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Dear Councillor O'Kelly

Slough Borough Council: Conclusion of the audit for 2024/25 – letter to those charged with governance on the application of the local authority backstop

As you will be aware, on 5 September 2024 parliament approved the Accounts and Audit (Amendment) Regulations 2024. These Regulations set a publication date for financial statements up to and including 2022/23 by 13 December 2024, for audit year 2023/24 by 28 February 2025 and for audit year 2024/25 by 27 February 2026. The new National Audit Office Code which was approved on 14 November 2024 also requires that auditors should issue their audit report in time for the relevant authority to publish its accounts by the specified date in those Regulations. Where audit work is not concluded, this will result in either a qualification or disclaimer of opinion.

As discussed with your Interim Executive Director of Corporate Resources, and for reasons which I set out in more detail below, it will not be possible for us to complete our audit for 2024/25 by the statutory backstop date. We therefore propose to issue a disclaimer of our audit opinion. I attach a draft copy of this disclaimer for the attention of the Audit and Corporate Governance Committee.

We are required under Auditing Standards to report certain matters to the Audit and Corporate Governance Committee, including our responsibilities as auditor, the scope of the audit, independence, audit fees and any matters arising from the audit. I set out more details on the audit below. Information regarding our responsibilities, the scope of the audit and fees are included in the Appendix.

Outcome of our audit for 2024/25 – Disclaimer of the opinion on the financial statements

Unfortunately for reasons set out below, it will not be possible for us to undertake sufficient work to support an audit opinion by the statutory deadline of 27 February 2026. This means that the limitations of scope imposed by the backstop are pervasive and therefore we have been unable to form an opinion on the financial statements by the due date. We therefore plan to issue a disclaimer of the audit opinion. We have attached the draft wording of our Audit Report for your information.

The Accounts and Audit Regulations 2015 required the Authority to publish its draft financial statements for the year ended 31 March 2025 by 30 June 2025. The Authority did not publish its financial statements until 12 December 2025 meaning that there was no realistic possibility of conducting and completing our audit work ahead of the statutory backstop deadline.

Outcome of this year's audit - Value for Money work and other work under the National Audit Office Code of Audit Practice

We undertook our Value for Money work for 2024/25 and reported to Audit and Corporate Governance Committee on 10 September 2025 in our draft Annual Auditor's Report.

For 2024/25, auditors were required to follow the NAO's 2020 Code of Audit Practice. The Code that was relevant from 2020/21 onwards introduced a new set of criteria, more extensive reporting and the replacement of qualified and unqualified conclusions. This was replaced with judgements on performance, significant weaknesses in arrangements and key recommendations as the basis for reporting.

The outcome from the Value for Money work identified:

- three significant weakness in financial sustainability identified in prior year reports remain of critical importance, with one statutory recommendation on the level of reserves, and three key recommendations around the asset disposal programme and demonstrating financial planning assumptions are consistent with other strategies and plans, being retained;
- four significant weaknesses in governance with six key recommendations in relation to the timeliness of financial statements production, purchase of investment properties, the governance and oversight of Council subsidiaries, senior leadership capacity and internal audit. These being addressed by two retained statutory recommendations, three retained key recommendations and one new key recommendation; and
- four significant weakness in arrangements for improving economy, efficiency and effectiveness, these covering the Council's data quality and analysis, arrangements to evaluate and improve outcomes in key services, arrangements to deliver its contribution to key partnerships, and its procurement, contract management and commissioning arrangements. These are addressed by five Key recommendations.

Statutory powers and duties

We are also required to report by exception if we have applied any of our statutory powers or duties.

We wish to highlight the following information for your attention:

- In May 2021, we issued four statutory recommendations to the Council in the following areas:
 - Finance capacity and skills
 - Arrangements for the quality and timeliness of preparation of financial statements
 - Levels of useable reserves
 - Financial governance, monitoring and controls relating to Group entities
- In July 2021, after the Council issued its Section 114 notice, we issued two more statutory recommendations: asking the Council to:
 - address the Section 114 notice
 - develop a comprehensive project plan for improvement in governance arrangements.
- In February 2023, because of an objection received from a local elector in relation to the Council's accounts for 2018/19, we raised two statutory recommendations in relation to:
 - the information provided to Members to support decision-making
 - the role of informal Lead Members and Directors groups for decision-making. This second statutory recommendation was subsequently resolved and closed during 2023/24.

As these statutory recommendations were reported in your disclaimer opinion for 2018/19, these were not required to be added again into the disclaimer opinion for 2024/25.

Whilst there has been considerable efforts by the Council to clear its backlog of a number of sets of outstanding financial statements from 2019-20 through to 2024-25, there continues to be a number of underlying challenges with the completeness and accuracy of records and the Council's arrangements to prepare timely, accurate and complete financial statements. The continued delays and impact of these weaknesses hinder the Council's ability to fulfil its statutory duty to prepare and publish its financial statements in accordance with the Accounts and Audit Regulations. The statutory recommendation issued in May 2021 remains open and we will consider any further need to use our statutory powers to ensure corrective action is taken over the coming months.

Independence

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 disclose the following to you:

- This year is the 7th year in which the Engagement Lead has acted as your Engagement Lead. We have obtained approval from PSAA for this extension above the normal 5-year period and are satisfied that there is no threat to independence arising from their involvement

We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Council's Ethical Standard 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. Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in May 2020 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Management letter of representation

We have asked management to provide a letter of representation in respect of the financial statements covering 2024/25. This is included as a separate agenda item.

Looking ahead

The circumstances resulting in the application of the local authority backstop are clearly extremely unusual. The government has signalled its intent that where backstops have been applied, local authorities and their auditors work together to recover the position over subsequent years. We will follow relevant guidance including from the NAO and the FRC to work with you over the coming year, as we seek to rebuild audit assurance.

Yours sincerely

Julie Masci

For Grant Thornton UK LLP

CC: Interim Executive Director of Corporate Resources

Attachments: Draft Disclaimer of Opinion

Appendix

Responsibilities

The National Audit Office ('the NAO') has issued a document entitled 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 Terms of Appointment and Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA), the body responsible for appointing us as auditor of Slough Borough Council. We draw your attention to both of 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 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 resources are used efficiently in order to maximise the outcomes that can be achieved.

The audit of the financial statements does not relieve management or the Audit and Corporate Governance Committee of its responsibilities. It is the responsibility of the authority 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 authority is fulfilling these responsibilities.

Our audit approach is based on a thorough understanding of the authority's business and is risk based.

Audit Plan

We issued an Audit Plan on 16 April 2025. In our plan we identified the following issues as significant audit risks:

- Management override of controls
- Valuation of land and buildings, council dwellings, and investment properties
- Valuation of the net defined benefit liability
- Cash balance and reconciliation process
- Minimum revenue provision
- Group account consolidation process
- Incomplete records, inadequate documentation, and multiple disclaimers due to local audit backstop
- Income from library fees, car parks, contract fees, other fees and charges, and grants
- Valuation of Right-of-use assets – Other risk

We have not identified any other significant risks since the date we issued our audit plan.

We also conducted a review of the key processes and controls in place with the Council's key financial systems during our interim audit in early 2025.

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.

For the year, we set a materiality level of £6.2m for the Council Group.

Key financial reporting and audit issues identified during the audit

Previously, the 2018/19 financial statements received a disclaimed audit opinion, as we were unable to obtain sufficient appropriate evidence to provide a basis for an audit opinion of the prepared financial statements. Subsequent financial statements through to 2023/24 have also received a disclaimed audit opinion, as a consequence of the time constraints of the backstop accounts deadlines and the late publication of the draft financial statements by the Council in each subsequent year.

The Authority did not publish its draft 2024/25 financial statements until 12 December 2025 meaning that there was no realistic possibility of conducting and completing our audit work ahead of the statutory backstop deadline of 27 February 2026.

Recognising that we have been unable to complete any detailed audit work since 2018-19, we conducted some initial audit testing in January 2026 to ascertain the quality of the audit trail from the Council's draft financial statements to its underlying books and records. We also completed some transaction sampling work for fees and charges income, grant income and non-pay expenditure items incurred during the 2024/25 year. This will allow us to provide some feedback and assurance to the Council on progress made with the quality of its working papers and records and to assess the Council's current level of audit readiness in preparation for the 2025/26 audit year. Further feedback on the Council's progress and further actions required to support the 2025/26 audit will be reported to the Council in early March 2026.

Going Concern

As auditors, we are required to obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern (ISA (UK) 570).

In performing our work on going concern, we have had reference to Statement of Recommended Practice – Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom (Revised 2020). The Financial Reporting Council recognises that for particular sectors, it may be necessary to clarify how auditing standards are applied to an entity in a manner that is relevant and provides useful information to the users of financial statements in that sector.

Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities:

- the use of the going concern basis of accounting is not a matter of significant focus of the auditor's time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the entity's services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist, and so a straightforward and standardised approach for the consideration of going concern will often be appropriate for public sector entities
- for many public sector entities, the financial sustainability of the reporting entity and the services it provides is more likely to be of significant public interest than the application of the going concern basis of accounting. Our consideration of the authority's financial sustainability is addressed by our value for money work, which is covered elsewhere in this report.

Practice Note 10 states that if the financial reporting framework provides for the adoption of the going concern basis of accounting on the basis of the anticipated continuation of the provision of a service in the future, the auditor applies the continued provision of service approach set out in Practice Note 10. The financial reporting framework adopted by a local authority meets this criteria, and so where undertaking work on your audit, we would normally expect to apply the continued provision of service approach. In doing so, we would consider and evaluate:

- the nature of the authority and the environment in which it operates
- the authority's financial reporting framework
- the authority's system of internal control for identifying events or conditions relevant to going concern

- management's going concern assessment.

As we have been unable to form an opinion on the financial statements, we are unable to draw a conclusion in this area.

Design effectiveness of internal controls

Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we will report these to management. Due to the limited work undertaken in respect of the 2024-25 financial statements, we have nothing further to report in respect of the above.

Other matters which we are required to report on to those charged with governance

We are required to confirm the following:

- We have not been made aware of any incidents of fraud in the period and no issues have been identified during the course of our audit procedures.
- We are not aware of any related party transactions which have not been disclosed.
- We are not aware of any significant incidences of non-compliance with applicable laws and regulations.

Matters in relation to the Group audit

In respect of the group engagement, we are required to report on:

- The scope of work on components
- The involvement of group auditors in significant component audits,
- Any concerns over quality of component auditors' work
- Limitations of scope on the group audit, and
- Fraud or suspected fraud

We have no matters to report in this respect as no audit work has been undertaken for 2024/25.

Audit fees and non audit fees

PSAA set an initial scale fee for each audit year. PSAA set a scale fee for 2024/25 of £510,825.

The Council estimated its audit fee in its published financial statements as follows:

	31 March 2025
<u>Note 12 to the financial statements</u>	
Audit fees*	£526,000
Certification of grant claims and returns	£135,000
Prior years' accrual adjustments**	£(1,026,000)

** final audit fees for 2024-25 will be determined by PSAA in due course and will represent a proportion of the indicative fee given the application of the backstop.*

*** The £1.026m prior years' accrual adjustment is due to accruing at scale fee levels in previous years, but actual audit costs being lower due to the back stop arrangements.*

Given the unusual circumstances of the backstop, we are awaiting a determination from PSAA as to the appropriate fee to be charged for the audit year. Our current estimates of final fees for the audit is set out below and is based on estimated costs incurred to date. Final fees will be determined by PSAA and we will update the Council in due course once their final determination is made.

Our estimated 2024/25 audit fees are estimated at £366,565 and include:

- completion of our initial planning work and systems documentation and preparing the audit plan,
- completion of the VFM assessment,
- Council and Commissioner liaison meeting time,
- Review of the 2024-25 draft financial statements and verification to financial books and records
- 2024-25 in year sample testing of fees and charges, grant income and operating expenditure items
- Disclosure review of the draft financial statements to assess compliance against the 2024-25 CIPFA Code of accounting practice; and
- communication and reporting (including issuing the backstop opinion).

Final fees will be determined by PSAA and we will update the Council in due course once their final determination is made.

No non-audit work was undertaken in relation to 2024-25 claims and return during this period. We invoiced the Council £30,000 of non-audit fees in October 2025 relating to work completed on certification of the Teachers Pensions returns for 2020-21, 2021-22 and 2022-23.

We have considered whether our grant claim work represents a threat to independence. We are satisfied that it is not a threat, on the basis that grant claim work is carried out under instructions set by government, is undertaken on a routine basis each year, and has been assessed by the NAO in AGN 01 as not counting against the non-audit cap.

The level of these recurring fees taken on their own is not considered a significant threat to independence in comparison to the total fee for the audit of £510,825 for 2024/25 due the comments in the paragraph above, and relative to Grant Thornton UK LLP's turnover overall. Further there is no contingent element to it. These factors all mitigate any perceived self-interest threat to an acceptable level.