Grant Thornton

Slough Council

Audit progress report and sector update

July 2026

Agenda

Audit Progress Report

Grant Thornton

Introduction

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This paper provides the Audit and Corporate Governance 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 and Corporate Governance 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:
https://www.grantthornton.co.uk/industries/public-sector/local-government/

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

Progress as at July 2026

Financial Statements Audit

The planning and risk assessment stage of our 2025/26 audit took place from February to April 2026. The Audit Plan that is informed by this work is included on this July 2026 agenda.

We have been working closely with the Council's finance team to support the closedown process. At the time of writing this report we are pleased to report that the draft financial statements have been prepared and published by the statutory deadline.

We have started some preliminary audit procedures and are due to commence the audit in full on 1st July 2026. We will keep members posted following our initial reviews of the draft financial statements.

The Council has been subject to a disclaimed opinion since the 2018/19 audit year. We have therefore started discussions with the Council on how assurance can be regained and how the audit can move towards an unqualified audit opinion in the future. A high-level plan setting out how this might be achieved is also included on this agenda. This document was requested by and will be shared with MHCLG.

The primary focus for the 2025/26 audit will be to gain as much assurance as possible on in year revenue transactions as well as some year end closing balances.

Value for Money

Under the 2020 Code of Audit Practice, we are required to undertake sufficient work to satisfy ourselves that the Council "has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources."

The NAO's Code of Audit Practice sets out the framework for this work as follows:

Financial sustainability: how the body plans and manages its resources to ensure it can continue to deliver its services;

Governance: how the body ensures that it makes informed decisions and properly manages its risks; and

Improving economy, efficiency and effectiveness: how the body uses information about its costs and performance to improve the way it manages and delivers its services.

Our work is in progress and we will report our findings to the Audit and Corporate Governance Committee in our Auditor's Annual Report to the November committee. This report will include an update on progress against the statutory and key recommendations raised in prior years.

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.	July 2026	On this agenda
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

After the backstop, regaining assurance

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After the Backstop

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

On 26 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 27 February 2026 deadline was more than 50% lower than one year before, on 28 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 requested an assessment by 31st July 2026 of capacity for rebuilding assurance. This needs to be shared with PSAA and with the Audit and Corporate Governance Committee and is on this agenda.

Regaining assurance

Previous years' audits

For the years 2019/20 to 2024/25 the authority audit opinions were disclaimed under the backstop. The 2018/19 opinion was disclaimed due to lack of appropriate record keeping and weak journal controls. Our audit testing in 2018/19, the first year of Grant Thornton's appointment, also identified a number of issues with the prior year accounts. A full audit has therefore not been completed since this date.

The draft 2023/24 and 2024/25 accounts were not published until 31 October 2025 and 12 December 2025 respectively, meaning that there was no realistic possibility of conducting and completing our audit work by the statutory backstop deadline for each year. We therefore issued a disclaimer of the audit opinion for 2023/24 and 2024/25 as set out below. We are pleased to note that the Council did publish their 2025/26 accounts by the 30 June 2026 deadline, representing a major milestone and achievement for the Council.

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 2019/20 and 2020/21 financial statements on 12 December 2024. The 2021/22 and 2022/23 financial year was disclaimed on 28 February 2025, and a disclaimer of opinion was issued for the 2023/24 and 2024/25 financial years on 30 January 2026 and 26 February 2026.

As a result, for 2025/26:

- we have no assurance over the opening balances for 2025/26; and
- no assurance over the closing reserves balance also due to the uncertainty over their opening amount.

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 rebuilding assurance; therefore, our focus will be on in-year transactions including income and expenditure, journals, capital accounting, payroll and remuneration and disclosures; and closing balances. We have already completed some early work alongside our planning at the beginning of 2026.

We have discussed and agreed the strategy and trajectory for rebuilding assurance, with the Section 151 Officer. We will continue to work in accordance with this plan, with the Authority's ongoing support and cooperation. This strategy is included on this agenda.

If we are able to 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 in the 2027/28 audit process.

As a result of the disclaimer of opinion issued for the previous 6 financial years, and a lack of assurance over in year transactions and closing balances for the previous audit year 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.

Sector Updates

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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	29th April 2026 – Royal Assent	Enhanced powers and responsibilities for local government, and new local audit arrangements
Renter Rights Act	1st 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	13th May 2026 – King's Speech	Changes to eligibility requirements, discount rules and exemptions planned for Right to Buy
Overnight Visitor Levy Bill	13th May 2026 – King's Speech	Mayors and potentially other local leaders to be able to change new tourist taxes
Education for AI Bill	13th May 2026 – King's Speech	Planned changes to arrangements for young people with Special Educational Needs and Disabilities
Public Office (Accounting Bill)	13th 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	25th 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	14th May 2026 – Statutory Instruments	Provides a formal mechanism for setting commissioner allowances in Combined Authorities and Combines County Authorities
Sporting Events Bill	14th May 2026 – Impact Assessment and DCMS Memorandum	Proposes new enforcement powers for local authorities in ticketing protection

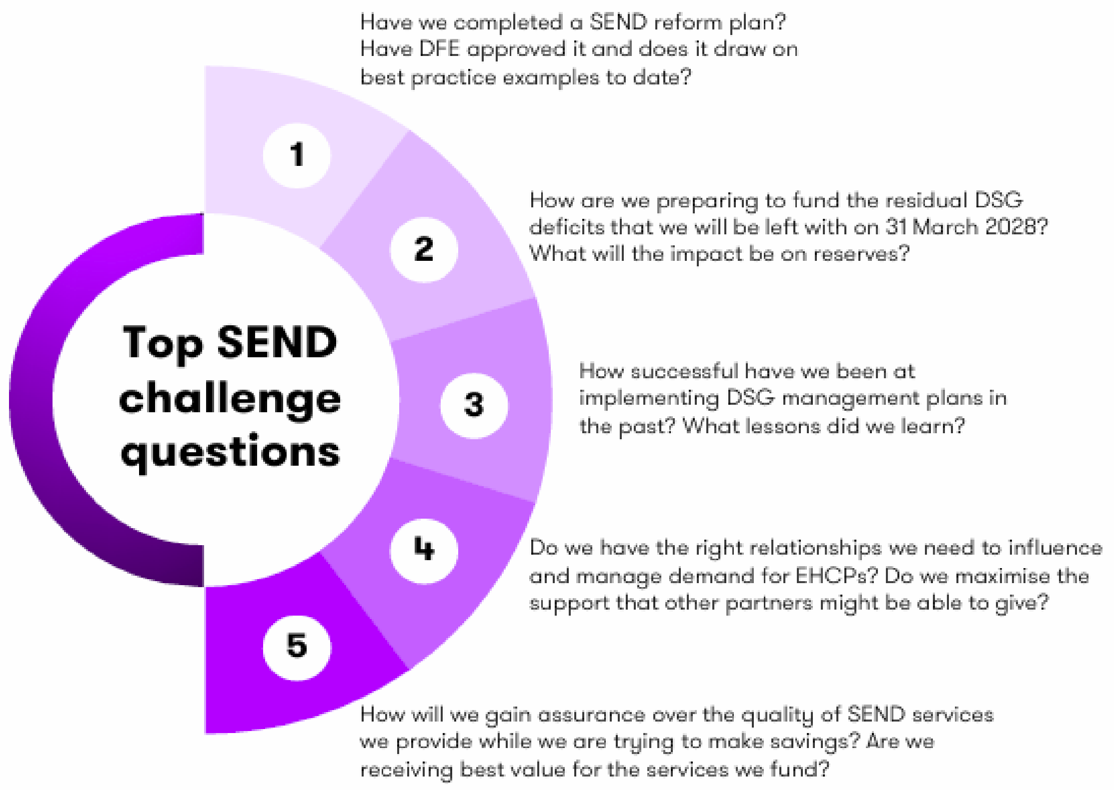
Lessons from Auditor's Annual Reports on Managing Dedicated Schools Grant Deficits

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 be 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-iias-three-lines-model-an-update-of-the-three-lines-of-defense-july-2020/three-lines-model-updated-english.pdf

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

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