

Torbay Council

Audit progress report; regaining assurance
progress report; and sector updates

August 2026

Agenda

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Audit Progress Report

Introduction



Julie Masci

Key Audit Partner

T: +44 (0)29 2034 7506

E: Julie.masci@uk.gt.com

This paper provides the Audit Committee with a report on progress in delivering our responsibilities as your external auditors.

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

Members of the Audit Committee can find further useful material on our website, where we have a section dedicated to our work in the public sector. Here you can download copies of our publications:

[Local government | Grant Thornton](#)



George Amos

Manager

T: +44 (0)117 305 7780

E: George.wm.amos@uk.gt.com

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



Priya Sharma

Assistant Manager

E: Priya.Sharma@uk.gt.com

Progress as at August 2026

Financial Statements Audit

Our Audit Plan for the 2025/26 year was formally presented at the May Committee and to date, there are no significant changes to this plan that members need to be made aware of.

The Council published their draft accounts in line with the statutory deadline of 30th June 2026. To date, we have performed our reconciliation work between the General Ledger and Trial Balance and ensuring these key financial data-sets are consistent with the disclosures within the draft accounts. We have made a start on our journal entries testing strategy, Property, Plant and Equipment testing strategy and our income and expenditure cut-off testing procedures. These are areas which have historically generated larger amounts of testing and therefore getting a head start on these is important ahead of our final audit period from mid-September to the end of November.

We have also been in conversation with Management regarding prior period adjustments made in the 2025/26 accounts to ensure disclosures are reasonable and reflective of material errors. We will review these in more detail once we move into our final audit phase.

Conversations have started in relation to the regaining assurance requirement for the 2022/23 missed audit period and how the Council is able to support this piece of work. A separate paper has been provided with more detail on this matter to be presented at this Audit Committee meeting, as well as summarised information on this from page 10-14 of this paper.

Value for Money

Our Value for Money specialists have started working through the procedures as required by the NAO Code to produce their Auditor's Annual Report. This work programme is in line with the information reported in our Audit Plan and there are no changes to the scope of these procedures that members need to be aware of to date. We will issue our report to Management and Members by the 30th November 2026 and will formally present this report alongside our Audit Findings Report at the December Committee meeting.

Progress as at August 2026 (continued)

Other areas

Our Grants audit team have concluded their certification work on the 2023/24 Housing Benefit claim and plans to complete the 2024/25 certification work are in discussion with relevant officers.

Meetings

Since commencement of our work in respect of the audit year 2025/26 we continue to meet regularly with the Section 151 officer and other key finance officers to ensure we are sighted on any emerging issues relating to the Council and to maintain a clear channel of communication between us and the Authority.

Audit Fees

PSAA published their scale fees for 2025/26: [2025/26 audit fee scale - PSAA](#)

For Torbay Council these fees are £347,158. These fees are derived from the procurement exercise carried out by PSAA in 2022. They reflect both the increased work auditors must now undertake as well as the scarcity of audit firms willing to do this work.

Audit Deliverables

Below are some of the audit deliverables planned for 2025/26

2025/26 Deliverables	Planned Date	Status
Audit Plan We are required to issue a detailed audit plan to the Audit Committee setting out our proposed approach in order to give an opinion on the Council’s 2025/26 financial statements.	May 2026	Delivered
Audit Findings Report The Audit Findings Report will be reported to the Audit Committee.	November 2026	Not yet due
Auditor’s Report This includes the opinion on your financial statements.	November 2026	Not yet due
Auditor’s Annual Report This report communicates the key outputs of the audit, including our commentary on the Council's value for money arrangements.	November 2026	Not yet due

Audit Deliverables

Below are some of the audit deliverables planned for 2025/26

2024/25 and 2025/26 Audit related deliverables	Planned Date	Status
Housing Benefit Subsidy – certification This is the report we submit to Department of Work and Pensions based upon the mandated agreed upon procedures we are required to perform.	TBC	TBC

After the backstop, regaining assurance

After the Backstop

We ask Audit Committees should challenge their councils on the effectiveness of work to rebuild external audit assurance.

On 26th March 2026, the government published the names of 22 councils and one combined authority that missed the local audit backstop deadline on 27th February 2026.

The number that missed the 27th February 2026 deadline was more than 50% lower than one year before, on 28th February 2025, when 53 local government bodies missed the deadline.

However, PSAA data demonstrates that restoring assurance following the issuance of a disclaimer of opinion is a gradual process that requires time and sustained effort:

- ❖ 47.3% of all opinions that met the February 2025 backstop date were disclaimed.
- ❖ This number only fell to 41.1% one year later for all opinions that met the February 2026 backstop date.

Rebuilding assurance over English local government accounts remains a work in progress for many. With responsibilities and opportunities for the sector expanding rapidly, councils need to continue working with auditors to secure the financial transparency expected of pivotal players in government.

The next statutory backstop dates fall on:

- ❖ 31st January 2027, for the publication of audited 2025/26 financial statements; and
- ❖ 30 November 2027 for the publication of audited 2026/27 financial statements.

We have agreed with the Authority to complete the 2025/26 financial statements audits by the end of November 2026 in preparation for the 2026/27 financial statements audit.

We set out recommendations for Audit Committees in our recent report: Local audit reset: What comes after the backstop? | Grant Thornton

- ❖ **Recruit independent members with appropriate skills and experience.**
- ❖ **Hold management and auditors to account.**
- ❖ **Report to full Council on an annual basis with their assessment of the accounts preparation and audit process.**
- ❖ **Understand the approach to be taken to rebuilding audit assurance where previous accounts were disclaimed:**
- ❖ **Ensure appropriate consideration is given to future financial management where local government reorganisation applies.**

Regaining assurance

Local audit recovery update

A major challenge for auditors in regaining assurance, and returning to an unqualified audit opinion, is that without undertaking audit work in respect of old year transactions, where these were not subject to audit procedures, there will be uncertainty as whether reserves have been properly accounted for.

The National Audit Office (NAO) published guidance in September 2024 for auditors, as part of its Local Audit Reset and Recovery Guidance (LARRIG) series. This sets out key considerations that may assist auditors in regaining assurance at audited bodies where the audit report has been disclaimed due to the backstop.

The LARRIG provides principles as well as indicative procedures which, with the application of professional judgement, enable the auditor to regain assurance in respect of opening balances. These include a framework for auditors to:

- Assess risk at an entity wide level
- Assess risk at a line item level including in respect of specific balances and reserves
- Determine a response to risk, including appropriate testing of prior year transactions.

For many authorities a reasonable pathway exists through the application of the auditing standards to where the auditor may issue an opinion that is based upon sufficient appropriate audit evidence. The guidance is clear that the timeframe in which this can be achieved will vary depending on the circumstances of individual engagements. It is also clear that there will be authorities where it may not be possible to recover assurance solely through the application of the auditing standards.

The first priority at all audited bodies which have previously been backstopped is to gain assurance regarding in year transactions and closing balances for the current audit year. Timely preparation of draft accounts and high quality supporting working papers is fundamental to the success of audit closedown. We look for all local authorities to prioritise this in enabling the sector to return to balance.

The Ministry of Housing, Communities and Local Government has received an assessment of the Council's capacity for rebuilding assurance. This has been shared with PSAA and is also enclosed on this Audit Committee agenda.

Regaining assurance

Previous years' audits

For the year 2022/23 the authority audit opinion was disclaimed under the backstop and for Audit periods since then, a disclaimer opinion has been applied due to lack of assurance over opening balances due to this missed audit period. We were appointed your auditor for the year ended 31 March 2024 and the impact of this disclaimed audit report has been that we have no assurance over your 2023/24 opening balances and any Income & Expenditure reserve movements since the 2021/22 period. Previous audits of the Authority's financial statements have been protracted and challenging, particularly the 2023/24 audit, which identified several prior period errors in the unaudited 2022/23 financial statements. The 2024/25 audit also highlighted a few areas over which assurance could not be gained and this was reflected in our audit report for this period.

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, requiring audited financial statements to be published by certain dates. As a result of these backstop dates, a disclaimer of opinion was issued for the 2022/23 financial year on 11 December 2024.

As a result, for 2025/26:

- We have limited assurance over the opening balances for 2025/26; and
- No assurance over the closing income & expenditure reserves balance also due to the uncertainty over their opening amount.

The Authority has received grant funding of £81,320 under a Section 31 Grant Determination to support the build-back of assurance. The government has set out its expectation that local authorities and audit firms work closely together to enable this build back to happen. Our agreed plan to work with you to regain assurance is detailed overleaf.

Regaining assurance (continued)

2025/26 and future years

The Authority is required to publish audited financial statements for the 2025/26 financial year by 31 January 2027. As part of our audit planning, we have agreed to complete your audit by 30 November 2026.

Our aim for the 2025/26 audit has been to start rebuilding assurance, with our focus being on in-year transactions and closing balances as well as rebuilding assurance over audit areas not completed in 2024/25. Following the conclusion of the 2025/26 audit, we aim to begin work on regaining assurance over balances within the 2022/23 audit period in the intervening period before the 2026/27 audit commences. We have discussed and agreed the strategy and trajectory for rebuilding assurance, with the Section 151 Officer and Head of Corporate Finance. We will continue to work in accordance with this plan, with the Authority's ongoing support and cooperation.

As a result of the disclaimer of opinion issued for the previous 3 financial years, and due to a lack of assurance over in year transactions and closing balances for the 2022/23 audit, we do not expect to be able to undertake sufficient work to support an unmodified audit opinion on the 2025/26 financial statements in advance of the backstop date.

If we can continue to complete planned work on in-year transactions and closing balances, with no issues arising, over this year and the coming years we could regain assurance over many balances and transactions in the financial statements. We plan to commence this build back of assurance after the close of the 2025/26 audit and before the finalisation of the 2027/28 audit. We set out a simplified illustration of how this assurance might build within our accompanying regaining assurance strategy report.

Sector Updates

Devolution and local government reorganisation

Audit Committee are encouraged to review our good practice checklist and reach out for latest technical updates.

Latest key developments to be aware of:

- ❖ 25th March 2026 – Government decisions published on unitary structures for four of the six Devolution Priority Programme (DPP) areas. Next steps published for the remaining two areas. [Written statements - Written questions, answers and statements - UK Parliament](#)
- ❖ 29th April 2026 – Royal Assent given to the English Devolution and Community Empowerment Act, enhancing powers and responsibilities for strategic authorities; establishing combined authorities; and strengthening local audit arrangements. [English Devolution Bill receives Royal Assent - GOV.UK](#)
- ❖ 7th May 2026 – First shadow elections held in East and West Surrey. [Surrey Local Elections May 2026 results – Surrey LGR Hub](#)

Key future dates to be aware of:

Three councils have been reported as mounting legal challenges to reorganisation. Subject to the outcome of their challenges, remaining key dates to be aware of are:

- ❖ **April 2027** – Surrey shadow authorities' vesting day.
- ❖ **May 2027** – Shadow elections - all DPP areas except Sussex and Brighton; and reorganised new local government bodies.
- ❖ **April 2028** – Vesting day for all DPP areas except Sussex and Brighton; and reorganised new local government bodies.
- ❖ **May 2028** – Shadow elections Sussex and Brighton Devolution Priority Programme areas.

Recommended reading:

- ❖ A good practice checklist for councils embarking on LGR can be found in our report: [Learning from the new unitary councils](#).
- ❖ Audit Committees [can request updated technical guidance](#) reflecting latest developments from their Engagement Lead.



Latest changes to laws and regulations

For information: Recent legal and regulatory changes that Audit Committees need to be aware of.

Changes that Audit Committees need to be aware of:	Dates	Further information
English Devolution and Community Empowerments Act	29 th April 2026 – Royal Assent	Enhanced powers and responsibilities for local government, and new local audit arrangements
Renter Rights Act	1 st May 2026 – Officially took effect	Introduces new duties for local authorities to take enforcement action for beaches and tenancy law by private landlords
Social Housing Renewal Bill	13 th May 2026 – King’s Speech	Changes to eligibility requirements, discount rules and exemptions planned for Right to Buy
Overnight Visitor Levy Bill	13 th May 2026 – King’s Speech	Mayors and potentially other local leaders to be able to change new tourist taxes
Education for All Bill	13 th May 2026 – King’s Speech	Planned changes to arrangements for young people with Special Educational Needs and Disabilities
Public Office (Accounting Bill)	13 th May 2026 – King’s Speech	Introduces new duties of candour for local authorities and other public bodies
Town and Country Planning (local Planning) (England) Regulations 2026	25 th March 2026 – Statutory Instruments	New system introduced for Local Plans
Combined Authorities (overview and Scrutiny Committees, Access to Information and Audit Committees) (Amendment) Order 2026	14 th May 2026 – Statutory Instruments	Provides a formal mechanism for setting commissioner allowances in Combined Authorities and Combines County Authorities
Sporting Events Bill	14 th May 2026 – Impact Assessment and DCMS Memorandum	Proposes new enforcement powers for local authorities in ticketing protection

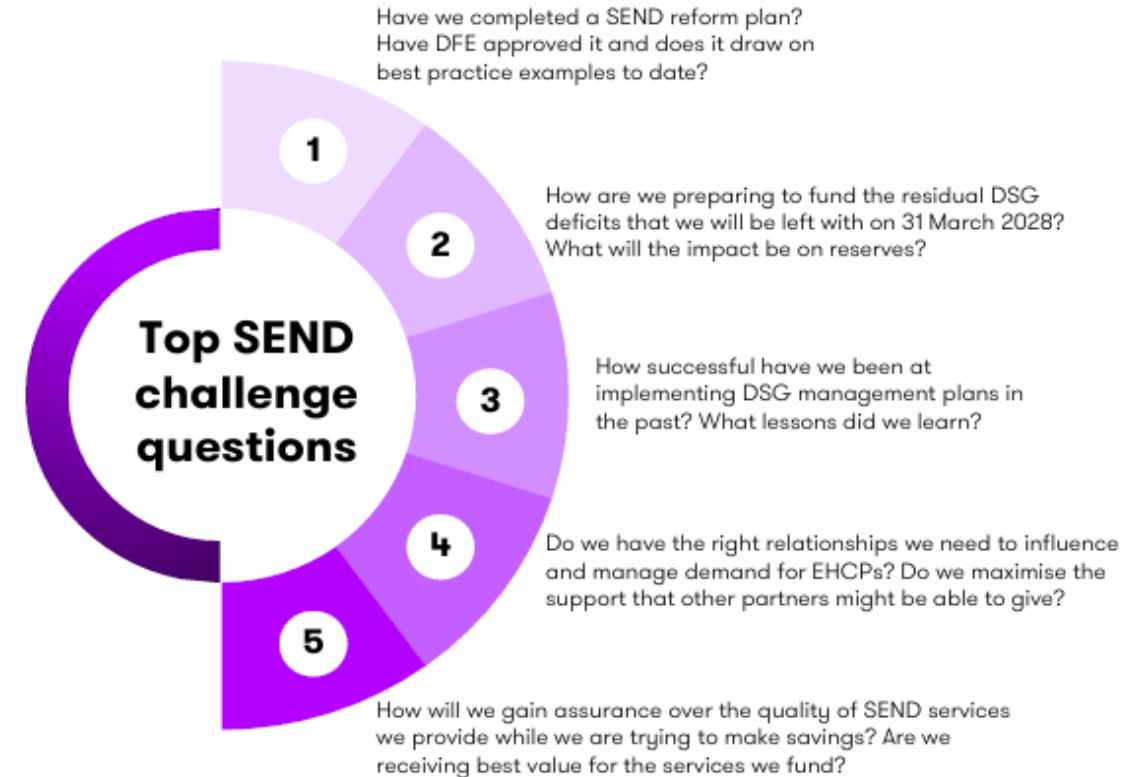
Lessons from Auditor's Annual Reports on Managing Dedicated Schools Grant Deficits

For information: Residual SEND related risks to be aware of, despite proposed reform.

Our latest report on Lessons from Auditors' Annual Reports, published on 20th May 2026, highlights lessons for [Managing Dedicated Schools Grant Deficits](#).

- ❖ New commitments by the government to fund up to 90% of Dedicated Schools Grant deficits on 31st March 2026, if Councils can agree SEND reform plans for their area with the Department for Education (due by 19th June 2026);
- ❖ The financial risks that councils will face once statutory override ends on 31st March 2028;
- ❖ Difficulties encountered so far by councils in effective planning for the management of DSG deficits;
- ❖ The benefits of working proactively with psychologists, teachers and families to make the most of current arrangements; and
- ❖ The importance of maintaining quality and efficiency in SEND service.

With the arrival of the Education for All Bill, Audit Committee members are encouraged to ask their councils:



CIPFA Bulletin 23 – Closure of the 2025/26 financial statements

CIPFA has issued Bulletin 23 (April 2026) to support authorities in preparing the 2025/26 Statement of Accounts. The bulletin covers key areas that authorities should consider for 2025/26.

Indexation of non-investment assets

The bulletin includes a useful list of answers to frequently asked questions on indexation for preparers of accounts.

Key reminders include:

- ❖ Authorities need to adopt a five-year revaluation cycle, with indexation in intervening years, replacing more frequent revaluations.
- ❖ It applies to most property, plant and equipment, excluding council dwellings, along with leased assets if measured at valuation.
- ❖ Indexation maintains asset values in line with market changes, and authorities should continue to review asset lives and indicators of impairment.
- ❖ CIPFA do not prescribe which indices authorities may use - authorities must select appropriate indices, justify choices, and use the latest available data.
- ❖ In rare cases where no index is available a desktop valuation is required in year three.

For a full copy of Bulletin 23, see [CIPFA Bulletin 23 – Closure of the 2025/26 financial statements | CIPFA](#)

More detailed guidance on indexation is available in CIPFA's [CIPFA Bulletin 22 Indexation application guidance | CIPFA](#)

Dedicated Schools Grant (DSG) high needs stability grant

The bulletin highlights that the grant is subject to conditions, including the requirement to obtain Department for Education approval of a local SEND reform plan.

Authorities will need to consider their specific facts and circumstances (which may vary) to determine the appropriate treatment within their own 2025/26 accounts, including:

- ❖ whether or not grant income should be recognised.
- ❖ whether disclosures are necessary (eg contingent assets, events after the reporting period).

Audit Committees can help by asking:

- ❖ What assurance is available that the indexation applied is appropriate for the authority's various assets within the scope of indexation, and is supported by sufficient external evidence and professional input?
- ❖ If applicable, does the treatment of high needs stability grant appropriately reflect the requirements of the CIPFA Code, including the timing of income recognition and transparency of disclosures?

Valuing people

For information: Audit Committees need to be mindful of workforce and people-related challenges facing the sector.

The Public Services People Manager's Association held their latest Annual Conference in Birmingham in April this year and heard thoughts on whether the time is right for Chief People Officer to become a statutory role, equivalent to Monitoring and s151 Officer.

With challenges around skills retention, and with local government reorganisation creating uncertainty and instability for those employed across the sector, the timing for this debate could perhaps never be better.

Local Government Association workforce data shows that:

- ❖ More than 1 million people are directly employed by councils across England, at a cost of £35.8 billion per annum; and
- ❖ More than one million additional people are employed in council-commissioned Adult Social Care through the private sector.

In addition to those formally employed across the local government sector, the Health Foundation recently estimated that 1 in 6 adults in the UK carry out unpaid care work, providing essential top up for public services that are the statutory responsibility of local authorities.

CQC is currently consulting on proposed changes to its regulatory process. The intention is to replace 34 “Quality Statements” with 24 “Key Lines of Enquiry”, looking at how local authorities deliver care and, amongst other things, lending greater weight to how local authorities work professionally with the unpaid carers whose work supports statutory provision.

Carers UK held an inaugural State of Caring conference in May 2026 hearing, amongst other things, about the tipping point unpaid carers can reach if not given the right support. CQC’s change of emphasis seems a well-timed recognition of the reality of how significant elements of social care are provided across England today.



Neighbourhood health frameworks

Audit Committees need to ask their councils what steps are being taken to prepare for changes in the way they work with the NHS.

A [new policy paper on Neighbourhood health frameworks](#) was published on 17th March 2026 – setting out plans to create a new “neighbourhood health service”. This:

- ❖ Builds on ambitions first [set out by the government in 2025](#) to move the focus of health care from hospital treatment to community prevention; and
- ❖ sets out expectations for neighbourhood level partnership working across the health and care system from 2027/28 onwards (with the NHS, local authorities and community and voluntary partners).

As the NHS is embarking on a period of restructuring, and local government is reorganising at the same time, councils will need to be clear about what their responsibilities are; how they will agree local neighbourhood health objectives with partners; and how they will measure progress.

Audit Committees can help by asking officers:

- ❖ What are the risks for our council, and how are these mitigated?
- ❖ How do we identify key public health partners and agree strategic objectives with them?
- ❖ How will we measure neighbourhood health achievements?



Fit for purpose - partnerships and procurement

Audit Committees need to ask their councils how robust their leisure partnerships and procurement are.

Whilst high profile government announcements in May on the Olympics and stadium regeneration highlighted the economic importance of sport for regeneration in local areas, councils are already doing an excellent job using leisure contracts to deliver health and social care impacts in their areas.

SOLACE and Alliance Leisure held a roundtable in April 2026 highlighting the role that local authority leisure centres are starting to play in the NHS ten-year plan's health prevention agenda, including:

- ❖ Co-locating libraries and community services with leisure centres; and
- ❖ Providing clinical deliveries such as health checks and rehabilitation at leisure centres.

To make the most of the opportunities their leisure estate provides, councils need to develop and maintain effective relationships not only with the NHS and community and voluntary groups, but also with the commercial contract partners that manage and operate the centres.



In April, one of England's largest outsourced leisure centre operators (Fusion Lifestyle), appointed administrators following multiple financial distresses built up in the wake of the Covid-19 pandemic; rising energy costs; and reduced government funding. Affected councils have had to take their leisure services back in house while they look for alternative providers.

Financial pressure is common across the sector, and there is a risk of disruption elsewhere in England.

Audit Committees can help by asking officers:

- ❖ Are our services for residents and schools at risk?
- ❖ When was the last time we checked the financial health of our contract operators?
- ❖ Do we have a register of community and voluntary sector partners that we are co-delivering social and health prevention impacts with?
- ❖ When was the last time our leisure estates strategy was updated? Are we optimising the use of the estates that we have?
- ❖ How are we measuring the performance of our leisure estates and leisure contracts?
- ❖ Where applicable, what oversight is the health scrutiny committee exercising?

Audit Committee resources

Commentary from Grant Thornton on recovering the accounts preparation and audit timetable:

[Local audit reset: What comes after the backstop? | Grant Thornton](#)

Latest guidance and learning from Grant Thornton on local government reorganisation and devolution:

[Navigating the future: The dual challenge of local Government reorganisation and devolution | Grant Thornton](#)

[Dual delivery - How can areas successfully reorganise local government and implement devolution at the same time?](#)

[Learning from the new unitary councils](#)

Grant Thornton learning on procurement and contract management:

[Local government procurement and contract management](#)

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

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

LGA Regional Audit Forums for Audit Committee Chairs

These are convened at least three times a year and are supported by the LGA. The forums provide an opportunity to share good practice, discuss common issues and offer training on key topics. Forums are organised by a lead authority in each region. Please email ami.beeton@local.gov.uk LGA Senior Adviser, for more information.

CIPFA Application Note: Global Internal Audit Standards in the UK Public Sector

[Global Internal Audit Standards in the UK Public Sector | CIPFA](#)

CIPFA Good Governance

[Delivering Good Governance in Local Government Addendum](#)

The Three Lines of Defence Model (IAA)

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

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

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



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