setting out our proposed approach in order to give an opinion on the Police and Crime Commissioner and Chief Constable’s 2024/25 financial statements.</p>	April 2025	Delivered
<p><b>Audit Findings Report</b></p> <p>The Audit Findings Report will be reported to the Police and Crime Commissioner and Chief Constable.</p>	October 2025	Not yet due
<p><b>Auditor’s Report</b></p> <p>This includes the opinion on your financial statements.</p>	October 2025	Not yet due
<p><b>Auditor’s Annual Report</b></p> <p>This report communicates the key outputs of the audit, including our commentary on the Police and Crime Commissioner and Chief Constable’s value for money arrangements.</p>	October 2025	Not yet due



# Policing Sector Update

Policing services are rapidly changing. Increased demand from the public and more complex crimes require a continuing drive to achieve greater efficiency in the delivery of police services. Public expectations of the service continue to rise in the wake of recent high-profile incidents, and there is an increased drive for greater collaboration between Forces and wider blue-light services.

Our sector update provides you with an up-to-date summary of emerging national issues and developments to support you. We cover areas which may have an impact on your organisation, the wider Police service and the public sector as a whole. Links are provided to the detailed report/briefing to allow you to delve further and find out more.

Our public sector team at Grant Thornton also undertake research on service and technical issues. We will bring you the latest research publications in this update. We also include areas of potential interest to start conversations within the organisation Police and Crime Commissioner, Chief Constable and with Joint Audit Risk and Assurance Panel members, as well as any accounting and regulatory updates.

More information can be found on our dedicated public sector and police sections on the Grant Thornton website by clicking on the logo below:



**Grant Thornton Publications**  
**Insights from sector specialists**  
**Accounting and regulatory updates**

# HMICFRS June 2025



A force management statement (FMS) is a self-assessment that chief constables (and London equivalents) prepare and submit to His Majesty's Inspectorate of Constabulary and Fire & Rescue Services each year.

In this document, HMICFRS outline the findings from their assessment of around 60 percent of FMSs in England and Wales in 2024. This includes an outline of 12 high-level learning points and HMICFRS' assessment against these. HMICFRS also share advice and good practice examples.

The full report can be found [here](#).

# HMICFRS May 2025



## Investing in tech would free up 15 million hours of police time

As police chiefs set out their strategy for use of data and digital technology over the next five years, they make the case for government investment to enable police to roll out technology that has been successfully trialled across England and Wales.

The independent Policing Productivity Review of forces in England and Wales reported examples of science and technology driving productivity. The Office of the Chief Scientific Adviser to Policing estimates that these projects saved 347,656 of workforce hours per year and led to direct savings of £8.2 million a year in costs. If they were scaled nationally, and similar gains were made in all 43 forces, potentially up to 15 million hours, worth £370m per year, could be saved and reallocated each year.

The full report can be found [here](#).

# HMICFRS March 2025



The effective investigation of crime is fundamental to the legitimacy of policing and to public confidence. It is integral to the concept of policing by consent. The service provided to victims directly affects the level of public trust and confidence in policing and the wider criminal justice system. It also influences how safe people feel and it prevents future offending.

When a crime is reported, the public have a right to expect that the police will record and investigate it effectively. They also have a right to expect that the service they receive includes regular updates, and that it is consistent with the rights contained in the Code of Practice for Victims of Crime.

Therefore, as part of our 2022–25 programme of inspections, HMICFRS have inspected how effectively the police investigate crime.

The full report can be found [here](#).

# Wider sector updates

A briefing for audit committees on the wider sector updates across Public Sector Audit, Financial Reporting and the responsibilities of Audit Committee members

# Challenges faced in implementing IFRS 16 (1)

IFRS 16 is an international accounting standard that changes how leases are reported in financial statements. It requires organisations to bring most leases onto the balance sheet, recognising both a right-of-use asset (the value of the leased item) and a lease liability (the obligation to make future lease payments). This change improves transparency by more comprehensively reporting the extent of an organisation's leasing commitments on the balance sheet. It replaces the previous distinction between operating and finance leases for lessees under IAS 17.

In the UK public sector, IFRS 16 is adopted through the CIPFA Code of Practice on Local Authority Accounting. After several deferrals, it is now mandatory for local authorities and police authorities from 1 April 2024, impacting the 2024/25 financial year.

As local authorities and police authorities prepare their 2024/25 financial statements and apply IFRS16 for the first time, several areas are proving particularly challenging. These challenges are not just technical — they have implications for governance, transparency, and the accuracy of financial reporting. The Audit Committee plays a key role in providing oversight and assurance. The table below sets out some areas which can present difficulties, along with suggested questions for finance teams and Audit Committees to consider.

Area of difficulty	Description	Challenge questions to ask the Finance team
Completeness of lease records	<p>One of the most fundamental requirements of IFRS 16 is that all lease arrangements must be identified and recorded. This includes not only formal lease contracts but also informal or embedded leases that may be part of broader service agreements.</p> <p>Many authorities conducted a one-off review of leases as they prepared for the transition but without ongoing processes, there is a risk that new leases entered into during the year may not be captured.</p> <p>This could result in incomplete or inaccurate entries in the financial statements.</p>	<p>(a) How does the finance team ensure that all lease agreements, including those entered after the initial review, are identified and properly recorded?</p> <p>(b) What approach does the finance team take to work with other departments in identifying and reporting lease arrangements, especially those that might be informal or embedded in other contracts?</p> <p>(c) What processes or controls are in place to keep the lease register accurate and up to date throughout the year?</p>

# Challenges faced in implementing IFRS 16 (2)

Area of difficulty	Description	Challenge question to ask the Finance team
<p>Holdover leases (expired leases still in use)</p>	<p>In some cases, a property lease agreement may have ended but the authority continues to occupy and use the premises. These are known as holdover leases.</p> <p>The challenge here is determining whether the continued use of the asset creates a new lease under IFRS 16. This depends on whether there are still enforceable rights and obligations between the authority and the landlord. Making this assessment often requires legal judgment and careful documentation.</p> <p>The most challenging aspect of holdover leases is determining the lease term. Management must consider whether there is an implied contract, the term of the arrangement, and whether there are any continuing enforceable rights or obligations, as well as any significant costs or penalties from terminating the arrangement.</p>	<p>(a) Have any holdover leases been identified, and how has the finance team assessed whether these should be treated as leases under IFRS 16?</p> <p>(b) Where there was uncertainty, has legal advice been sought, and are the assumptions and judgments clearly documented?</p> <p>(c) What approach has been taken to determine the lease term for agreements that are open-ended or automatically renew?</p>
<p>Peppercorn or nominal rent leases</p>	<p>Some leases involve little or no payment — for example, a community building leased for £1 per year. These are known as peppercorn leases.</p> <p>Even though the payments are minimal, IFRS 16 requires the authority to recognise a right-of-use asset on its balance sheet at fair value. This can be difficult, especially if there is no recent valuation or if the asset is unique.</p>	<p>(a) Have any lease arrangements been identified where the payments are nominal or zero? If so, how have these been assessed under IFRS 16?</p> <p>(b) What process has been followed to determine the fair value of the right-of-use assets in these cases?</p> <p>(c) Is there sufficient documentation and evidence to support the valuation approach taken?</p>



# Challenges faced in implementing IFRS 16 (3)

Area of difficulty	Description	Challenge question to ask the Finance team
Lease modelling and use of external advisors	<p>Some authorities have relied on external advisors to calculate the lease liabilities and right-of-use assets required under IFRS 16.</p> <p>While this can be helpful, it has created challenges where the advisors have not provided the underlying data or assumptions used in the calculations. Without this information, it becomes difficult for the finance team to explain or support the figures in the accounts.</p>	<p>(a) Have external advisors been involved in the lease accounting process, and if so, do they have access to the detailed inputs and assumptions used in the calculations?</p> <p>(b) Can the finance team fully explain and support the lease figures presented in the financial statements?</p> <p>(c) What documentation and internal checks are in place to ensure the accuracy and completeness of lease calculations and disclosures?</p>
Variable lease payments linked to indices or rates	<p>Some lease payments vary based on inflation or other financial indices. For example, a lease might include annual increases linked to the Consumer Prices Index (CPI).</p> <p>Under IFRS 16, the authority must estimate future payments based on known changes to these indices. This requires careful judgment and can affect the accuracy of the lease liability recorded.</p>	<p>(a) How has the finance team addressed lease arrangements that include variable payments?</p> <p>(b) Have known changes to inflation rates or other relevant indices been factored into the lease calculations, and how has this been documented?</p>
Group leases and consolidation	<p>In some cases, leases exist between a council and its wholly owned subsidiary, or arrangements between a police and crime commissioner and the chief constable may in some circumstances meet the definition of a lease.</p> <p>These leases must be included in the individual accounts and then adjusted on consolidation. This can be complicated, especially if different entities within the group use different accounting standards.</p>	<p>(a) How has the finance team identified and accounted for lease arrangements between group entities?</p> <p>(b) What steps have been taken to align accounting policies in preparing group accounts?</p> <p>(c) How are intra-group leases treated in the consolidated financial statements, and what documentation supports this treatment?</p>

# Audit Committee resources

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

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

Public Sector Internal Audit Standards

<https://www.gov.uk/government/publications/public-sector-internal-audit-standards>

Code of Audit Practice for local auditors (NAO):

<https://www.nao.org.uk/code-audit-practice/>

Governance risk and resilience framework: material for those with a leadership responsibility on good governance (CfGS):

<https://www.cfgs.org.uk/material-for-those-with-a-leadership-responsibility-on-good-governance/>

The Three Lines of Defence Model (IAA)

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

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

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

CIPFA Guidance and Codes

The following all have a charge, so do make enquiries to determine if copies are available within your organisation.

Audit Committees: Practical Guidance For Local Authorities And Police

<https://www.cipfa.org/policy-and-guidance/publications/a/audit-committees-practical-guidance-for-local-authorities-and-police-2022-edition>

Delivering Good Governance in Local Government

<https://www.cipfa.org/policy-and-guidance/publications/d/delivering-good-governance-in-local-government-framework-2016-edition>

Financial Management Code

<https://www.cipfa.org/fmcode>

Prudential Code

<https://www.cipfa.org/policy-and-guidance/publications/t/the-prudential-code-for-capital-finance-in-local-authorities-2021-edition>

Treasury Management Code

<https://www.cipfa.org/policy-and-guidance/publications/t/treasury-management-in-the-public-services-code-of-practice-and-crossectoral-guidance-notes-2021-edition>



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