



Spelthorne Borough Council

Audit progress report and sector updates

February 2026



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2024/2025 Finalisation of the audit

Finalising the 2024/25 Audit

At the January 2026 Audit Committee, we presented our Audit Findings Report (ISA 260 report to those charged with governance). This has now been finalised with no changes made, to what we presented.

The Council has provided us with an updated set of financial statements. The audit team have checked that management has made the proposed amendments set out within the Audit Findings Report to the financial statements. We are satisfied that the financial statements have been updated accordingly.

We are now just awaiting the signed financial statements and signed letter of representation. Upon receipt of these signed documents, we will be able to give our disclaimed audit opinion prior to the back stop date of 27 February 2026.

2025/26 Financial statements audit

Financial statements audit 2025/26

We have commenced our planning processes for the 2025/26 audit. As part of this work we will:

- Continue to have regular discussions with management to inform our risk assessment for the 2025-26 financial and value for money audits.
- Review Committee papers and latest financial and operational performance reports.
- Update our understanding of the Council's control environment.
- Document and undertake walkthrough tests of the Council's key financial systems.
- Undertake work on the opening balances.
- Review Internal Audit reports.
- Complete assessments of materiality, risk and the IT environment.
- Undertake early work on emerging accounting issues.

To assist with ensuring a smooth and efficient audit and so that we can complete our work on the 2025/26 financial statements by the 30 November 2026 we intend to undertake early substantive testing. This will cover areas such as:

- Operating Expenditure.
- Fees charges and investment income.
- Starters, Leavers and Change in circumstances on payroll.
- Property, plant and Equipment Additions and Disposals.

Financial statements audit 2025/26 continued

Events

We held the Annual Local Government Accounts webinar for preparers of accounts on 5th and 11th February 2026. This event was hosted by our highly experienced public sector assurance team as they help you prepare for your 2025-26 financial statements audit by highlighting the following potential risk areas and providing you with practical advice.

- Aspects of financial reporting that are complex or challenging this year.
- Lessons from the implementation of IFRS 16, with good practice tips for Year Two.
- Avoiding pitfalls in financial instruments.
- Other common accounting and disclosure issues.
- Indexation for property, plant and equipment in 2025/26.
- Revised statutory guidance affecting Minimum Revenue Provision.

2025/26 Audit Deliverables

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

2025/26 Deliverables	Planned Date
<p>Audit Plan</p> <p>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.</p>	July 2026
<p>Audit Findings Report</p> <p>The Audit Findings Report will be reported to the Audit Committee.</p>	November 2026
<p>Auditor's Report</p> <p>This includes the opinion on your financial statements.</p>	By 30 November 2026
<p>Auditor's Annual Report</p> <p>This report communicates the key outputs of the audit, including our commentary on the Council's value for money arrangements.</p>	November 2026

Sector Updates

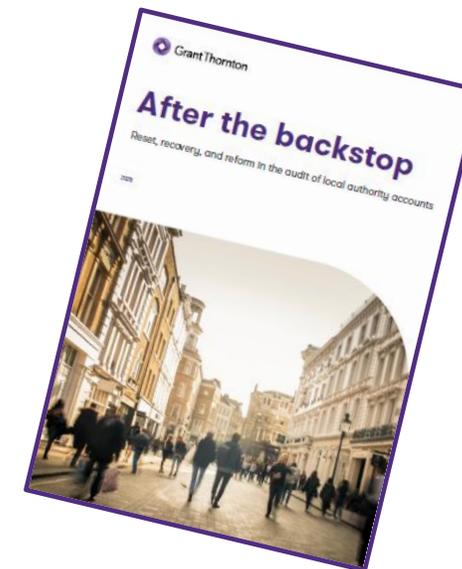
After the Backstop: Reset, recovery and reform in the audit of local authority accounts

- ❖ Our latest thought leadership report ‘After the Backstop: Reset, recovery and reform in the audit of local authority accounts’ is now available to read.
- ❖ Following the significant milestone of backstop legislation in September 2024, the backlog of unissued accounts has fallen dramatically. The challenge now is to rebuild assurance and secure a sustainable future for the system of local accounts production and audit. The reforms set out in the English Devolution and Community Empowerment Bill are essential to restoring trust and accountability to the local audit system.
- ❖ In our March 2023 publication ‘About time?’ we explored the reasons for delayed publication of audited local authority accounts and set out our recommendations for key stakeholders in the local audit system.
- ❖ The backlog of unissued audit opinions peaked some months after our report at 918, on 30 September 2023. The Department for Levelling Up, Housing and Communities (DLUHC) and subsequently the Ministry of Housing, Communities and Local Government (MHCLG) conducted consultations on reset and reform in the local audit system, leading to secondary ‘backstop’ legislation to clear the backlog. This was a necessary step, allowing auditors and authorities to focus on current periods of account, but it brought with it new challenges, as over 200 authorities received one or more audit disclaimers .
- ❖ In this report we explore the development and implementation of a ‘reset’ of the local audit system, the immediate and longer-term consequences of the ‘backstop’ before turning attention to the reform of the system, the challenges involved in returning to widespread and sustainable compliance with audit reporting timeframes and what, in our view, is needed next.
- ❖ The English Devolution and Community Empowerment Bill paves the way for the creation of a long-awaited and much-needed systems leader for local audit, the Local Audit Office (LAO).

- ❖ Key stakeholders including local audited bodies, the audit firms, the Ministry of Housing, Communities and Local Government (MHCLG), Public Sector Audit Appointments (PSAA), the National Audit Office (NAO), the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Institute of Chartered Accountants in England and Wales (ICAEW) will need to support the successful establishment of the LAO to address the crisis in local public audit.
- ❖ All key stakeholders in the local audit system will need to continue their efforts to secure a return to high levels of compliance with timely publication of accounts with unmodified audit opinions. We explore the challenges to establishing and maintaining a sustainable future for local audit in this report. In our full report, we make several recommendations to secure that sustainable future.

The full report is available here:

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



Fair Funding Review

Key questions for Audit Committees to ask officers:

- ❖ What impact will the Fair Funding Review have on our medium-term financial plan?
- ❖ Have we calculated what level of support we will need from transitional arrangements?
- ❖ What mitigations are we planning if we are net “losers” from the new arrangements?

Background:

The first multi-year Local Government Finance Settlement in a decade, together with the [Fair Funding Review response](#), was announced by the Government on 20th November 2025. Significant changes to be aware of are that:

- ❖ There will be a single settlement for [2026/27 to 2028/29](#);
- ❖ The government plans to use up to date English Indices of Multiple Deprivation, together with up-to-date services cost and demand data to calculate individual council allocations for 2026/27 to 2028/29; and
- ❖ The Children and Young People’s Services formula will use the latest index of deprivation affecting children.

Using new indices will inevitably lead to some Councils seeing increases in their allocations, whilst others see decreases. However, there are [transitional arrangements](#) to help with managing change:

- ❖ A Recovery Grant funding guarantee to upper tier authorities in receipt of Recovery Grant;
- ❖ Funding floors and phasing in of new allocations across the multi-year settlement; and
- ❖ Additional money in the national settlement for children’s social care and a new ring-fenced combined Homelessness, Rough Sleeping and Domestic Abuse grant over three years.

The benefits of using the new indices are expected to be greater transparency; and a reduced reliance on competitive bidding for funds. Reduced paperwork is also expected, as the Government announced it will simplify 33 funding streams, worth almost £47 billion over three years.

Ultimately though, the proof of the pudding will be in the eating. The overall national settlement will need to be fair to the sector as a whole if individual allocations within it are going to be fair as well.

For a full copy of the Ministerial Statement see: [Written statements - Written questions, answers and statements - UK Parliament](#)

Business cases for net zero

Key questions for Audit Committees to ask officers:

- ❖ Do we have decarbonisation or net zero reporting? What format does it take, and is that format standardised?
- ❖ Can we map the link between decarbonisation and net zero spending and tangible outcomes such as job creation, economic resilience, and community wellbeing?
- ❖ Do we horizon scan for new funding mechanisms and new partnerships?
- ❖ Do we share good practice with other similar Councils?

Background:

Councils make significant contributions to the UK's journey towards net zero, generally working towards strategic aims that they (the Councils) voluntarily set for themselves. This could be seen as contradictory to work to promote economic growth and enable new housing.

However, the County Council's Network (CCN) commissioned research showing that business cases for net zero are strongest when they are connected to outcomes around the new jobs and community wellbeing that economic growth and new housing can bring.

CCN published a series of recommendations on how to root the journey to net zero in the broader context of economic growth and job creation.

The recommendations are aimed at rural County Councils, but with local government reorganisation on the horizon, and housebuilding targets affecting all areas of the country, they will be of wider interest as well:

- ❖ Optimise green transition strategies and plans;
- ❖ Ground climate policies in strong business cases;
- ❖ Leverage innovation, partnerships, and funding models; and
- ❖ Promote collaboration and community engagement.

For a full copy of the report, see [Resources - County Councils Network](#)





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