

# The Audit Plan for Torbay Council

Year ending 31 March 2026

14 May 2026



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# The Backstop

## The Future of 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 require audited financial statements to be published by a specific date. The upcoming backstop dates are as follows:

- for years ended 31 March 2026 by 31 January 2027
- for years ended 31 March 2027 by 30 November 2027; and
- for years ended 31 March 2028 by 30 November 2028.

The Regulations are supported by the National Audit Office's (NAO) Code of Audit Practice 2024. The backstop dates were introduced to clear the backlog of historic financial statements and support 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.

## Local Audit Recovery

In the audit report for the year ended 31 March 2025, a disclaimer of opinion was issued due to the backstop. As a result, we anticipate that for 2025/26:

- we will not have sufficient assurance 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 will be unable to satisfy ourselves over their in-year movements. Similarly, this will result in uncertainty over the closing balance of property, plant and equipment and reserves of as at 31 March 2026.
- we will follow up on identified deficiencies in the Authority's financial accounting and record keeping. The Authority was unable to provide sufficient appropriate audit evidence to support the balances of debtors 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 had initial discussion with the Council to explore how we will rebuild assurance over time. We are working with the Council to develop a build back plan to regain assurance fully before 31 March 2028, in anticipation of any possible decisions arising from Local Government Reorganisation.

## Our Work

In order to meet future statutory deadlines, for 2025/26 we will be working towards an internal deadline of 30 November 2026, as a dry run for future years. Our initial focus for the audit will be on in-year transactions including income and expenditure, journals, capital accounting, payroll and remuneration disclosures; and closing balances for 2025/26. Our objective is to establish a pathway to recovery, by providing assurance over the in-year 2025/26 transactions and movements, where possible, and those closing balances which can be wholly determined in isolation without regard to the opening balance, such as creditors and debtors. As our work progresses, we will formulate a more detailed strategy as to how assurance can be gained on prior years. We will need the cooperation and input of management throughout the rebuilding process.

# Introduction and headlines



## Purpose

This document provides an overview of the planned scope and timing of the statutory audit of Torbay Council ('the Council') and Group for those charged with governance.

## Respective responsibilities

The National Audit Office ('the NAO') has issued the Code of Audit Practice ('the Code'). This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. Our respective responsibilities are also set out in the agreed in the Terms of Appointment and Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA), the body responsible for appointing us as auditor of Torbay Council. We draw your attention to these documents.

## Scope of our Audit

The scope of our audit is set in accordance with the Code and International Standards on Auditing (ISAs) (UK). We are responsible for forming and expressing an opinion on the Council's and Group's financial statements that have been prepared

by management with the oversight of those charged with governance (the Audit committee); and we consider whether there are sufficient arrangements in place at the Council and Group for securing economy, efficiency and effectiveness in your use of resources. Value for money relates to ensuring that arrangements are in place to use resources efficiently in order to maximise the outcomes that can be achieved as defined by the Code of Audit Practice.

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

Our audit approach is based on a thorough understanding of the Council and Group and is risk based.

# Introduction and headlines (continued)

## Significant risks

Those risks requiring special audit consideration and procedures to address the likelihood of a material financial statement error have been identified as:

- Management override of control
- Valuation of land and building assets (other land and buildings)
- Valuation of Investment Properties
- Valuation of the Net Pension Liability/Asset

We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings (ISA 260) Report.

## Materiality

We have determined planning materiality to be £7.847m (PY £7.800m) for the Council, which equates to 2.1% of your prior year gross operating costs for the year. We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. As part of our risk assessment, we have considered the impact of unadjusted prior period errors (where applicable). Our performance materiality for both the group and council has been set at 65% of council/group materiality.

Clearly trivial has been set at £392.4k (PY £390k).

## Group Audit

The Council is required to prepare group financial statements that consolidate the financial information of Torbay Economic Development Company (TEDC) and subsidiaries (TDA group), CSW Group, and Swisco Limited.

Group planning materiality has been set at £8.3m.

## Value for Money arrangements

Our risk assessment regarding your arrangements to secure value for money has identified the following risks of significant weakness:

- Governance
- Improving economy, efficiency and effectiveness

These arise as a result of reporting in the 2024/25 Auditor's Annual report. Please see page 25 and 26 for further detail.

## Audit logistics

Our planning and interim work took place in March & April and our final visit will take place between September and November. Our key deliverables are this Audit Plan, our Audit Findings Report, our Auditor's Report and Auditor's Annual Report.

Our proposed fee for the audit is £347,158 (scale fee) (PY: £417,954) for the Council, subject to the Council delivering a good set of financial statements and working papers, no significant changes in scope to the Audit, management being responsive to audit requests and providing sufficient appropriate audit evidence when requested.

We have complied with the Financial Reporting Council's Ethical Standard (revised 2024) and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

# Significant risks identified

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

Significant risk	Audit team's assessment	Planned audit procedures
<p>Management override of controls</p> <p>Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management override of controls is present in all entities.</p> <p><b>Risk relates to</b></p> <p>Council and Group</p>	<p>We have 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.</p>	<p>We will:</p> <ul style="list-style-type: none"> <li>• review accounting estimates, judgements and decisions made by management</li> <li>• test journal entries using risk-based selection</li> <li>• review unusual significant transactions.</li> </ul>



“In determining significant risks, the auditor may first identify those assessed risks of material misstatement that have been assessed higher on the spectrum of inherent risk to form the basis for considering which risks may be close to the upper end. Being close to the upper end of the spectrum of inherent risk will differ from entity to entity and will not necessarily be the same for an entity period on period. It may depend on the nature and circumstances of the entity for which the risk is being assessed. The determination of which of the assessed risks of material misstatement are close to the upper end of the spectrum of inherent risk, and are therefore significant risks, is a matter of professional judgment, unless the risk is of a type specified to be treated as a significant risk in accordance with the requirements of another ISA (UK).” (ISA (UK) 315).

In making the review of unusual significant transactions “the auditor shall treat identified significant related party transactions outside the entity’s normal course of business as giving rise to significant risks.” (ISA (UK) 550).

# Significant risks identified (continued)

Significant risk	Audit team's assessment	Planned audit procedures
<p>The revenue cycle includes fraudulent transactions</p> <p>Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue</p> <p><b>Risk relates to</b></p> <p>Council and Group</p>	<p>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. We have assessed these revenue streams as being at greater risk of being manipulated and as such we have identified a significant risk of fraud in these revenue streams.</p> <p>Where we have rebutted the risk of fraud in revenue recognition for revenue streams this is due to the low fraud risk in the nature of the underlying transactions, or immaterial nature of the revenue streams both individually and collectively.</p> <p>Where revenue streams of the Council's subsidiaries are material, we will place reliance on the work of the component auditor and do not propose to perform any specific work on these revenue streams ourselves. We do not assess these streams as a significant risk or at risk of fraud for our audit.</p>	<p>We do not consider this to be a significant risk for the Council/Group and standard audit procedures will be carried out. We will keep this rebuttal under review throughout the audit to ensure this judgement remains appropriate.</p>



Management should expect engagement teams to challenge them in areas that are complex, significant or highly judgmental which may be the case for accounting estimates, going concern, related parties and similar areas. Management should also expect to provide engagement teams with sufficient evidence to support their judgments and the approach they have adopted for key accounting policies referenced to accounting standards or changes thereto.

Where estimates are used in the preparation of the financial statements management should expect teams to challenge management's assumptions and request evidence to support those assumptions.

# Significant risks identified (continued)

Significant risk	Audit team's assessment	Planned audit procedures
<p>The expenditure cycle includes fraudulent transactions</p> <p>Practice Note 10 (PN10) states that as most public bodies are net spending bodies, then the risk of material misstatements due to fraud related to expenditure may be greater than the risk of material misstatements due to fraud related to revenue recognition. As a result under PN10, there is a requirement to consider the risk that expenditure may be misstated due to the improper recognition of expenditure.</p> <p><b>Risk relates to</b></p> <p>Council and Group</p>	<p>We have identified and completed a risk assessment of all expenditure streams for the Council/Group. We have considered the risk that expenditure may be misstated due to the improper recognition of revenue for all expenditure streams (including REFCUS and capital expenditure) and concluded that there is not a significant risk.</p> <p>We have not identified a significant risk of fraud in expenditure recognition for expenditure streams 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. The Council have not historically had issues with inappropriate capitalisation of costs and therefore we do not believe there is a higher risk of this within the 2025/26 audit.</p> <p>Where expenditure streams of the Council's subsidiaries are material, we will place reliance on the work of the component auditor and do not propose to perform any specific work on these expenditure streams ourselves. We do not assess these streams as a significant risk or at risk of fraud for our audit.</p>	<p>We do not consider this to be a significant risk for the Council/Group and standard audit procedures will be carried out. We will keep this consideration under review throughout the audit to ensure this judgement remains appropriate.</p>

# Significant risks identified (continued)

Significant risk	Audit team's assessment	Planned audit procedures
<p>Valuation of Land and Buildings / Investment Properties</p> <p><b>Risk relates to</b></p> <p>Council and Group</p>	<p>The valuation of land and buildings / Investment Properties represents a significant estimate in the financial statements. It is considered a significant estimate due to its size, complexity and sensitivity to changes in key assumptions. We have therefore identified it as a significant risk for the audit.</p> <p>The Council revalue their Land &amp; Buildings on a 5-year rolling programme. They also revalue their Investment Properties every year to ensure the carrying value is not materially different from the fair value at the financial statements date. Management engage both an internal and external valuer respectively to assist with the determination of these accounting estimates. Management will need to consider the revised requirements of the CIPFA Code in relation to the use of indexation in Land &amp; Building valuations for the year ending 31 March 2026.</p>	<p>We will:</p> <ul style="list-style-type: none"> <li>• document our understanding management's process and controls for the calculation of the estimates</li> <li>• evaluate the competence, capabilities and objectivity of management's experts</li> <li>• evaluate the consistency of the disclosure with the valuation reports</li> <li>• evaluate the basis on which the valuations have been carried out</li> <li>• evaluate the information and assumptions used by the valuers</li> <li>• evaluate the accounting entries for the valuations</li> <li>• evaluate the reasonableness of the assumptions used to form the estimate</li> <li>• review management's application of the new requirements of the CIPFA Code in relation to use of indices in Land &amp; Buildings valuations</li> </ul>

# Significant risks identified (continued)

Significant risk	Audit team's assessment	Planned audit procedures
<p>Valuation of the pension fund net asset / liability</p> <p><b>Risk relates to</b></p> <p>Council and Group</p>	<p>The valuation of the pension fund net asset/liability represents a significant estimate in the financial statements. It is considered a significant estimate due to its size, complexity and sensitivity to changes in key assumptions. We have therefore identified it as a significant risk for the audit.</p>	<p>We will:</p> <ul style="list-style-type: none"> <li>• document our understanding management's process and controls</li> <li>• evaluate the competence, capabilities and objectivity of management's expert</li> <li>• evaluate the consistency of the disclosure with the actuarial report</li> <li>• evaluate the reasonableness of the assumptions used to form the estimate</li> <li>• obtain assurances from the pension fund auditor on the underlying data shared by the fund to the actuary which has been used in the calculation of this estimate</li> <li>• where IFRIC 14 is applicable we will review the IFRIC 14 assessment carried out by the actuary and evaluate the reasonableness of the assumptions used as part of the assessment.</li> </ul>

# Other risks identified

Risk	Description	Planned audit procedures
<p>Quality of Accounts preparation</p> <p><b>Risk relates to Council</b></p>	<p>Due to the quality of the draft accounts produced in 2023/24 being unsatisfactory and significant misstatements identified and adjusted for; and due to the delay in the production of the draft accounts for the 2024/25 financial year which resulted in the Council failing to meet the statutory deadline for publishing these draft statement, we have recognised a risk in relation to the quality of the accounts preparation.</p> <p>We recognise the steps that the Council are taking in 2025/26 to rebuild skills and capacity within its finance team to improve its arrangements and we will keep this under review during the fieldwork stage of the audit. However, at the planning stage, this risk remains relevant.</p>	<ul style="list-style-type: none"> <li>We will follow up the Council's progress in implementing the recommendations arising from our financial statements Audit Findings and VFM assessment for 2023/24 and 2024/25 and its revised quality assurance arrangements. We will continue to update the Council's audit committee on progress of audit work and will escalate any delays promptly in line with our escalation policy.</li> </ul>

# Other matters

## Other work

In addition to our responsibilities under the Code of Practice, we have a number of other audit responsibilities, as follows:

- We read your Narrative Report and Annual Governance Statement and any other information published alongside your financial statements to check that they are consistent with the financial statements on which we give an opinion and our knowledge of the Council.
- We carry out work to satisfy ourselves that disclosures made in your Annual Governance Statement are in line with requirements set by CIPFA.
- We carry out work on your consolidation schedules for the Whole of Government Accounts process in accordance with NAO group audit instructions.
- We consider our other duties under legislation and the Code, as and when required, including:
  - giving electors the opportunity to raise questions about your financial statements, consider and decide upon any objections received in relation to the financial statements
  - issuing a report in the public interest or written recommendations to the Council under section 24 of the Local Audit and Accountability Act 2014 (the Act)

- application to the court for a declaration that an item of account is contrary to law under section 28 or a judicial review under section 31 of the Act
- issuing an advisory notice under section 29 of the Act.
- We certify completion of our audit.

## Other material balances and transactions

Under International Standards on Auditing, 'irrespective of the assessed risks of material misstatement, the auditor shall design and perform substantive procedures for each material class of transactions, account balance and disclosure'. All other material balances and transaction streams will therefore be audited. However, the procedures will not be as extensive as the procedures adopted for the risks identified in this report.

# Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

## Description

### Determination

We have determined planning materiality (financial statement materiality for the planning stage of the audit) based on professional judgement in the context of our knowledge of the Council and Group, including consideration of factors such as stakeholder expectations, sector developments, financial stability and reporting requirements for the financial statements

## Planned audit procedures

We determine planning materiality in order to:

- establish what level of misstatement could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements
- assist in establishing the scope of our audit engagement and audit tests
- determine sample sizes and
- assist in evaluating the effect of known and likely misstatements in the financial statements.

### Other factors

An item does not necessarily have to be large to be considered to have a material effect on the financial statements

An item may be considered to be material by nature when it relates to instances where greater precision is required.

### Reassessment of materiality

Our assessment of materiality is kept under review throughout the audit process

We reconsider planning materiality if, during the course of our audit engagement, we become aware of facts and circumstances that would have caused us to make a different determination of planning materiality.

# Our approach to materiality (continued)

Description	Amount (£)	Qualitative factors considered
Materiality for the group financial statements	8.300m	The latest audit of the Council's financial statements identified significant errors in the accounts and deficiencies in the control environment. Senior management and key reporting personnel in the finance team have remained stable from the 2024/25 audit. We are not aware of any key personnel leaving Torbay Council.
Materiality for the Council financial statements	7.847m	The impact of changes in accounting standards is expected to be limited. We have also considered that Torbay Council operate in a low-risk industry and no going concern risk has been identified in prior year audits.
Materiality for specific transactions, balances or disclosures – Senior Officer Remuneration disclosures	20k	Due to the sensitivity of these disclosures, we have applied a lower materiality of £20k per senior officer.



Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements; Judgments about materiality are made in light of surrounding circumstances, and are affected by the size or nature of a misstatement, or a combination of both; and Judgments about matters that are material to users of the financial statements are based on a consideration of the common financial information needs of users as a group. The possible effect of misstatements on specific individual users, whose needs may vary widely, is not considered. (ISA (UK) 320)

# Scope of group audit

Company name	Risk of material misstatement to the group	Location	Auditor	Audit scope	Statutory audit
Torbay Council	Yes	Torquay	Grant Thornton UK		Yes
SWISCo	No	Torquay	Bishop Fleming		Yes
TEDC and subsidiaries (TDA group)	No	Torquay	Bishop Fleming		Yes

## Audit scope

- Audit of the entire financial information of the component
- Specific audit procedures designed by the group auditor
- Specific audit procedures designed by a component auditor
- Analytical procedures at group level

# Scope of group audit (continued)

In accordance with ISA (UK) 600 Revised, as group auditor we are required to obtain sufficient appropriate audit evidence regarding the financial information of the components and the consolidation process to express an opinion on whether the group financial statements are prepared, in all material respects, in accordance with the applicable financial reporting framework.

## Key changes within the group

- During 2025/26, we are aware that further assets were transferred from TEDC (TDA group) to the Council as part of the process of bringing all TDA Group services back 'In-House' which began from 1 April 2024. We will assess the extent of transfers in during the 2025/26 as part of the year end audit and this will help inform the scope of our audit work on TEDC and its subsidiaries.

## Fraud and litigation

We have not been made aware of any actual or attempted frauds in the year during our planning procedures performed to date. Should any factors arise in relation to fraud risk or actual or attempted fraud we ask that you inform us of this at the earliest possible opportunity.

## Involvement in the work of component auditors

In order to use the work of the component auditor, we will require the ability to access relevant component auditor documentation to complete our group audit. The nature, time and extent of our involvement in the work of SWISCo's auditor will begin with a discussion on risks, guidance on designing procedures, participation in meetings, followed by the review of relevant aspects of the SWISCo audit documentation and meeting with appropriate members of management. We will also require that the component auditor is independent under the independence requirements of the FRC and this may be stricter than the requirements for completing their local reports.

If we are unable to secure access to the component auditor's working papers we will report the impact of such impediments on the audit of the group financial statements.

Where a member of the Grant Thornton International network is involved, we will communicate to them your policy on non-audit services. You will ensure that each component entity within your group is aware of your policy.

# Progress against prior year audit recommendations

Issues found in our 2024/25 audit and issues carried forward from older audits of the Council's financial statements, resulted in 22 recommendations being reported in our 2024/25 Audit Findings Report. We are pleased to report that management have implemented 16 of these recommendations, with 6 remaining in progress. Our year end audit will confirm whether these can be formally closed.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue(s)
Addressed	When processing the year end accrual journals, the Council consolidate multiple transactions from across many council departments into a small number of large journal entries for posting. This is not best practice and introduces complexities for reviewing individual transactions.	As part of the year end procedures and training this has been discussed with staff and they are aware that journals in smaller groupings are required and not bulked together.
	We recommend that the council disaggregate their year end department journals into smaller batches in future to facilitate a clearer audit trail.	The year end audit will confirm whether this recommendation has been fully closed.
Addressed	The Council processes a number of manual adjustments to mappings in the trial balance to ensure the CIES is accurately reflected.	FIMS mappings have been updated and training on use of correct codes has been given so no manual mapping will be undertaken.
	We recommend these mappings are updated in within the FIMS financial system rather than being manually adjusted outside of FIMS to facilitate a clearer audit trail and minimise risk of manual errors.	The year end audit will confirm whether this recommendation has been fully closed.
In progress	The Council do not hold floor plans for their investment properties and instead rely on valuation certificates from their purchase.	The Valuer is currently checking to ensure floor plans are available or can be obtained for all investment properties. We will revisit this recommendation during out audit fieldwork.
	We recommend the council obtain measurable floor plans for their investment properties.	

# Progress against prior year audit recommendations (continued)

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue(s)
Addressed	<p>The Council currently applies a de-minimis threshold of £10,000 for year-end accruals. During our testing of transactions around year-end, we identified several items below this threshold which, when considered in aggregate, indicate that the current limit may be set too high. Although we have completed additional audit work to gain assurance that there is no material misstatement for 2024/25, the threshold presents a potential risk for future years.</p> <p>We recommend that the Council reviews the appropriateness of the £10,000 de-minimis threshold ahead of the next financial year. This review should consider both the volume and value of transactions typically processed around year-end, as well as the cumulative impact of unaccrued items.</p>	<p>Year end procedures documents have been issued reducing the deminimus for revenue items to £5,000. Accrual sheets reiterate this and it has been highlighted in year end meetings and communications</p>
In progress	<p>During our review of assets transferred from TEDC, we identified inconsistencies in the accounting treatment applied. In several cases, the treatment adopted does not align with the approach set out in the agreed briefing note. Additionally, some assets have revaluation dates that precede the transfer date, yet the associated revaluation amounts have been recognised by the Council within the revaluation reserve. This creates uncertainty regarding the correct cut-off and recognition of valuation movements. The amounts involved are trivial.</p> <p>As transfers will continue beyond 2024/25 we recommend that future transfers are considered in detail to ensure they are being treated appropriately in the accounts.</p>	<p>We can confirm that we have an agreed approach to accounting for the properties transferred from both TVH and TEDC during 2025/26. We have shared transfer documents with you.</p> <p>The year end audit will confirm whether this recommendation has been fully closed.</p>

# Progress against prior year audit recommendations (continued)

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue(s)
Addressed	<p>During our review of asset records, we noted instances where assets had been recorded as external works with a nil land value, despite the valuation indicating that the asset should be treated as land. While the financial impact of this misclassification is trivial for the current year, it indicates a weakness in the asset classification and valuation application process.</p> <p>We recommend that management should ensure that future valuations appropriately reflect the correct asset classification, and that land components are recognised where required.</p>	<p>The Valuation process has been reviewed to ensure that the valuations include the correct asset classification and that the components are recognised as required.</p> <p>The year end audit will confirm whether this recommendation has been fully closed.</p>
Addressed	<p>The Council prepares its accounts to the nearest £100,000. This has caused significant rounding errors in the primary statements to ensure the statements balance.</p> <p>We recommend the council prepare their accounts to the nearest £1,000 as is common with other councils of a similar size.</p>	<p>The accounts are to be issued in £'000s for the 2025/26 period. Comparator figures are in the process of being reworked and the skeleton accounts word document updated. As discussed with the outgoing Audit manager it has been agreed that there is no need for 'restated' to be included in the comparator values as this is only a movement in the display of values.</p>
In progress	<p>The Council's Fixed Asset register contains £9.6million of assets that are fully depreciated. Whilst this will not have a material impact upon depreciation it could suggest inappropriate lives are being applied. We also identified 3 assets that did not have useful lives.</p> <p>We recommend the Council undertake a review of these assets to ensure it is appropriate for them to remain on the Fixed Asset Register. The council should also consider that all assets have a useful life and that asset lives being applied are appropriate.</p>	<p>Given the closedown/audit cycle over the last couple of years we have not been able to schedule in this piece of work. It is our intention to use the period between the completion of the audit of the 2025/26 accounts and the lead up to the closedown of the 2026/27 accounts to review the asset register and make any appropriate adjustments.</p> <p>The year end audit will assess the impact of this on the 2025/26 accounts.</p>

# Progress against prior year audit recommendations (continued)

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue(s)
Addressed	<p>In our completeness testing we identified an item that was not accrued for. Whilst the impact of this was not significant, the council should ensure it has appropriate process in place to ensure accruals are raised in the appropriate year.</p> <p>We recommend the Council ensure everyone is aware of the process in place around raising accruals particularly around year end accruals.</p>	<p>Year-end procedures and timescales have been updated. A team meeting was held with the key financial staff to run through the processes and procedures. The importance of accruals was reiterated to the team including discussions on the evidence required to back up the accruals.</p> <p>The year end audit will confirm whether this recommendation has been fully closed.</p>
Addressed	<p>In our work on cash we identified a few items had been coded incorrectly, the value of these items was trivial but the council were unable to identify and explain the differences. It was noted that this is due to bank reconciliations not being performed on smaller accounts such as 'Children in Need' or petty cash.</p> <p>We recommend the council implement reconciliations on all accounts in future years.</p>	<p>A review of all bank accounts and reconciliations has been undertaken and this will be shown in full set of Cash &amp; Bank working papers.</p> <p>The year end audit will confirm whether this recommendation has been fully closed.</p>
Addressed	<p>From our work on employee remuneration we identified that the Council do not regularly reconcile their pay runs per bank to payroll reports.</p> <p>We recommend the council implement reconciliations on all accounts in future years to ensure any variances are investigated in a timely manner.</p>	<p>Pay runs have been reconciled to Payroll reports to month 10 of 2025/26 with the completion of the final two months during the year end process. Due to be complete by end of April as per year end timetable.</p> <p>The year end audit will confirm whether this recommendation has been fully closed.</p>

# Progress against prior year audit recommendations (continued)

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue(s)
In progress	<p>In our work on PPE valuations one of our sample items was a car park valuation. The Council and its valuers were unable to provide evidence to support the percentage of costs applied in the valuation. Although this evidence was not available, we were able to obtain assurance over the reasonableness of the figure through our valuation specialists at Grant Thornton, we are therefore satisfied that the valuation is not misstated.</p> <p>We recommend the council ensure that they have evidence to support the appropriateness of key inputs in valuations.</p>	<p>This work is ongoing as part of the 2025/26 year end.</p>
Addressed	<p>The Council was unable to provide explanation for the movement in Finance Expenditure.</p> <p>We recommend the council improve their mappings so that comparisons can be easily made. We do recognise improvements are already being made in this area.</p>	<p>This issue related to problems understanding the mapping in 2023/24. Analysis between 2024/25 and 2025/26 will not have this issue and as such explanations will be available.</p> <p>The year end audit will confirm whether this recommendation has been fully closed.</p>
In progress	<p>In our payroll work we identified two employees who started secondments without signed secondment letters in place (letters were signed two months later).</p> <p>We recommend the council ensures secondment paperwork is completed before secondments begin.</p>	<p>Processes and procedures are being revised to ensure the paperwork is completed in advance of the start of secondments</p>
Addressed	<p>The Council has not formally documented the process for reconciling the subsidiary and council balances and any misstatements that were identified as part of this reconciliation.</p> <p>We recommend the Council document this process in the future.</p>	<p>We have an agreed approach and these reconciliations are now being carried out.</p> <p>The year end audit will confirm whether this recommendation has been fully closed.</p>

# Progress against prior year audit recommendations (continued)

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue(s)
Addressed	<p>The Group cash flow does not disclose comparator notes.</p> <p>We recommend the council disclose these comparators in future.</p>	<p>This was because the 2023/24 comparators were not available. This will not be the case for 2025/26 as the 2024/25 comparators are available.</p>
In progress	<p>Our testing identified that the SWISCO budgets are not formalised and recorded so audit evidence of budget setting process could not be obtained.</p> <p>We recommend that the council document this process and retain evidence.</p>	<p>The SWISCO commissioning fee and service budget allocations are updated each year in line to reflect additional funding agreed as part of the budget setting process.</p> <p>As part of the closedown process it is the intention to document the methodology behind this process.</p>
Addressed	<p>The council did not add in year movements to council tax bad debt, this is a trivial movement so no amendment require.</p> <p>We recommend that this is considered by the council in future years.</p>	<p>Provisions relating to the Collection Fund are being worked on and a reasoned figures will be included in the Collection Fund statements and working papers</p> <p>The year end audit will confirm whether this recommendation has been fully closed.</p>
Addressed	<p>The Council has not formally documented the process for reconciling the subsidiary and council balances and any misstatements that were identified as part of this reconciliation.</p> <p>We recommend the council document this process in the future.</p>	<p>We have an agreed approach and these reconciliations are now being carried out.</p> <p>The year end audit will confirm whether this recommendation has been fully closed.</p>

# Progress against prior year audit recommendations (from audits prior to 24/25)

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue(s)
Addressed	<p><b>Weaknesses in Financial Procedures and Controls</b></p> <p>During our audit, we observed that the financial statement review and journal review controls failed to detect several errors and inconsistencies between the general ledger and the published accounts for the financial years 2022/23 and 2023/24. These issues were attributed to multiple weaknesses, including the absence of robust account closedown procedures, which resulted in transactions being recorded in accounting periods for which the accounts had already been published. Additionally, there was a deficiency in the financial statement review controls, preventing the identification of these errors both before and after the accounts were published for the affected years.</p> <p>As a result, significant and numerous adjustments were necessary to reconcile the published accounts for 2022/23 and 2023/24 with the general ledger.</p> <p>Whilst we did not identify these specific issues in 2024/25 there have still been issues in the processes and controls in place in 2024/25.</p>	<p>Processes and procedures have been reviewed and updated to ensure that these errors will not re-occur, this is including ensuring that transactions can not be entered into accounting periods for accounts that have been published.</p>
Addressed	<p><b>Journal users</b></p> <p>As part of our Journals work, we have identified a number of users with access to FIMS (accounting system) and the ability to post manual journal entries. We identified that the majority of these users did not actually post manual entries in the year and therefore this suggests such individuals do not require this level of access. While these entries would still go through the normal review process, there is still a control risk of unauthorised journals, with individuals being able to post entries that do not fall within the scope of their job role.</p> <p>This recommendation remains in 2024/25 as there are still number of users with the ability to post journals who don't post journals.</p>	<p>Now Completed.</p> <p>Year end 2025/26 journals work will confirm this.</p>

# Progress against prior year audit recommendations (from audits prior to 24/25) (continued)

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue(s)
Addressed	<p>Depreciation of assets</p> <p>According to IAS 16 and the CIPFA Code, an asset should be depreciated when it becomes available for use. Currently, the Council is depreciating additions in the subsequent year without considering whether the asset is available for use in the current year.</p> <p>The Council is still depreciating additions in the subsequent year without considering whether the asset is available for use in the current year.</p>	<p>Agreed. Will revise treatment from 1 April 2025. Assuming no materiality issues, depreciation will be adjusted in 2025/26 rather than making a prior period adjustment. Accounting Policies will be amended accordingly.</p> <p>Final 25/26 audit will confirm this.</p>

# IT audit strategy

In accordance with ISA (UK) 315, we are required to obtain an understanding of the IT environment related to all key business processes, identify all risks from the use of IT related to those business process controls judged relevant to our audits and assess the relevant IT general controls (ITGCs) in place to mitigate them. Our audits will include completing an assessment of the design and implementation of ITGCs related to security management; technology acquisition, development and maintenance; and technology infrastructure.

The following IT applications are in scope for IT controls assessment based on the planned financial statement audit approach. We will perform the indicated level of assessment:

IT application	Audit area	Planned level IT audit assessment
FIMS	Financial reporting	<ul style="list-style-type: none"> <li>Streamlined ITGC design assessment</li> <li>Understanding of link to feeder systems</li> </ul>
Real Asset Management	Property, Plant and Equipment	<ul style="list-style-type: none"> <li>Streamlined ITGC design assessment</li> </ul>

# Value for Money Arrangements

## Approach to Value for Money work for the period ended 31 March 2026

The National Audit Office updated its Code of Audit Practice in November 2024. The Code expects auditors to consider whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Auditors are expected to report a commentary each year under the specific reporting criteria and where significant weaknesses in arrangements are identified. The new Code requires auditors to share a draft Auditor's Annual Report (AAR) with those charged with governance by a nationally set deadline each year, and for the audited body to publish the AAR thereafter. This new deadline requirement was introduced from November 2025. The three specified reporting criteria are set out below:

### Financial sustainability

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



### Governance

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



### Improving economy, efficiency and effectiveness

How the Council uses information about its costs and performance to improve the way it manages and delivers its services.



We will continue our review of your arrangements until we sign the opinion on your financial statements before we issue our AAR. Should any further risks of significant weakness be identified, we will report this to those charged with governance as soon as practically possible. Any significant weaknesses identified will be reflected in our AAR and included within our audit opinion.

# Risks of significant weakness in VFM arrangements

## Risk assessment of the Council's VFM arrangements

The Code of Audit Practice 2024 (the Code) sets out that the auditor's work is likely to fall into three broad areas: planning; additional risk-based procedures and evaluation; and reporting. We undertake initial planning work to inform this Audit Plan and the assumptions used to derive our fee. Consideration of prior year significant weaknesses and known areas of risk is a key part of the risk assessment for 2025/26. We will continue to evaluate risks of significant weakness and if further risks are identified, we will report these to those charged with governance. We set out our reported assessment below:

Criteria	2024/25 Assessment of arrangements	2025/26 Risk assessment	2025/26 risk-based procedures planned
<b>Financial sustainability</b>	The Council has robust arrangements in place, and no significant weaknesses were identified in its approach to securing financial sustainability. Improvement recommendations have been raised regarding the DSG deficit, identifying savings to support the MTFs, and strengthening the management of a key financial risk.	No risk of significant weakness identified from our planning work in relation to financial sustainability arrangements.	As no risk of significant weakness has been identified, no additional risk-based procedures are specified at this stage. We will undertake sufficient work to document our understanding of your arrangements as required by the Code and follow up the three improvement recommendations we raised last year.
<b>Governance</b>	The Council continues to experience a significant weakness in finance team capacity, first identified in the prior year. Governance, risk management and internal controls remain generally sound, supported by effective internal audit, counter-fraud activity and strong scrutiny. The Council has responded to procurement changes, and we have raised an improvement recommendation on contract waiver oversight.	We have identified a risk of significant weakness within the Council's governance arrangements. We raised a key recommendation to address significant weaknesses in arrangements identified in 2023/24 relating to the Council's finance team capacity and capability and whilst finding some improvement in 2024/25 we identified that work remained to complete the improvement journey. There is a risk that the Council has not yet fully addressed this weakness.	We will undertake additional risk-based work to assess the impact of the ongoing action the Council is taking to ensure the capacity and capability of its finance team to address the key recommendation we raised in 2023/24 and retained in 2024/25. We will also follow up the improvement recommendation we raised last year.

# Risks of significant weakness in VFM arrangements

## (continued)

Criteria	2024/25 Assessment of arrangements	2025/26 Risk assessment	2025/26 risk-based procedures planned
<p><b>Improving economy, efficiency and effectiveness</b></p>	<p>The Council has a significant weakness relating to Ofsted and CQC findings on SEND service provision. Performance monitoring arrangements are comprehensive and were further strengthened during 2024/25, alongside active learning from external reviews and extensive preparation for forthcoming CQC inspection of adult social care. The Council also prioritises stakeholder engagement, evidenced by its resident satisfaction survey and commitment to driving improvements from the feedback.</p>	<p>We have identified a risk of significant weakness within the Council's improving economy, efficiency and effectiveness arrangements. We raised a key recommendation to address a significant weakness in arrangements identified in 2024/25 relating to the Council updating members on progress and providing regular oversight updates in driving forward required improvements in SEND following the receipt of the DfE improvement notice in October 2025. There is a risk that the Council has not yet fully addressed this weakness.</p>	<p>We will undertake additional risk based work to assess the impact of the ongoing action the Council is taking to ensure ongoing Member engagement in delivery of improvements required.</p>

# Risks of significant VFM weaknesses

As part of our initial planning work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources where we needed to perform additional procedures. The risks we have identified are detailed on the table overleaf along with the further work we will perform. We will continue to review the Council's arrangements and report any further risks of significant weaknesses we identify to those charged with governance. We may need to make recommendations following the completion of our work. The potential different types of recommendations we could make are set out in the table below.

## Potential types of recommendations



### Statutory recommendation

Written recommendations to the Council under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014. A recommendation under schedule 7 requires the Council to discuss and respond publicly to the report.



### Key recommendation

The Code of Audit Practice requires that where auditors identify significant weaknesses in arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the Council. We have defined these recommendations as 'key recommendations'.

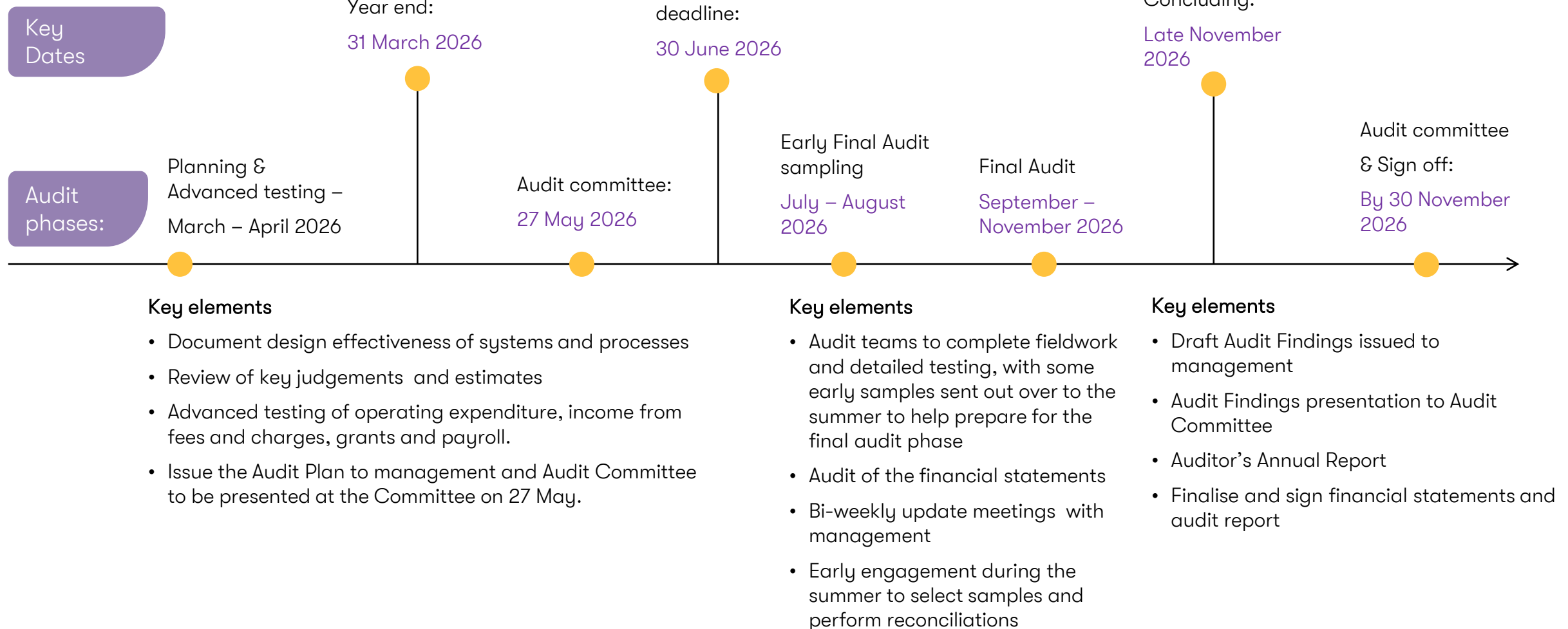


### Improvement recommendation

Auditors may also include areas for improvement or to keep in view even if they do not identify any underlying significant weaknesses in arrangements. These recommendations set out actions for consideration which are not a result of identifying significant weaknesses in arrangements, but which if not addressed could increase the risk of a significant weakness in future periods.

# Logistics

## The audit timeline



# Our team and communications

## Grant Thornton core team



**Julie Masci**  
Engagement Lead/Key  
Audit Partner

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



**George Amos**  
Audit Manager

- Audit planning & reporting
- Resource management
- Performance management reporting



**Priya Sharma**  
In-charge

- Everyday audit team management
- Day-to-day point of contact
- Audit fieldwork oversight and delivery

	Service delivery	Audit reporting	Audit progress	Technical support
<b>Formal communications</b>	<ul style="list-style-type: none"> <li>• Annual client service review</li> </ul>	<ul style="list-style-type: none"> <li>• The Audit Findings Report</li> <li>• Auditor’s Annual Report</li> </ul>	<ul style="list-style-type: none"> <li>• Audit planning meetings</li> <li>• Audit clearance meetings</li> <li>• Communication of issues log</li> </ul>	<ul style="list-style-type: none"> <li>• Technical updates</li> </ul>
<b>Informal communications</b>	<ul style="list-style-type: none"> <li>• Open channel for discussion</li> </ul>		<ul style="list-style-type: none"> <li>• Communication of audit issues as they arise</li> </ul>	<ul style="list-style-type: none"> <li>• Notification of up-coming issues</li> </ul>

# Our fee estimate

## Our fee estimate

We have set out below our specific assumptions made in arriving at our estimated audit fees, we have assumed that the Council will:

- prepare good quality sets of accounts, supported by comprehensive and well presented working papers which are ready at the start of the audit
- provide appropriate analysis, support and evidence to support all critical judgements and significant estimates made during the course of preparing the financial statements
- provide early notice of proposed complex or unusual transactions which could have a material impact on the financial statements
- maintain adequate business processes and IT controls, supported by an appropriate IT infrastructure and control environment.
- Our fee estimate also assumes that you will engage suitably competent experts to assist management in the following areas:
  - Qualified Valuation experts to perform the Valuation of Land, Buildings and Investment Properties – to provide accounting estimates in the form of a Valuation Report and to be on hand to assist with audit queries.
  - Qualified Actuary to produce an IAS 19 report detailing the net asset/liability disclosures in respect of the Local Government Pension Scheme. They must also be on hand to assist with any audit queries.

## Previous year

In 2024/25 the scale fee set by PSAA was £340,484. The actual fee charged for the audit, including audit of subsidiary companies (where applicable) was £417,954.

As the audit report from the 2024/25 (and the two years preceding this) audit is a disclaimer of opinion due to the imposition of a backstop date, we will need to undertake further audit work in respect of opening balances. We will discuss the practical implications of this with you and provide a fee estimate once it is clear what this work will involve.

Company	Audit Fee for 2024/25 (£)	Proposed fee for 2025/26 (£)
PSAA scale fee	340,484	347,158
Other additional fees (see 2024/25 Audit Findings Report for detailed breakdown)	77,470	N/a
Rebuilding assurance work	N/a	TBC
<b>Total (Exc. VAT)</b>	<b>417,954</b>	<b>347,158</b>

# Our fee estimate (continued)

## Relevant professional standards

In preparing our fee estimate, we have had regard to all relevant professional standards, including paragraphs 4.1 and 4.2 of the FRC's [Ethical Standard \(revised 2024\)](#) which stipulate that the Engagement Lead (Key Audit Partner) must set a fee sufficient to enable the resourcing of the audit with partners and staff with appropriate time and skill to deliver an audit to the required professional and Ethical standards.

## PSAA

Local Government Audit fees are set by PSAA as part of their national procurement exercise. In 2023 PSAA awarded a contract of audits for the Council to begin with effect from 2023/24. The scale fee set out in the PSAA contract for the 2025/26 audit is £347,158.

This contract sets out four contractual stage payments for this fee, with payment based on delivery of specified audit milestones:

- Production of the final auditor's annual report for the previous Audit Year or opinion issued (but not before 1 December 2025)
- Production of the draft audit planning report to Audited Body
- 50% of planned hours of an audit have been completed
- 75% of planned hours of an audit have been completed

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

## Updated Auditing Standards

The FRC has issued updated Auditing Standards in respect of Quality Management (ISQM 1 and ISQM 2). It has also issued an updated Standard on quality management for an audit of financial statements (ISA 220). We confirm we will comply with these standards.

# Fees and non-audit services

The following tables below sets out the non-audit services that we have been engaged to provide or charged from the beginning of the financial year to April 2026, as well as the threats to our independence and safeguards have been applied to mitigate these threats.

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

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

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 Torbay Council. The table summarises all non-audit services which were identified. We have adequate safeguards in place to mitigate the perceived self-interest threat from these fees.

## Assurance Service Fees

Service	Fees £	Threats Identified	Safeguards applied
Certification of Housing Benefit subsidy	(2024-25) £28,565 (2023-24) £27,910 (plus additional fee TBC) (2022-23) £36,500	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £64,560 in comparison to the total fee for the audit of £340,484 and relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. The service is subject to additional fees if extra work is required but this is proportionate to the time inputs necessary to complete the work and no more. The service is provided by a separate Grants team at GT who operate independently from the Financial Statement Audit team. These factors all mitigate the perceived self-interest threat to an acceptable level.
<b>Total</b>	<b>92,975 (plus additional fee TBC)</b>		<b>Please note, this additional fee is yet to be determined for the 23/24 financial year, but it will not be significant enough to impact the assessment against the main audit fee.</b>

This covers all services provided by us and our network to the council, its directors and senior management and its affiliates, and other services provided to other known connected parties that may reasonably be thought to bear on our integrity, objectivity or independence.

# 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, managers and network firms). In this context, we confirm there are no matters that we are required to report.

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

Matter	Conclusions
Relationships with Grant Thornton	We are not aware of any relationships between Grant Thornton and the Council/Group that may reasonably be thought to bear on our integrity, independence and objectivity.
Relationships and Investments held by individuals	We have not identified any potential issues in respect of personal relationships with the Council/Group.
Employment of Grant Thornton staff	We are not aware of any former Grant Thornton partners or staff being employed, or holding discussions in respect of employment, by the Council/Group as a director or in a senior management role covering financial, accounting or control related areas.
Business relationships	We have not identified any business relationships between Grant Thornton and the Council/Group .
Contingent fees in relation to non-audit services	No contingent fee arrangements are in place for non-audit services provided.
Gifts and hospitality	We have not identified any gifts or hospitality provided to, or received from, a member of the Council/Group's board, senior management or staff (that would exceed the threshold set in the Ethical Standard).

We confirm that there are no significant facts or matters that impact on our independence at planning 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.

# 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 and Key Audit Matters	●	
Planned use of internal audit	●	
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	●	●
Matters in relation to the group audit, including: Scope of work on components, involvement of group auditors in component audits, concerns over quality of component auditors' work, limitations of scope on the group audit, fraud or suspected fraud	●	●

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 Plan, outlines our audit strategy and plan to deliver the audit, while the Audit Findings will be issued prior to approval of the financial statements and will present key issues, findings and other matters arising from the audit, together with an explanation as to how these have been resolved.

We will communicate any adverse or unexpected findings affecting the audit on a timely basis, either informally or via an audit progress memorandum.

# Communication of audit matters with those charged with governance (Continued)

## 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.

Our communication plan	Audit Plan	Audit Findings
Views about the qualitative aspects of the Council and 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		●
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		●

# Escalation Policy

## The Backstop

The Ministry of Housing, Communities and Local Government has introduced an audit backstop date on a rolling basis to encourage timelier completion of local government audits.

As your statutory auditor, we understand the importance of appropriately resourcing audits with qualified staff to ensure high quality standards that meet regulatory expectations and national deadlines. It is the Council's responsibility to produce true and fair accounts in accordance with the CIPFA Code by the statutory deadline and respond to audit information requests and queries in a timely manner.

## Escalation Process

To help ensure that accounts audits can be completed on time in the future, we have introduced an escalation policy. This policy outlines the steps we will take to address any delays in draft accounts or responding to queries and information requests. If there are any delays, the following steps should be followed:

### Step 1 - Initial Communication with S151 Officer (within one working day of statutory deadline for draft accounts or agreed deadline for working papers)

- We will have a conversation with the S151 Officer to identify reasons for the delay and review the Authority's plans to address it. We will set clear expectations for improvement.

### Step 2 - Further Reminder (within two weeks of deadline)

- If the initial conversation does not lead to improvement, we will send a reminder explaining outstanding queries and information requests, the deadline for responding, and the consequences of not responding by the deadline.

### Step 3 - Escalation to Chief Executive (within one month of deadline)

- If the delay persists, we will escalate the issue to the Chief Executive, including a detailed summary of the situation, steps taken to address the delay, and agreed deadline for responding..

### Step 4 - Escalation to the Audit Committee (at next available Audit Committee meeting or in writing to Audit Committee Chair within 6 weeks of deadline)

- If senior management is unable to resolve the delay, we will escalate the issue to the audit committee, including a detailed summary of the situation, steps taken to address the delay, and recommendations for next steps.

### Step 5 - Consider use of wider powers (within two months of deadline)

- If the delay persists despite all efforts, we will consider using wider powers, e.g. issuing a statutory recommendation. This decision will be made only after all other options have been exhausted. We will consult with an internal risk panel to ensure appropriateness.

## Aim

By following these steps, we aim to ensure that delays in responding to queries and information requests are addressed in a timely and effective manner, and that we are able to provide timely assurance to key stakeholders including the public on the Authority's financial statements.

# Financial reporting changes

## Changes to the CIPFA Code of practice on local authority accounting for 2025/26

The main change is a revaluation expedient for property, plant and equipment. From 1 April 2025, revaluations are required once every five years or on a five year rolling basis with indexation in intervening years. This is a substantial change to the accounting for non current asset, that may require engagement with valuers, changes to underlying systems, asset records and accounting treatment.

## New or revised accounting standards that are expected to be adopted by the CIPFA Code in future years.

### Amendment to IFRS 9 and IFRS 7 - Contracts Referencing Nature-dependent Electricity

The International Accounting Standards Board (IASB) issued amendments to IFRS 9 and IFRS 7 to improve the reporting of nature-dependent electricity contracts, such as power purchase agreements (PPAs). These contracts, which secure electricity from sources like wind and solar power, can vary due to uncontrollable factors like weather. The amendments clarify the 'own-use' requirements, permit hedge accounting for these contracts, and introduce new disclosure requirements to help users of the accounts understand their impact on an entity's financial performance and cash flows. The amendments are expected to be adopted by the CIPFA Code for **2026/27**.

### Amendments to IFRS 9 and IFRS 7 – Classification and measurement of financial instruments

These amendments clarify the requirements for the timing of recognition and derecognition of some financial assets and liabilities (including settling financial liabilities using an electronic payment system), adds guidance on the solely payment of principal and interest (SPPI) criteria, and includes updated disclosures for certain instruments. The amendments are expected to be adopted by the CIPFA Code for **2026/27**.

### IFRS 18 Presentation and Disclosure in the Financial Statements

IFRS 18 will replace IAS 1 Presentation of Financial Statements. All entities reporting under IFRS Accounting Standards will be impacted.

The new standard will impact the structure and presentation of the comprehensive income and expenditure statement as well as introduce specific disclosure requirements. Some of the key changes are:

- introducing new defined categories for the presentation of income and expenses
- introducing specified totals and subtotals, for example the mandatory inclusion of 'Operating profit or loss' subtotal
- disclosure of management defined performance measures
- enhanced principles on aggregation and disaggregation which apply to the primary financial statements and notes.

IFRS 18 will be effective in the UK from 1 January 2027 and so could impact the CIPFA Code from **2027/28**.



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