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Dear Member

## **AUDIT COMMITTEE - WEDNESDAY, 18 FEBRUARY 2026**

I am now able to enclose, for consideration at the Wednesday, 18 February 2026 meeting of the Audit Committee, the following reports that were unavailable when the agenda was printed.

<b>Agenda No</b>	<b>Item</b>	<b>Page</b>
<b>9.</b>	<b>Council Subsidiaries - Governance &amp; Finances Update</b>	(Pages 3 - 14)
<b>12.</b>	<b>2024-2025 Torbay Council Audit Findings Report</b>	(Pages 15 - 18)

Yours sincerely

Lisa Antrobus  
Clerk

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**Meeting:** Audit Committee

**Date:** 18 February 2026

**Wards affected:** All Wards in Torbay

**Report Title:** Council Subsidiaries – Governance & Finance Update

**Cabinet Member Contact Details:**

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Malcolm Coe, Director of Finance [Malcolm.coe@torbay.gov.uk](mailto:Malcolm.coe@torbay.gov.uk) and Paul Matravers, Head of Corporate Finance [paul.matravers@torbay.gov.uk](mailto:paul.matravers@torbay.gov.uk)

## 1. Purpose of Report

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- 1.1. To present an overview of the consolidated audit findings and assurance conclusions for the Council's subsidiaries and trading companies for the year ended 31 March 2025.
- 1.2. To inform the committee of the opinion of the internal audit function on the subsidiaries (SWISCo).

## 2. Reason for Proposal and its benefits

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- 2.1. At the Audit Committee meeting on the 28 May 2025 the committee discussed the 2024-25 draft Annual Governance Statement, which includes how the Council oversees the governance and risks of companies it owns or controls.
- 2.2. It was therefore agreed that a report would be presented to the committee annually to coincide with the approval of the Torbay Council accounts. The report would provide an overview of the outcome of the audits of the accounts for the three significant council subsidiaries.

## 3. Recommendation(s) / Proposed Decision

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- 3.1. The Audit Committee is asked to:
  - Note the audit findings and assurance conclusions for Torbay Education Limited (TEL), Torbay Economic Development Company Limited (TEDC Group) and SWISCo Limited.

## Appendices

Appendix 1 - Council Subsidiaries - Governance & Finance

## 4. Executive Summary

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- 4.1. As detailed in section 2, at meeting of the committee in May 2025 a discussion was held in respect of the 2024-25 draft Annual Governance Statement, which includes how the Council oversees the governance and risks of companies it owns or controls.
- 4.2. During this discussion, some members raised concern in relation to one of the wholly owned companies and commented that as the company is in the process of being dissolved, should the Committee have greater oversight of its audits and its risk registers.
- 4.3. A comment was made by the Key Audit Partner from Grant Thornton, who is the lead for the Torbay Council external audit, that the Annual Governance Statement should provide assurance of group accounts and provide a statement of effectiveness. In order to do so, reference should be made to the views of other independent bodies, what recommendations had been made by External Audit, and what was the opinion of Internal Audit.
- 4.4. To give the committee additional assurance it was agreed that a report would be presented to the committee annually to coincide with the approval of the Torbay Council accounts, this report provides this information.
- 4.5. A related piece of related work is detailed in section 7 in respect of the internal audit work undertaken by Devon Assurance Partnership for SWISCo.

## 5. Conclusion on Assurance

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- 5.1. Overall, reasonable assurance can be taken over governance, risk management and internal control across the subsidiaries.

## 6. Overview of audit findings

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- 6.1. The information below provides an overview of the findings, other significant information in respect of the audit for each of the subsidiaries is included in Appendix 1.

### **SWISCo Limited**

The key points from the independent auditor's report are summarised below:

#### **Overall Audit Opinion and Conclusion**

- A clean (unqualified) opinion.

The financial statements:

- Present a true and fair view of the Company's financial position at 31 March 2025 and its profit for the year.
- Have been properly prepared in accordance with UK Generally Accepted Accounting Practice (UK GAAP), including FRS 102.
- Comply with the Companies Act 2006.

The auditor's report:

- Provides strong assurance regarding the accuracy, compliance and integrity of SWISCo's financial statements for 2024/25.
- No exceptions, concerns, or weaknesses were highlighted.

### **Torbay Economic Development Company Limited (TEDC Group)**

The key points from the independent auditor's report are summarised below:

#### **Overall Audit Opinion and Conclusion**

- A clean (unqualified) opinion.

The financial statements:

- Give a true and fair view of both the group and parent company's financial position at 31 March 2025 and the group's profit for the year.
- Have been properly prepared under UK GAAP (FRS 102).
- Comply with the Companies Act 2006.
- Emphasis of Matter included because the directors intend to wind up the company, meaning the financial statements were prepared on a basis other than going concern.
- This does not affect the validity or quality of the accounts, nor does it change the unqualified audit opinion.

### **Torbay Education Limited**

The key points from the independent auditor's report are summarised below:

#### **Overall Audit Opinion and Conclusion**

- Clean (unqualified) audit opinion issued.

The financial statements:

- Give a true and fair view of the Company's position and profit.
- Prepared in accordance with UK GAAP (FRS 102) and the Companies Act 2006.
- No concerns, aside from noting the required disclosure that the company is no longer a going concern due to its transfer into Torbay Council.

## 7. Internal Audit Service and findings - SWISCo

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7.1. Devon Assurance Partnership are commissioned by SWISCo to provide the internal audit function. The latest 5-year internal audit plan commenced in 2023/24 and is approved by the SWISCo board, previous to this there was an agreed 3 year internal audit plan which ran from the inception of SWISCo and expired in 2022/23.

7.2. The key findings from the 2024/25 DAP Annual Audit Report are detailed below.

### Key findings and overall Opinion

The control environment supporting key operational and financial processes continues to strengthen, with notable improvements in risk management, governance, and performance reporting.

### Assurance Position Summary

- **Reasonable Assurance:** Governance and Decision Making; Risk Management; Performance Management; Standards Compliance
- **Key Financial Systems:** Operating effectively overall
- **Historic Limited Assurance Areas:** Primarily from 2020–21 to 2022–23, with mitigating context noted

### Overall Opinion

- Completed the assurance, risk, and governance reviews set out in the 2024–25 Internal Audit Plan.
- Reviews form the basis of the Head of Internal Audit's overall opinion on SWISCo's control environment.
- Key controls generally operated as intended, several areas of weakness were identified and require continued oversight.
- Progress against agreed management actions remains mixed, with some historic recommendations still outstanding.

### Internal Control Environment

- Internal control framework supporting key financial systems is assessed as operating effectively.
- Identified instances of non-compliance were not considered to have a material impact on the Company's financial position.
- In non-financial areas, several audits undertaken between 2020–21 and 2022–23 received **Limited Assurance**. These earlier assessments must be considered in the context of the Company's formative stage, the impact of the pandemic, and the resulting strain placed on governance and control processes.

## Risk Management

- A follow-up audit of the Performance and Risk Management Framework in 2024–25 demonstrated improvement, resulting in an uplift to **Reasonable Assurance**.
- Risk management maturity continues to develop, supported by a facilitated workshop in June 2023 and ongoing collaboration with the Council's performance and risk team.
- Work on strengthening and embedding the Strategic Risk Register is progressing.

## Governance Arrangements

- Governance and Decision-Making arrangements have now undergone two consecutive reviews (2022–23 and 2023–24), both assessed at **Reasonable Assurance**, indicating a stable and improving governance landscape.
- Follow-up work on Standards Compliance confirmed that the underlying compliance framework has strengthened since the original review.
- Health and Safety has been a particular focus area for improvement, supported by the appointment of the Asset and Performance Service Manager.

## Performance Management

- The Performance Management follow-up in 2024–25 resulted in an uplift to **Reasonable Assurance**, demonstrating progress in the consistency, reporting, and oversight of performance information.

## 8. Options under consideration

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8.1. None

## 9. Financial Opportunities and Implications

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9.1. There are no direct financial opportunities or implications from this report

## 10. Legal Implications

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10.1. Not applicable

## 11. Engagement and Consultation

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11.1. Not applicable

## 12. Purchasing or Hiring of Goods and/or Services

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12.1. Not applicable

## 13. Tackling Climate Change

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13.1. Not applicable

## 14. Associated Risks

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14.1. Not applicable

## 15. Identify the potential positive and negative impacts on specific groups

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15.1. Not applicable

## 16. Cumulative Council Impact

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16.1. Not applicable

## 17. Cumulative Community Impacts

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17.1. Not applicable

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### Appendix 1 – Addition Information on Company Audits

Further information and findings in respect of the 2024/25 external audit of the wholly owned companies.

#### 1. SWISCo Limited

##### **Basis for Opinion**

The audit was conducted in accordance with International Standards on Auditing (UK).

The auditors confirmed:

- Their independence.
- That they obtained sufficient and appropriate evidence to support their conclusions.

##### **Going Concern Assessment**

The directors' use of the going concern basis is appropriate.

- No material uncertainties were identified that might cast doubt on SWISCo's ability to operate for at least 12 months from approval of the financial statements.

##### **Other Information in the Annual Report**

- Reviewed for consistency with the audited accounts.
- No material inconsistencies or misstatements identified.

##### **Statutory Reporting Requirements (Companies Act 2006)**

- The Strategic Report and Directors' Report:
  - Are consistent with the financial statements.
  - Comply with legal requirements.
- No issues identified relating to accounting records, agreement with accounts, directors' remuneration disclosures, or information provided to auditors.

##### **Directors' Responsibilities**

- Directors are responsible for preparing true and fair financial statements, maintaining internal controls, and assessing going concern.

## **Appendix 1 – Addition Information on Company Audits**

### **2. Torbay Economic Development Company Limited (TEDC Group)**

#### **Basis for Opinion**

- Audit performed according to International Standards on Auditing (UK).

Auditors confirmed:

- Independence and compliance with ethical standards.
- Sufficient and appropriate evidence was obtained.

#### **Emphasis of Matter – Not a Going Concern**

Auditors draw attention to:

- Directors intend to wind up the company.
- Therefore, the going concern basis is not appropriate.
- Accounts prepared on an alternative basis reflecting the planned wind-up.
- This does not modify the audit opinion.

#### **Other Information in the Annual Report**

- Auditors reviewed the rest of the report for consistency with the accounts.
- No inconsistencies or misstatements found.
- Nothing to report.

#### **Companies Act Requirements**

Auditors confirm that the Strategic Report and Directors' Report:

- Are consistent with the financial statements.
- Comply with legal requirements.

No issues identified regarding:

- Inadequate accounting records.
- Disagreements between records and the accounts.
- Missing disclosures of directors' remuneration.
- Missing information or explanations required for the audit.

#### **Directors' Responsibilities**

Directors are responsible for:

- Preparing financial statements that provide a true and fair view.
- Maintaining suitable internal controls.
- Assessing going concern and making appropriate disclosures.
- Preparing accounts on a non-going-concern basis due to intended liquidation.

## **Appendix 1 – Addition Information on Company Audits**

### **3. Torbay Education Limited**

#### **Basis for Opinion**

- Audit conducted under International Standards on Auditing (UK).
- Auditors confirmed independence and sufficient evidence.

#### **Emphasis of Matter – Basis Other Than Going Concern**

- Company's activities transferred to Torbay Council on 1 September 2025.
- Company ceased trading; accounts prepared on a basis other than going concern.
- Audit opinion remains unmodified.

#### **Other Information**

- No material inconsistencies or misstatements found in the Annual Report.

#### **Companies Act Requirements**

- Directors' Report consistent with the accounts and legally compliant.
- No issues with accounting records, disclosures, or information provided.
- Proper use of the small companies regime confirmed.

#### **Directors' Responsibilities**

- Responsible for true and fair financial statements, internal controls, and going concern assessment.

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## Independent auditor's report to the members of Torbay Council

### Report on the audit of the financial statements

#### Disclaimer of opinion

We were engaged to audit the financial statements of Torbay Council (the 'Authority') and its subsidiaries (the 'group') for the year ended 31 March 2025, which comprise the Movement in Reserves Statement, the Balance Sheet, the Comprehensive Income and Expenditure Statement (CIES), the Cash Flow Statement, the Collection Fund Summary Account, the Group Comprehensive Income and Expenditure Statement, the Group Movement in Reserves Statement, the Group Balance Sheet, the Group Cash Flow Statement and notes to the group accounts, including material accounting policy information. 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.

We do not express an opinion on the accompanying financial statements of the group. Because of the significance of the matter described in the basis for disclaimer of opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

#### Basis for disclaimer of opinion

The Accounts and Audit (Amendment) Regulations 2024 ('the Regulations') require the Authority to publish audited financial statements for the year ended 31 March 2025 by 27 February 2026 ('the backstop date'). The backstop date has been put in law with the purpose of clearing the backlog of historical financial statements.

On 28 February 2025, we issued a disclaimer of opinion on the Authority's and the group's financial statements for the year ended 31 March 2024. We were not able to obtain sufficient appropriate audit evidence by 28 February 2025, the previous backstop date, over the Authority's and group's opening balances, in-year movements in the net pension liability and property, plant and equipment, the closing balance of property, plant and equipment and the closing reserves balance reported in the financial statements for the year ended 31 March 2024. We were therefore unable to obtain sufficient appropriate evidence over the associated corresponding figures for the year ended 31 March 2025 for the same reason.

As a result of the limitations imposed by the backstop date, we have been unable obtain sufficient appropriate audit evidence over the Authority and group's opening balances of property, plant and equipment and reserves reported in the financial statements for the year ended 31 March 2025. Consequently, we have been unable to satisfy ourselves over their in-year movements. Similarly, this has also resulted in uncertainty over the closing balance of property, plant and equipment of £297.6 million and reserves of £295.6million as at 31 March 2025.

In addition, our audit identified deficiencies in the Authority's financial accounting and record keeping. The Authority was not able to provide sufficient appropriate audit evidence to support the balances of debtors of £70.5 million and classification of leases as operating or finance leases and the associated disclosures reported in the financial statements as at 31 March 2025.

We have concluded that the possible effect of these matters on the financial statements could be both material and pervasive. We have therefore issued a disclaimer of opinion on the financial statements. This enables the Authority to comply with the requirement of the Regulations to publish the financial statements for the year ended 31 March 2025 by the backstop date.

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

Because of the significance of the matters described in the basis for disclaimer of opinion section of our report, we have been unable 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.

### Opinion on other matters required by the Code of Audit Practice

The Director of Finance is responsible for the other information. The other information comprises the information included in the Statement of Accounts, other than the Authority's and group's financial statements and our auditor's report thereon. Because of the significance of the matters described in the basis for disclaimer of opinion section of our report, we have been unable to form an opinion, whether based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Authority gained through our work in relation to the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources, whether 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.

### 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 Director of Finance

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 Director of Finance. The Director of Finance 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 Director of Finance 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 Director of Finance is responsible for assessing the Authority's and the group'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 and the group without the transfer of its services to another public sector entity.

### Auditor's responsibilities for the audit of the financial statements

Our responsibility is to conduct an audit of the Authority's and the group's financial statements in accordance with International Standards on Auditing (UK) and to issue an auditor's report. However, because of the matters described in the basis for disclaimer of opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on those financial statements.

We are independent of the Authority and the group 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.



### **Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud**

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The audit was defective in its ability to detect irregularities, including fraud, on the basis that we were unable to obtain sufficient appropriate audit evidence due to the matters described in the basis for disclaimer of opinion section of our 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.

We have nothing to report in respect of the above matter except that:

On 25 February 2025, we identified a significant weakness in the Authority’s governance arrangements. This was in relation to the Council’s capacity and capability within its finance team to support the preparation of its statement of accounts. This weakness remained in 2024-25. We recommended that the Council ensures there is sufficient capacity and capability so that financial reports including the statement of accounts, are prepared adequately with sufficient quality assurance for review.

Furthermore, on 18 November 2025, we identified a significant weakness in the Authority’s arrangements for improving economy, efficient and effectiveness. This was due to a significant weakness identified by joint Ofsted and CQC inspection findings on the Council’s arrangements for Special Educational Needs and Disabilities (SEND) that identified concerns about the quality of experiences and outcomes for young people. We recommended that the Council and its partners carefully monitor and drive forward improvements within this service, coupled with regular member oversight of progress.

#### **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 its 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.

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 document 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 consider 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 Torbay 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 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\*\*]**

Julie Masci, Key Audit Partner

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

**Bristol**

**[\*\*Date\*\*]**