Regaining Assurance Strategy for Coventry City Council

25 August 2026

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Regaining Assurance Strategy for Coventry City Council

This report sets out our plan to rebuild audit assurance at Coventry City Council (the Authority) following the disclaimer of opinion issued under the statutory backstop for the years ended 31 March 2025, 31 March 2024, 31 March 2023, 31 March 2022 and 31 March 2021. This plan has been agreed with management and will be communicated to the Ministry of Housing, Communities and Local Government (MHCLG) in July 2026

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.

Andrew Smith

Partner
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 2020/21 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, 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 pensions 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. The fee will be agreed and reported to the Audit Committee in due course. £145,948 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:

A	B	C	D
Capable of an ISA-compliant approach within the build-back period, relatively straightforward.	Capable of an ISA-compliant approach, but with significant operational difficulties.	Not capable of an ISA-compliant approach by 2027/28 due to practical constraints (adequate systems in principle).	Not capable of an ISA-compliant approach by 2027/28 due to major systemic problems.

Principal factors supporting our assessment

Technical challenges

- The complexity of the Authority's statutory reserves
- Extensive technical work required on property, plant and equipment asset valuations

Audited body capacity

- The level of substantive work required to regain assurance over the Authority's reserves is expected to be extensive and require considerable finance team capacity
- The substantive testing of historic transactions will include items that are several years old, and there may be gaps in supporting information available for the Authority to provide to audit.

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 17 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

Disclaimed

A disclaimer of opinion expected due to the pervasive nature of statutory reserves. Focused partial build-back of prior-year balances.

2027/28

Unqualified

Unmodified opinion anticipated, subject to satisfactory completion of the build-back work programme and absence of any new significant issues.

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, aligned to NAO LARRIG.
Property assets	2025/26 through 2027/28 audits — rolling valuation programme and testing of historic additions/disposals.
Non-property investment assets	2025/26 audit onwards – Substantively tested through completion of our 2025/26 audit procedures.
Pension deficit / surplus	2025/26 to 2026/27 — Reliance on IAS 19 actuarial reports for current year; build-back of prior-year movements.
Long-term debtors and creditors	Covered through 2025/26 testing of closing balances.
Working balances (cash, receivables, payables)	Covered through 2025/26 testing of in-year transactions and closing balances.
Other audit work (journals, payroll, grants, disclosures)	2025/26 audit onwards — Substantively covered each audit year from 2025/26 onwards.
Group accounts	Routine group audit procedures from 2025/26 onwards will substantively cover in-year transactions, closing balances, and the Authority’s consolidation processes. No additional procedures are planned.

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

Regaining assurance examples

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 opening and closing transactions
PPE	A	A	Assurance gained over valuations at 31/03/25 and 31/03/26 but not over the disclaimed period
Pensions	A	G	Triennial valuation of pension completed and reported
Other assets & liabilities	A	G	Assurance over material balances (opening and closing) at 31/03/26 but not prior year comparators
Reserves	R	R	No assurance over reserve balances at 31/03/24
Group	A	G	Assurance over group accounting for 2025/26

2026/27 audit process

	25/26	26/27	
CIES	G	G	Assurance over opening and closing transactions
PPE	A	G	Assurance gained over valuations/indexation. PPE build back work complete.
Pensions	G	G	Triennial valuation of pension fund completed and reported in prior year
Other assets & liabilities	G	G	Assurance over all material balances at 31/03/26
Reserves	A	A	Regaining assurance work started, however we have not fully regained assurance over reserves.
Group	G	G	Assurance over group accounting for 2025/26 and 2026/27

2027/28 audit process

	26/27	27/28	
CIES	G	G	Assurance over transactions in both years
PPE	G	G	Assurance gained over valuations/indexation. PPE build back work complete.
Pensions	G	G	Assurance over balances at both year-ends
Other assets & liabilities	G	G	Assurance over balances at both year-ends
Reserves	A	G	Full programme of regaining assurance work performed
Group	G	G	Assurance over group accounting

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.

November 2026

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

30 November 2026

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

31 January 2027

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

January 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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