

Regaining Assurance Strategy for Torbay Council

July 2026



**Members of the Audit Committee of Torbay
Council**

Torbay Council
Town Hall
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27 July 2026

Dear Members of the Audit Committee

Regaining Assurance Strategy for Torbay Council

This report sets out our plan to rebuild audit assurance at Torbay Council (the Authority) following the disclaimer of opinion issued under the statutory backstop for the years ended 31 March 2025, 31 March 2024 and 31 March 2023. This plan has been agreed with management and will be communicated to the Ministry of Housing, Communities and Local Government (MHCLG) in July 2026. Our 2025/2026 audit plan contained a high-level update on the authority's latest audit report and strategy for regaining assurance. This report gives further detail on the strategy to regain assurance.

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

Julie Masci

Director
For Grant Thornton UK LLP

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Key messages

Audit Report

We anticipate our audit report will be modified.

Following disclaimed audit reports for the years 2022/23 to 2024/25, we do not expect to be able to support an unmodified opinion on the 2025/26 financial statements. Our audit focus is on 2026 in-year transactions and closing balances as well as rebuilding assurance over audit areas not completed in 2024/25, with sign-off targeted for 30 November 2026.

Trajectory

Three-year plan to unmodified by 2027/28

Aligned to NAO LARRIG guidance, with phased build-back of assurance over opening balances, reserves, property and other assets and liabilities across the 2025/26, 2026/27 and 2027/28 audits.

Authority

Delivery depends on the Authority

Successful build-back requires high-quality draft accounts, comprehensive working papers, timely audit access and continued focus on internal controls. We have discussed and agreed the strategy and trajectory for rebuilding assurance with the Section 151 Officer and Head of Corporate Finance. The fee will be agreed and reported to the Audit Committee in due course. £81,320 of Section 31 grant funding has been provided to resource the work.

MHCLG capacity assessment

We have assessed the Authority as Category B

An assessment is required by 31 July 2026 covering build-back timing, opinion trajectory and key risks. More detail is available on page 6.

Background

What and why

As part of the regaining assurance process we are engaging with MHCLG and PSAA as key stakeholders in monitoring and supporting the agenda across the sector.

MHCLG and PSAA have made a joint request for us to provide information for each body subject to the build-back process. The requested information includes a capacity assessment for each body, to be produced with input from both the audit team and the audited body.

The assessment is intended to give MHCLG and PSAA a more granular understanding of: progress of build-back work to date; planned timing of future work; the year in which a qualified opinion and an unmodified opinion are likely to be achieved; key audit risks; the audited body's capacity to support the build-back; and any significant constraints, including restrictions on the auditor's capacity.

Process

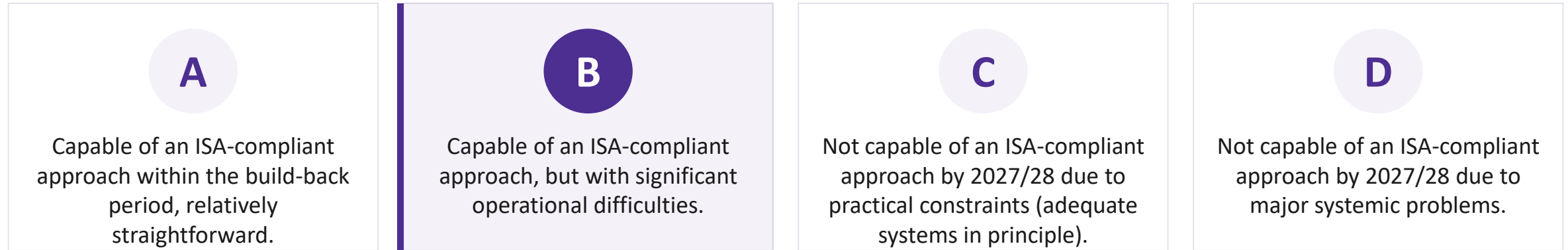
The following pages set out our response.

The information will be used by MHCLG to:

- Better understand the nature and impact of key risks and constraints on the build-back process
- Identify and/or evaluate any significant problems that would benefit from further policy intervention and develop appropriate solutions.
- To develop reliable estimates of the overall cost and timescale of the build-back process and support the review of the build-back grant funding model in autumn 2026.
- To support the government's stewardship of local authorities (including in relation to Local Government Reorganisation) and other bodies by identifying bodies for which an ISA-compliant build-back is unlikely to be possible by the end of 2027/28 and the reasons for this.

Overall assessment and key risks

Under the MHCLG capacity assessment framework, we have provisionally assessed this audit as Category B. The framework categorises audits as follows:



Principal factors supporting our assessment

Technical challenges

The Council is managing the impact of expected Local Government Reorganisation ahead of April 2028, while also addressing a full gap in audit coverage for 2022/23. This missing period is compounded by the departure of key staff who were involved at the time, resulting in a loss of institutional knowledge, which could become a barrier to the rebuilding of assurance over statutory reserves from 2022/23 onwards. In addition, the 2023/24 audit identified further prior period adjustments, adding complexity to the process of rebuilding a robust and reliable audit trail. More recent audits show an improving picture and the Council will need to assure itself over the quality of the 2022/23 records to support rebuilding assurance on PPE and reserves during this period.

Audited body capacity

The audited body's capacity to deliver rebuilding assurance procedures is constrained despite some more recent strengthening of technical capability. The Council has recruited skilled staff, however there remains a reliance on interim appointments, limiting continuity and long-term ownership. The Council experienced previous delays in publishing draft accounts and difficulties in producing robust working papers. These issues culminated in the 2024/25 audit, where we were unable to fully complete some areas of the audit due to poor underlying accounting records and insufficient audit trail.

Expected audit report trajectory

Our planning estimate of when our audit report is expected to transition from disclaimed to qualified, and from qualified to unmodified, is set out below. These are planning estimates only; they cannot be taken as a commitment or guarantee as to the opinion eventually issued for a given year.

2024/25 Disclaimed Disclaimed opinion issued on 25 February 2026.	2025/26 Disclaimed A disclaimer of opinion expected. Focus on in-year transactions and closing balances. Sign-off targeted for 30 November 2026, ahead of the 31 January 2027 backstop date.	2026/27 Qualified Transition to qualified opinion anticipated reflecting partial build-back of prior-year balances which will include Reserves and PPE balances.	2027/28 Unqualified Unmodified opinion anticipated, subject to satisfactory completion of the build-back work programme and absence of any new significant issues.
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What the opinion types mean

Unmodified (clean): the financial statements give a true and fair view, in all material respects.

Qualified ("except for"): true and fair, except for one or more identified areas where we could not obtain sufficient evidence or where we disagree with the accounting treatment.

Disclaimer of opinion: we could not obtain sufficient evidence to form any opinion — effectively, no audit assurance.

Build-back work programme

The table below summarises when we plan to undertake build-back work for each audit area. It is consistent with the information we will submit to MHCLG within the capacity assessment by 31 July 2026.

Audit area	Timing and approach
Statutory reserves	Staged substantive testing across 2025/26 to 2027/28 audits, with a focus on the 2022/23 period aligned to NAO LARRIG guidance.
Property assets	2025/26 through 2027/28 audits – rolling valuation programme and testing of historic additions/disposals.
Long-term debtors	Review of Council’s disclosures based on review performed during 2025/26 and PPAs proposed for 2024/25.
Lease disclosures	Largely covered through 2025/26 testing of disclosures and re-consideration for 2024/25 including PPAs proposed.
Other audit work (journals, payroll, grants, disclosures)	Substantively covered each audit year from 2025/26 onwards.

We will refresh this timetable and in subsequent Audit Findings Reports if material changes arise.

Regaining assurance

The below is a simplified illustration of how our build back work programme might build assurance over the coming years' audits:

2025/26 audit process

	24/25	25/26	
CIES	G	G	Assurance over transactions for opening and closing.
PPE	R	R	Normal rolling programme, no plans to expedite in 25/26, but this could be expedited for the 26/27 year.
Pensions	G	G	Triennial valuation of pension completed and reported.
Other assets & liabilities	A	G	Assurance over all material balances (opening and closing) at 31/03/26.
Reserves	R	R	No assurance over reserve balances at 31/03/24 and no build back performed so no assurance over closing balances.

2026/27 audit process

	25/26	26/27	
CIES	G	G	Assurance over transactions for opening and closing.
PPE	R	A	If Council agrees to cover all 22/23 valued assets in 26/27, and we test these sufficiently, then this will return to green
Pensions	G	G	Assurance over balances for opening and closing.
Other assets & liabilities	G	G	Assurance over all material balances (opening and closing) at 31/03/26.
Reserves	R	A	Potential build back in January 2027 for 22/23 in year CIES and therefore GF balances

2027/28 audit process

	26/27	27/28	
CIES	G	G	Assurance over transactions for opening and closing.
PPE	A	G	Council plans to cover some unaudited 22/23 assets in 26/27 with balance in 27/28
Pensions	G	G	Assurance over balances for opening and closing.
Other assets & liabilities	G	G	Assurance over all material balances (opening and closing) at 31/03/26.
Reserves	A	G	Remaining build back of usable and capital reserves completed during 2027/28 audit

R	No assurance
A	Partial assurance
G	Adequate assurance

Next steps and timetable

The key milestones in the regaining assurance programme are set out below.

April 2026

Completion of 2025/26 interim audit work and risk assessment.

30 June 2026

Submission of draft 2025/26 financial statements.

31 July 2026

MHCLG capacity assessment submitted, with Authority's comments where available.

30 November 2026

Issue the audit report for the year ended 31 March 2026.

January 2027

Completion of the 2025/26 build-back work programme.

31 January 2027

2025/26 backstop date for publication of audited financial statements.

February 2027

Commencement of 2026/27 audit and next phase of build-back.

2027/28 audit

Target year for return to unmodified opinion, subject to satisfactory progress.



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