

Public Document Pack



Hinckley & Bosworth
Borough Council

Bill Cullen MBA (ISM), BA(Hons) MRTPI
Chief Executive

Date: 18 July 2023

To: Members of the Audit Committee

Cllr DS Cope (Chair)	Cllr MJ Surtees
Cllr A Pendlebury (Vice-Chair)	Cllr BE Sutton
Cllr REH Flemming	Cllr BR Walker
Cllr C Harris	Cllr R Webber-Jones
Cllr E Hollick	Cllr P Williams
Cllr C Lambert	

Copy to all other Members of the Council

(other recipients for information)

Dear member,

There will be a meeting of the **AUDIT COMMITTEE** in the De Montfort Suite, Hinckley Hub on **WEDNESDAY, 26 JULY 2023** at **6.30 pm** and your attendance is required.

The agenda for the meeting is set out overleaf.

Yours sincerely

A handwritten signature in black ink, appearing to read 'R Owen'.

Rebecca Owen
Democratic Services Manager

Fire Evacuation Procedures

- On hearing the fire alarm, leave the building **at once** quickly and calmly by the nearest escape route (indicated by green signs).
- *There are two escape routes from the Council Chamber – at the side and rear. Leave via the door closest to you.*
- Proceed to **Willowbank Road car park**, accessed from Rugby Road then Willowbank Road.
- **Do not** use the lifts.
- **Do not** stop to collect belongings.

Recording of meetings

At HBBC we are open and transparent about how we make decisions. We allow recording, filming and photography at all public meetings including Council, the Executive and Planning Committee as long as doing so does not disturb or disrupt the proceedings. There may occasionally be some reports that are discussed in private session where legislation requires this to happen, but this is infrequent.

We also allow the use of social media during meetings, which helps to bring the issues discussed to a wider audience.

Members of the public, members of the press and councillors are hereby informed that, in attending the meeting, you may be captured on film. If you have a particular problem with this, please contact us so we can discuss how we may accommodate you at the meeting.

Use of mobile phones

To minimise disturbance to others attending the meeting, please switch off your phone or other mobile device or turn it onto silent or vibrate mode.

Thank you

AUDIT COMMITTEE - 26 JULY 2023

A G E N D A

1. APOLOGIES AND SUBSTITUTIONS
2. MINUTES OF PREVIOUS MEETING (Pages 1 - 4)
To confirm the minutes of the previous meeting.
3. ADDITIONAL URGENT BUSINESS BY REASON OF SPECIAL CIRCUMSTANCES
To be advised of any additional items of business which the Chairman decides by reason of special circumstances shall be taken as matters of urgency at this meeting (to be taken at the end of the agenda)
4. DECLARATIONS OF INTEREST
To receive verbally from members any disclosures which they are required to make in accordance with the Council's code of conduct or in pursuance of Section 106 of the Local Government Finance Act 1992. **This is in addition to the need for such disclosure to be also given when the relevant matter is reached on the agenda.**
5. QUESTIONS
To hear any questions received in accordance with Council Procedure Rule 12.
6. ANY OTHER ITEMS OF BUSINESS WHICH THE CHAIRMAN DECIDES HAVE TO BE DEALT WITH AS MATTERS OF URGENCY
As announced under item 3 above.
7. INTERNAL AUDIT ANNUAL REPORT 2021/22 (Pages 5 - 18)
Report of the Internal Auditor
8. LEICESTERSHIRE REVENUE & BENEFITS PARTNERSHIP COUNCIL TAX & BUSINESS RATES 2021/22 (Pages 19 - 30)
Report of the Internal Auditor
9. INTERNAL AUDIT PLAN PROGRESS REPORT 2022/23 (Pages 31 - 36)
Report of the Internal Auditor
10. COMMERCIAL ASSET MANAGEMENT FINAL REPORT 2022/23 (Pages 37 - 56)
Report of the Internal Auditor
11. CARBON NEUTRAL ACTION PLAN JULY 2023 (Pages 57 - 70)
Report of the Internal Auditor
12. EXTERNAL AUDITOR TRANSITION AND DELIVERY LETTER (Pages 71 - 72)
Letter from the External Auditor – update from Head of Finance
13. MATTERS FROM WHICH THE PUBLIC MAY BE EXCLUDED

To consider the passing of a resolution under Section 100A(4) of the Local Government Act 1972 excluding the public from the undermentioned item of business on the grounds that it involves the likely disclosure of exempt information as defined in paragraphs 3 and 10 of Schedule 12A of the 1972 Act.

14. LEICESTERSHIRE ICT PARTNERSHIP CYBER SECURITY 2022/23 INTERNAL AUDIT REPORT (Pages 73 - 98)

Report of the Internal Auditor

HINCKLEY AND BOSWORTH BOROUGH COUNCIL

AUDIT COMMITTEE

8 FEBRUARY 2023 AT 6.30 PM

PRESENT: Cllr DS Cope - Chairman

Cllr MA Cook, Cllr REH Flemming, Cllr MR Lay, Cllr RB Roberts, Cllr BR Walker, Cllr HG Williams, Cllr P Williams and Cllr K Morrell

Also in attendance: Councillor E Hollick and Sarah Knowles

Officers in attendance: Madeline Shellard, Sharon Stacey, Julie Stay, Rebecca Valentine-Wilkinson, Ashley Wilson and Julie Kenny

267. **Apologies and substitutions**

Apologies for absence were submitted on behalf of Councillor Hodgkins, Councillor Pendlebury and Councillor Ladkin with the substitution of Councillor Morrell authorised in accordance with council procedure rule 10.

268. **Minutes of previous meeting**

It was moved by Councillor H Williams, seconded by Councillor P Williams and

RESOLVED – the minutes of the meeting held on 30 November 2022 be approved and signed by the Chairman.

269. **Declarations of interest**

There were no interests declared.

270. **Chairman's update**

The chairman updated members on the arrangements for appointing external auditors and issues relating to the progress of the current external auditors.

Councillor Hollick joined the meeting at 18.35.

271. **Internal Audit progress report**

Members were provided with an update on the 2021/22 internal audit plan.

The internal auditors also confirmed that planning was underway for the 22/23 audit plan.

It was moved by Councillor Flemming, seconded by Councillor H Williams and

RESOLVED – the report be noted.

272. **Internal Audit - Accounts Payable 2021/22 - final report**

Members were presented with the accounts payable final report and the internal auditors confirmed that the objectives were to evaluate the adequacy of the system of internal controls and its application in practice with the area under review.

The report summarised the results and identified a number of areas where there was scope for improvement in the control environment. Recommendations were detailed in the management action plan.

It was proposed by Councillor H Williams, seconded by Councillor Flemming and

RESOLVED – the report be noted.

273. Internal Audit - Housing Rents 2021/22 - final report

Members were presented with the Housing Rents 2021/22 internal audit final report.

In response to a question from members relating to the performance of tenant arrears and whether this finding had connection to COVID and had influenced our activity in progressing arrears throughout this traumatic period, it was confirmed that the team hadn't encountered any losses that they wouldn't have expected over that time.

In response to a concern from Members regarding a recommendation in the report regarding former tenant arrears being written off if not actioned over a significant length of time, officers confirmed from a service point of view, chasing old debts was not a service priority as there were limited rent officers within the department. It was also noted that the recommendation referred to former tenants arrears only, which is built up over many years, and is relatively a small amount compared to the annual rent debit. Therefore from a risk perspective in term of overall rent collection it was not considered a high financial risk

It was proposed by Councillor Lay, seconded by Councillor P Williams, and

RESOLVED – the report be noted.

274. Internal Audit - Payroll and Pensions 2021/22 - final report

Members were presented with the payroll and pensions 2021/22 final report.

An area identified where the internal auditors had found scope for improvement was in the control environment around segregation of duties between recruitment and payroll duties in iTrent.

In response to a question from members regarding ghost employees it was confirmed that the authority had appropriate checks and budgetary controls in place to ensure this didn't happen.

It was proposed by Councillor Lay, seconded by Councillor H Williams, and

RESOLVED – the report be noted.

275. Internal Audit - Responsive Repairs 2021/22 - final report

Members were presented with the responsive repairs 2021/22 final internal audit report.

In response to a question from members regarding using more in-house provision for repairs rather than using outside contractors, officers confirmed that ordinarily a larger

proportion of the repair work was done in-house but there had been a current back-log due to the pandemic that had meant greater use of contractors to get through the workload.

The report was noted.

(The Meeting closed at 7.29 pm)

CHAIRMAN

This page is intentionally left blank

Hinckley & Bosworth Borough Council

Internal Audit Annual Report 2021/22

Page 5
Prepared by: Mazars LLP
Date: July 2023

Contents

Page 6

Disclaimer

This report ("Report") was prepared by Mazars LLP at the request of Hinckley & Bosworth Borough Council and terms for the preparation and scope of the Report have been agreed with them. The matters raised in this Report are only those which came to our attention during our internal audit work. Whilst every care has been taken to ensure that the information provided in this Report is as accurate as possible, Internal Audit have only been able to base findings on the information and documentation provided and consequently no complete guarantee can be given that this Report is necessarily a comprehensive statement of all the weaknesses that exist, or of all the improvements that may be required.

The Report was prepared solely for the use and benefit of Hinckley & Bosworth Borough Council and to the fullest extent permitted by law Mazars LLP accepts no responsibility and disclaims all liability to any third party who purports to use or rely for any reason whatsoever on the Report, its contents, conclusions, any extract, reinterpretation, amendment and/or modification. Accordingly, any reliance placed on the Report, its contents, conclusions, any extract, reinterpretation, amendment and/or modification by any third party is entirely at their own risk. Please refer to the Statement of Responsibility in this report for further information about responsibilities, limitations and confidentiality.

01

Introduction

02

Audit Opinion

03

Internal Audit Work Undertaken in 2021/22

04

Benchmarking

05

Performance of Internal Audit

Appendices

A1

Implementation of Recommendations

A2

Definitions of Assurance

01 Introduction

This Annual Report incorporating our Internal Audit Opinion covers the work we have undertaken in respect of the Internal Audit Plan (Plan) for 2021/22.

Scope and purpose of internal audit

The Accounts and Audit Regulations 2015 came into effect on 1 April 2015 and require councils to undertake an effective Internal Audit to evaluate the effectiveness of their risk management, control and governance processes, taking into account Public Sector Internal Auditing Standards or guidance.

This opinion forms part of the framework of assurances that is received by the Council and should be used to help inform the Annual Governance Statement. Internal Audit also has an independent and objective consultancy role to help line managers improve risk management, governance and control.

Our work is conducted in accordance with UK Public Sector Internal Audit Standards (PSIAS) which incorporates all elements of the Institute of Internal Auditors' (IIA) International Professional Practice Framework (IPPF) – including the core principles for internal audit and the code of ethics for internal auditors.

Our professional responsibilities as internal auditors for the year ended 31 March 2022 are set out within the PSIAS produced by the Internal Audit Standards Advisory Board.

This report covers the internal audit activity covering controls in place during the 1st April 2021 to 31st March 2022 period and summarises matters which came to our attention during the work carried out. Such matters have been included within our detailed reports which are presented to the Audit Committee during the course of the year.

Performance against the Internal Audit Plan

Our Internal Audit Plan for 2021/22 was considered and approved by the Audit Committee at its meeting on 11 May 2022. The Plan was for a total of 82 days including 3 days Follow Up, 9 days Management and planning and 10 days IT work.

During the course of the year of our work, suggested amendments were made to the programme of work to improve the benefit to the Council, and the Risk Management and IT work have been carried forward into the 2022/23 plan for completion by November 2023.



The audit findings in respect of each review, together with our recommendations for action and the management response were set out in our detailed reports. A summary of the reports we have issued is included at Section 03. Appendix A2 describes the levels of assurance we have used in assessing the control environment and effectiveness of controls and the classification of our recommendations.

Acknowledgements

We are grateful to the Corporate Directors, Head of Finance (Section 151 Officer), and other staff throughout the Council for the assistance provided to us during the year.

02 Audit Opinion

Remote Working

Audits were completed remotely, with walkthroughs and client interviews held virtually and all evidence being requested and provided digitally. The annual internal audit opinion provided below reflects the plan agreed and is not limited in scope, to the extent that the assurance provided by internal audit can only ever be reasonable, not absolute.

Our opinion

On the basis of our audit work, our opinion on the framework of governance, risk management, and control is **Moderate** in its overall adequacy and effectiveness. Some improvements are required to enhance the adequacy and effectiveness of the framework of governance, risk management and control.

Of the six reviews for which an assurance opinion was provided, four provided moderate assurance, one limited assurance and one unsatisfactory assurance. We have raised 5 high priority recommendations, 22 medium priority recommendations and 10 low priority recommendations during the period. These matters have been discussed with management, to whom we have made several recommendations. 35 of these have been, or are in the process of being addressed, as detailed in our individual reports.

Our Follow up work confirmed that good progress has been made on implementing outstanding recommendations from prior years.

Scope of Opinion

In giving our internal audit opinion, it should be noted that assurance can never be absolute. The most that the internal audit service can provide to Hinckley & Bosworth Council is a reasonable assurance over risk management and internal control processes.

The matters raised in this report are only those which came to our attention during our Internal Audit work and are not necessarily a comprehensive statement of all the weaknesses that exist, or of all the improvements that may be required.

In arriving at our opinion, we have taken the following matters into account:

- The impact on the internal audit plan as a result of Covid-19;
- The results of all internal audits undertaken during the period;
- The results of follow up action in respect of previous internal audits;
- Whether or not any High or Medium Priority recommendations have been accepted by management and the consequent risks;
- The effects of any material changes in the organisation's objectives or activities;
- Whether or not any limitations have been placed on the scope of internal audit;
- Whether there have been any resource constraints imposed upon us which may have impinged on our ability to meet the full internal audit needs of the organisation; and
- What proportion of the organisation's internal audit needs have been covered to date

Further detail on the definitions of our opinions raised in our reports can be found in Appendix A2.

02 Audit Opinion

Reliance Placed on Third Parties

Internal audit has not placed any reliance on third parties in order to assess the controls operated by Hinckley & Bosworth Council. Our opinion solely relies on the work we have performed and the results of the controls testing we have undertaken.

Follow Up

We follow up on all IA recommendations to ensure Management have addressed and implemented appropriate actions to address those recommendations. Further detail on the number of open and closed actions can be found in Appendix A1.

03 Internal Audit Work Undertaken in 2021/22

The audit findings in respect of each review, together with our recommendations for action and the management responses are set out in our detailed reports.

We undertook six audit reviews in which an assurance rating was provided, covering a number of important control systems, processes, and risks and a follow-up review of implementation of recommendations from prior years. The results of this work are summarised below:

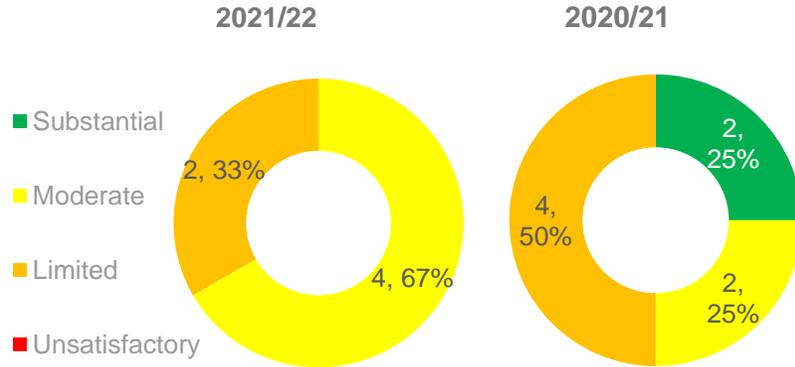
Audit area	Assurance level	Recommendations				Total Agreed by Management
		High Priority	Medium Priority	Low Priority	Total	
Leicestershire Revenues & Benefits Partnership - Council Tax and NNDR	Moderate	-	2	2	4	4
Housing Repairs	Moderate	-	2	2	4	4
Housing Rents	Moderate	1	1	1	3	3
Accounts Payable	Moderate	-	5	1	6	5
Payroll and Pensions	Limited	2	6	4	12	12
Carbon Neutral Action Plan	Limited	2	6	-	8	7
		5	22	10	37	35

04 Benchmarking

This section compares the Assurance Levels (where given) and categorisation of recommendations made at Hinckley.

Page 11

Comparison of Assurance Levels

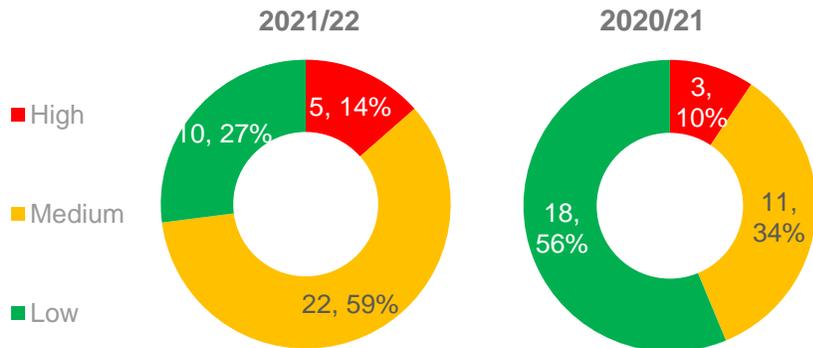


The 2020/21 audits were carried out by the Council's previous internal auditors, and the assurance levels do not directly compare. However, they too used 4 levels of assurance so we have included them in the comparison.

Of the 6 audits conducted in 2021/22, there were no reviews where Substantial assurance was provided and four with Moderate assurance.

Comparatively, in 2020/2021, there were 8 audits completed. Two received the equivalent of Substantial assurance and two concluded with Moderate assurance.

Comparison of Recommendation Gradings



The total number of recommendations made in 2021/22 was 37. This is a slight increase from 32 in 2020/21. Five recommendations raised were considered to be fundamental (High Priority) in nature compared with three in the previous year.

The proportion of Medium Priority recommendations has increased from 2020/21 to 2021/22.

05 Performance of Internal Audit

We have provided some details below outlining our scorecard approach to our internal performance measures, which supports our overall annual opinion.

Compliance with Professional Standards

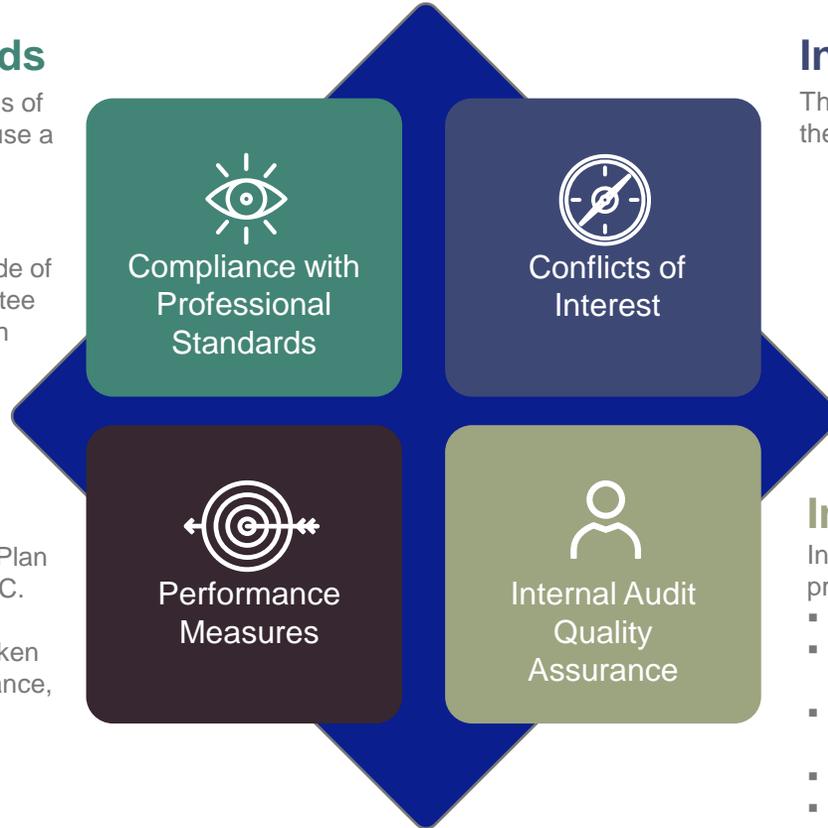
We employed a risk-based approach to determining the audit needs of Hinckley & Bosworth Borough Council at the start of the year and use a risk-based methodology in planning and conducting our audit assignments.

Our work performed conforms to PSIAS, which includes the Core Principles for the Professional Practice of Internal Auditing and Code of Ethics. In conducting our work, we also have regard to the Committee on Standards of Public Life's Seven Principles of Public Life ('Nolan principles')

Performance Measures

We have completed our audit work in accordance with the agreed Plan and each of our final assurance reports has been reported to the AC.

Regular planned discussions on progress against the Plan have taken place with key stakeholders at Hinckley, including the Head of Finance, S151 Officer and the Audit Committee.



Independence and Objectivity

There have been no impairments to independence and objectivity during the year covered by this Annual Report.

Internal Audit Quality Assurance

In order to ensure the quality of the work we perform; we have a programme of quality measures which includes:

- Supervision of staff conducting audit work;
- Review of files of working papers and reports by Managers and Partners;
- Annual appraisal of audit staff and the development of personal development and training plans;
- Sector specific training for staff involved in the sector;
- Issuance of technical guidance to inform staff and provide instruction regarding technical issues; and
- The maintenance of the firm's Internal Audit Manual.

Appendices

A1 Implementation of Recommendations
A2 Definitions of Assurance

Page 13



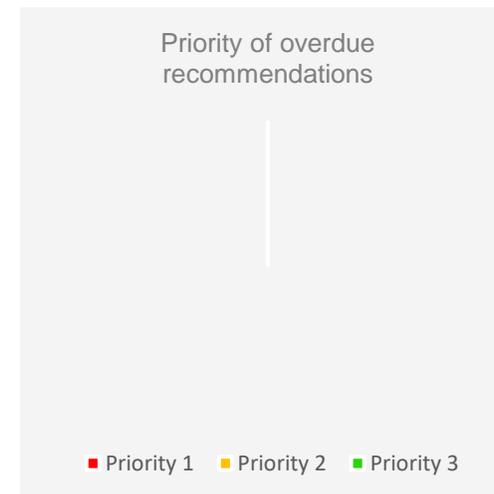
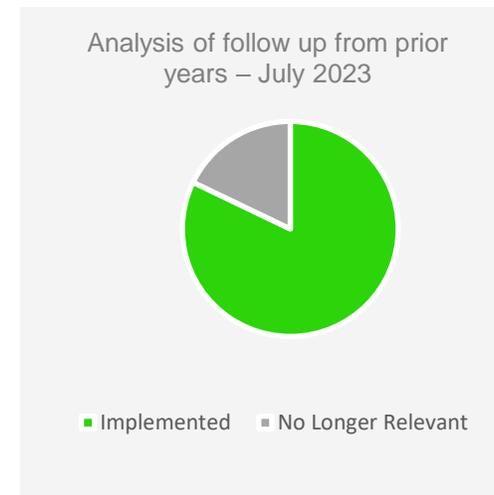
A1 Implementation of Recommendations

The following table provides a status of agreed audit actions from the 2021/22 Internal Audit Reports.

	Raised	Implemented	Not Implemented (overdue)	Not yet due
November 2022				
High Priority	5			5
Medium Priority	20			20
Low Priority	10			10
Total	35			35

None of the recommendations raised have reached their implementation date, and will be followed up as the year progresses.

We have, however followed up recommendations raised in previous years (by the previous auditors). Out of the 28 recommendations that remained outstanding at the start of the year, 5 were no longer relevant due to the age of the recommendations and the changes that have taken place at the Council since they were raised. The remaining 23 recommendations were confirmed as implemented.



A2 Definitions of Assurance

Assurance Gradings

We use categories to classify our assurance over the processes we examine, and these are defined as follows:

Assurance Level	Adequacy of system design
Substantial Assurance:	The framework of governance, risk management and control is adequate and effective.
Moderate Assurance:	Some improvements are required to enhance the adequacy and effectiveness of the framework of governance, risk management and control.
Limited Assurance:	There are significant weaknesses in the framework of governance, risk management and control such that it could become inadequate and ineffective.
Unsatisfactory Assurance:	There are fundamental weaknesses in the framework of governance, risk management and control such that it is inadequate or is likely to fail.

Recommendation Gradings

To assist management in using our reports, we categorise our recommendations according to their level of priority, as follows :

Definitions of Recommendations	
Priority	Description
High (Fundamental)	Significant weaknesses in governance, risk management and control that if unresolved exposes the Council to an unacceptable level of residual risk. Remedial action must be taken urgently and within an agreed timescale.
Medium (Significant)	Weakness in governance, risk management and control that if unresolved exposes the organisation to a high level of residual risk. Remedial action should be prioritised and undertaken within an agreed timescale.
Low (Housekeeping)	Scope for improvement in governance, risk management and control. Remedial action should be taken at the earliest opportunity and within an agreed timescale.

A2 Definitions of Assurance

Annual Opinion

For annual opinions we use the following classifications within our audit reports:

Opinion	Definition
Substantial	The framework of governance, risk management and control are adequate and effective.
Moderate	Some improvements are required to enhance the adequacy and effectiveness of the framework of governance, risk management and control.
Limited	There are significant weaknesses in the framework of governance, risk management and control such that it could be or could become inadequate and ineffective.
Unsatisfactory	There are fundamental weaknesses in the framework of governance, risk management and control such that it is inadequate and ineffective or is likely to fail.

Page 16

Contacts

Peter Cudlip

Partner, Mazars

peter.cudlip@mazars.co.uk

Sarah Knowles

Internal Audit Manager, Mazars

sarah.knowles@mazars.co.uk

We take responsibility to Hinckley & Bosworth Borough Council on this report which is prepared on the basis of the limitations set out below.

The responsibility for designing and maintaining a sound system of internal control and the prevention and detection of fraud and other irregularities rests with management, with internal audit providing a service to management to enable them to achieve this objective. Specifically, we assess the adequacy and effectiveness of the system of internal control arrangements implemented by management and perform sample testing on those controls in the period under review with a view to providing an opinion on the extent to which risks in this area are managed.

We plan our work in order to ensure that we have a reasonable expectation of detecting significant control weaknesses. However, our procedures alone should not be relied upon to identify all strengths and weaknesses in internal controls, nor relied upon to identify any circumstances of fraud or irregularity. Even sound systems of internal control can only provide reasonable and not absolute assurance and may not be proof against collusive fraud.

The matters raised in this report are only those which came to our attention during the course of our work and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. Recommendations for improvements should be assessed by you for their full impact before they are implemented. The performance of our work is not and should not be taken as a substitute for management's responsibilities for the application of sound management practices.

This report is confidential and must not be disclosed to any third party or reproduced in whole or in part without our prior written consent. To the fullest extent permitted by law Mazars LLP accepts no responsibility and disclaims all liability to any third party who purports to use or reply for any reason whatsoever on the Report, its contents, conclusions, any extract, reinterpretation amendment and/or modification by any third party is entirely at their own risk.

Registered office: 30 Old Bailey, London, EC4M 7AU, United Kingdom. Registered in England and Wales No 0C308299.



This page is intentionally left blank



Leicestershire Revenues & Benefits Partnership – Council Tax & Business Rates 2021/22

January 2023

Final Internal Audit Report

Contents

01 Introduction	1
02 Background	1
03 Key Findings	3
04 Areas for Further Improvement and Action Plan	5
A1 Audit Information	8
A3 Statement of Responsibility	9

Disclaimer

This report (“Report”) was prepared by Mazars LLP at the request of Hinckley & Bosworth Borough Council and terms for the preparation and scope of the Report have been agreed upon with them. The matters raised in this Report are only those which came to our attention during our internal audit work. Whilst every care has been taken to ensure that the information provided in this Report is as accurate as possible, Internal Audit have only been able to base findings on the information and documentation provided and consequently, no complete guarantee can be given that this Report is necessarily a comprehensive statement of all the weaknesses that exist, or of all the improvements that may be required.

The Report was prepared solely for the use and benefit of Hinckley & Bosworth Borough Council, and to the fullest extent permitted by law, Mazars LLP accepts no responsibility and disclaims all liability to any third party who purports to use or rely for any reason whatsoever on the Report, its contents, conclusions, any extract, reinterpretation, amendment and/or modification. Accordingly, any reliance placed on the Report, its contents, conclusions, any extract, reinterpretation, amendment and/or modification by any third party is entirely at their own risk. Please refer to the Statement of Responsibility in Appendix A1 of this report for further information about responsibilities, limitations, and confidentiality.

01 Introduction

As part of the 2021/22 Internal Audit Plan for Hinckley & Bosworth Borough Council, resource is included to carry out internal audits on behalf of the Leicestershire Revenues and Benefits Partnership. We have therefore undertaken a review of Council Tax & NNDR. The objective of the audit was to provide members of the Management Board, Joint Committee, elected members of the constituent councils, Chief Executives and other officers with reasonable, but not absolute, assurance as to the adequacy and effectiveness of the key controls relating to Council Tax and NNDR.

We are grateful to all staff interviewed for their assistance during the audit.

This report summarises the results of the internal audit work and, therefore, does not include all matters that came to our attention during the review. Such matters have been discussed with the relevant staff.

02 Background

Council tax is a property tax introduced in April 1993 as a means for local authorities to collect contributions from households towards the cost of local services. Council tax rates are set locally by councils and charged based on the valuation band of each property.

Business rates (non-domestic rates) are levied in respect of most non-domestic properties, unless exempt. The amount to be paid is worked out based on the 'rateable value' of the property which is determined by its open market rental value on 1 April 2015, based on Valuation Office Agency (VOA) estimates, however, a revaluation also came into effect on 1 April 2017 with a further one expected in April 2023.

Council tax and business rates are administered and dealt with by the Leicestershire Revenues & Benefits Partnership. The Partnership manages Revenues and Benefits for the following Councils: Hinckley and Bosworth Borough Council; Harborough District Council and North-West Leicestershire District Council, and is hosted by Hinckley & Bosworth Borough Council.

Each Council publishes its Council Tax and Non-Domestic policies and guidance on its respective website, with internal guidance documents available on shared drives.

On a weekly basis, the Valuation Office (VO) posts a valuation update list on its website which details changes to rateable values of individual properties within the boroughs. The VO listing is then downloaded by a NNDR and CTAX officer for their respective area, and changes are input onto the Capita system upon receipt of information.

The Partnership utilises the Capita Academy system as its council tax and NNDR software management system, and uses Enterprise for its document storage. Access to the system should be restricted based on the user's role and access permissions. Capita assigns unique account and property references.

Council Tax and NNDR parameters are updated in the Capita system annually.

Residents for each authority are able to use a self-serve system to register and pay their council tax, set up direct debits, request payment arrangements, view all notices/benefit award letters and request amendments to their accounts.

Each authority sets out its criteria for entitlement to discounts and exemptions on its respective website, including single person discount, disabled band reductions, and for those with severe mental impairments.

Where appropriate residents are required to complete an application form and provide supporting evidence for their discount/exemption request. A review timetable is in place for all discounts and exemptions, stating when the type of discount/exemption should be reviewed.

Individual councils can offer a relief for, or charge a premium on, empty domestic properties subject to Council Policy.

There is an annual billing timetable in place for both council tax and business rates, with bills sent out in advance of charges becoming due. Actual notice/award letters generated are reconciled against those sent to the mailroom for their dispatch to ensure all correspondence has been dispatched.

All income due should be received and recorded accurately, with the Partnership providing Finance with monthly reconciliations.

Council tax and business rate refunds are processed automatically on a weekly basis. Refunds must be input by one officer and approved by another before being issued.

Debt management timetables are in place for both council tax and business rates which set out stages of recovery and key timescales. Stages of recovery are processed automatically through the system. After the opening bill has been sent around a month later a reminder letter is sent, culminating in a summons if payment is not received.

Write-off procedures are in place for debt related to council tax and business rates, with set approval levels for write offs differing per Council.

Each month, the management board is advised on the Partnership's collection rate and arrears position. Financial statements are also produced and shared monthly with finance, including movement in debt by financial year.

03 Key findings

Assurance Rating



Moderate Assurance

Rationale

Based on the agreed scope and rating criteria (see **Appendix A1** for the detailed scope and definitions of the assurance ratings), there is **Moderate** assurance over the system of internal control evaluated.

We have identified some areas of significant control deficiency and some areas for improvement. Further detail regarding the recommendations is in **Section 04** and a summary of key observations is included below.

Priority	Number of Recommendations
High	-
Medium	2
Low	2
TOTAL	4

3.1 Examples of areas where controls are operating reliably

- Review of the websites for Hinckley & Bosworth, NW Leicestershire and Harborough found that policies are located on each website setting out information related to both council tax and business rates, and that all policies have been updated for 2022/23.
- We selected a sample of six properties (two per Council) with changes to Council Tax banding detailed in the January 2022 Valuation Office (VO) schedule. We confirmed in all six cases that the required changes set out in the VO schedule had been made and reflected in the Capita system.
- We selected a sample of five properties (two per Council, only one change for Harborough) with changes to business rates (NDR) detailed in the July VO schedule. We found in all five cases that the required changes set out in the schedule had been made and reflected in Capita.
- We reviewed the Capita system and through our testing confirmed that each account has a unique account number, and each property has a unique reference number. These numbers are shared between the main system and document management system allowing for searches to be made easily.
- We confirmed via review of the Capita system that parameters 2022/23 had been uploaded.
- Each Council has its own self-serve system available to council taxpayers, we confirmed this was in place for all three Councils.
- Each respective Council has published criteria and guidance notes on its websites for council tax discounts/exemptions, as well as application forms for such discounts.
- The Partnership maintains a review timetable for all discounts and exemptions including dates of review.
- The Partnership has an Annual Billing Timetable in place for 2022/23, which includes anticipated posting dates ensuring that the appropriate notice is given before payments fall due

- We reviewed a reconciliation between actual letters sent/printed and properties on the system during annual billing for 2022/23.
- The Partnership has a debt recovery timetable in place for 2022/23. Our testing found no issues with the Partnership following its debt recovery process, accounting for changes in enforcement action due to Covid-19.
- Suspense account balances for all three Councils did not exceed £8k individually.
- The Partnership issued an Annual Performance report for 21/22 which detailed recovery rates and arrears position.
- We confirmed monthly performance reports had been sent to the Management Board for September, August and July.

3.2 Risk Management

Risks considered as part of the audit included:

- Transactions processed inconsistently with external and internal policies and procedures;
- Loss of income from new / amended properties;
- Discounts / exemptions / allowances invalidly awarded;
- Inaccurate records are maintained;
- Invalid refunds are made leading to loss of income;
- Excessive or inappropriate write-off of debt.

We found that current controls are operating effectively, however, we identified areas for improvement, as detailed in Section 04.

3.3 Value for Money

Value for Money (VfM) considerations can arise in various ways and our audit process aims to include an overview of the efficiency of systems and processes in place within the auditable area.

The partnership delivers Revenue and Benefits across three Councils: Harborough District Council, Hinckley and Bosworth Borough Council and North West Leicestershire District Council. The purpose of the partnership is to *‘provide a high-quality Revenues and Benefits service to residents and*

businesses at an economical cost and in accordance with the principles of continuous improvement and changing requirements.’

A shared service allows the partnership to employ staff who work across all three councils and respond to changing needs. We identified that although staff work across councils in their respective areas, some processes are not standardised as in a true shared service. For example, write off and refund authorisation pathways differ across the three Councils.

3.4 Sector comparison

We have taken the findings from this audit and compared them to findings from other audits recently carried out at Local Authority clients. It was found the controls in place with the partnership are broadly similar to those used across the sector.

Redirection of resources and services due to the impact of COVID-19 have affected many local authorities. This has had a significant effect on the functioning and operation of many local authority services.

04 Areas for further improvement and action plan

Definitions for the levels of assurance and recommendations used within our reports are included in Appendix A1.

We identified areas where there is scope for improvement in the control environment. The matters arising have been discussed with management, to whom we have made recommendations. The recommendations are detailed in the management action plan below.

Ref	Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility
4.1	<p>Process documents</p> <p>Our review found that there were a number of documents in place highlighting key council tax and business rates processes.</p> <p>We identified that some key processes were not documented such as Valuation Office reconciliations, adding parameters to the Capita system and processes for full refunds.</p> <p>Process documents are not currently on a programme of regular review and are updated on an ad-hoc basis.</p> <p><i>Risk: Processes are carried out inconsistently or incorrectly due to a lack of guidance. Guidance is not reviewed regularly and therefore does not reflect changes in current practice.</i></p>	<p>The partnership should implement standard operating processes for all key council tax and business rate processes and ensure these are easily available to staff for reference.</p> <p>All procedures should be given a review period and be reviewed in line with this schedule.</p>	Medium	Existing procedures are amended when process/ legislation changes. It should be noted that processes for the three LA's are different in some areas. Processes will be reviewed at the point of BPR or changes to legislation and in accordance with the work programme.	Ongoing Head of Leicestershire Revenues and Benefits Partnership
4.2	<p>Empty property relief- Inspection Process</p> <p>We selected a sample of ten empty properties receiving empty property relief and found that five out of ten had been recorded as empty based only on a telephone call. The Revenues and Benefits Manager confirmed that inspections had been paused and communication had moved to phone/email, both in response to Covid-19 and to ensure efficiency in delivery of the service.</p> <p>We also identified two properties that had not been reviewed regularly and status confirmed - one since 2012 and one since</p>	The Partnership should review the inspection process and reintroduce physical inspections where intelligence has not been established, to confirm properties are empty.	Medium	The cases that hadn't been reviewed weren't due to process, but officer error. The process is that when officers are unable to contact via phone and email, they will visit. This is in place. Though, it should be noted if the	Completed

Ref	Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility
	<p>May 2021. Management confirmed that the failure to review these properties was due to staff error.</p> <p><i>Risk: Properties are being incorrectly claimed as empty, leading to lost revenue for the Councils.</i></p>			property is empty, it is likely no one will be at the property.	
4.3	<p>Capita Academy Access</p> <p>The partnership operates a number of live and test databases- one live and one test database for council tax and business rates, for each Council. There are a total of six live databases and six test databases that staff are given access to.</p> <p>Through our testing, we did not identify any staff members that had inappropriate access to a system, however, the Business Development and Support Officer advised their preference for a full security review to ensure access across all systems is correct and appropriate.</p> <p><i>Risk: User access is not reviewed, allowing users to inappropriately access reports and transactions</i></p>	<p>The partnership should complete a review of all users with access to the Capita system.</p> <p>The partnership should introduce a periodic reconciliation for users with access to the Capita system.</p>	Low	It is unlikely officers would be able to access reports and there are layers of authentication prior to accessing Academy which manages the risk. Agree an annual review should be undertaken together with a reminder of the process to be followed when an officer leaves the partnership.	<p>June 2023</p> <p>Business Development and support team</p>
4.4	<p>Single Person Discounts</p> <p>The partnership reviews single person discounts every two years, following receipt of information from the National Fraud Initiative.</p> <p>At peers, we see more regular review of single person discounts, in the form of annual credit check reports.</p> <p><i>Risk: Discounts are being incorrectly or fraudulently claimed, leading to lost revenue for the Councils.</i></p>	The partnership should consider reviewing its single person discounts on a more regular basis, using credit reports.	Low	The SPD review is currently managed at a County level with the County Council contributing to the review. The use of credit reports is a direct cost to LA's, and at the point of writing haven't had a response from peers re their process.	<p>September 2023</p> <p>Head of Leicestershire Revenues and Benefits Partnership</p>

Ref	Observation/Risk	Recommendation	Priority	Management response	Timescale/responsibility
				Consideration will be given, with outputs and finding to Management Board.	

A1 Audit information

Audit Control Schedule	
Client contacts:	Leigh Butler: Revenues and Benefits Manager
Internal Audit Team:	Peter Cudlip: Partner Sarah Knowles: Senior Audit Manager Jessica Holt: Assistant Manager Connor Wood: Internal Auditor
Finish on-site / Exit meeting:	16 November 2022
Draft report issued:	22 November 2022 / 5 January 2023
Management responses received:	18 January 2023
Final report issued:	19 January 2023

Report Distribution List		
Report	Name	Job Title
Draft & Final	Leigh Butler	Revenue and Benefits Manager

Draft & Final	Sally O’Hanlon	Head of Leicestershire Revenues and Benefits Partnership
Draft & Final	Ashley Wilson	Head of Finance (Section 151 Officer)
Final	Leicestershire Revenues and Benefits Partnership Board (LRPB) Management Board LRPB Joint Committee	

Scope and Objectives

The overall objective of this internal audit was to provide stakeholders with reasonable, but not absolute, assurance as to the adequacy and effectiveness of the of the key controls relating to Council Tax and NNDR processes. To achieve this, a risk-based audit was conducted.

Our review considered the following areas:

- Roles and Responsibilities;
- Transactions and Records;
- Discounts, Exemptions, Allowances and Premiums;
- Billing and Receipts;
- Refunds;
- Debt Recovery, Enforcement and Write-off; and

Testing performed was carried out on a sample basis by a member of the Internal Audit Team. Our work is limited by the information which we are privy to throughout the audit fieldwork. Our work does not provide any guarantee against material errors, loss or fraud or provide an absolute assurance that material error, loss or fraud does not exist.

Definitions of Assurance Levels	
Level	Description
Substantial	The framework of governance, risk management and control is adequate and effective.
Moderate	Some improvements are required to enhance the adequacy and effectiveness of the framework of governance, risk management and control
Limited	There are significant weaknesses in the framework of governance, risk management and control such that it could be or could become inadequate and ineffective.
Unsatisfactory	There are fundamental weaknesses in the framework of governance, risk management and control such that it is inadequate and ineffective or is likely to fail.

Definitions of Recommendations	
Priority	Description
High (Fundamental)	Significant weakness in governance, risk management and control that if unresolved exposes the organisation to an unacceptable level of residual risk.
Medium (Significant)	Weakness in governance, risk management and control that if unresolved exposes the organisation to a high level of residual risk.
Low (Housekeeping)	Scope for improvement in governance, risk management and control.

Statement of Responsibility

We take responsibility to Hinckley and Bosworth Borough Council for this report which is prepared on the basis of the limitations set out below.

The responsibility for designing and maintaining a sound system of internal control and the prevention and detection of fraud and other irregularities rests with management, with internal audit providing a service to management to enable them to achieve this objective. Specifically, we assess the adequacy and effectiveness of the system of internal control arrangements implemented by management and perform sample testing on those controls in the period under review with a view to providing an opinion on the extent to which risks in this area are managed.

We plan our work in order to ensure that we have a reasonable expectation of detecting significant control weaknesses. However, our procedures alone should not be relied upon to identify all strengths and weaknesses in internal controls, nor relied upon to identify any circumstances of fraud or irregularity. Even sound systems of internal control can only provide reasonable and not absolute assurance and may not be proof against collusive fraud. The matters raised in this report are only those which came to our attention during the course of our work and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. Recommendations for improvements should be assessed by you for their full impact before they are implemented. The performance of our work is not and should not be taken as a substitute for management's responsibilities for the application of sound management practices.

This report is confidential and must not be disclosed to any third party or reproduced in whole or in part without our prior written consent. To the fullest extent permitted by law Mazars LLP accepts no responsibility and disclaims all liability to any third party who purports to use or reply for any reason whatsoever on the Report, its contents, conclusions, any extract, reinterpretation amendment and/or modification by any third party is entirely at their own risk.

Registered office: 30 Old Bailey, London, EC4M 7AU, United Kingdom. Registered in England and Wales No 0C308299. Mazars LLP is the UK firm of Mazars, an international advisory and accountancy group. Mazars LLP is registered by the Institute of Chartered Accountants in England and Wales to carry out company audit work.

Contacts

Peter Cudlip

Partner, Mazars

peter.cudlip@mazars.co.uk

Sarah Knowles

Senior Manager, Mazars

sarah.knowles@mazars.co.uk

Mazars is an internationally integrated partnership specialising in audit, accountancy, advisory, tax and legal services*. Operating over 90 countries and territories around the world, we draw on the expertise of 44 000 professionals – 28000 in Mazars' integrated partnership and 16,000 via the Mazars North American Alliance – to assist clients of all sizes at every stage in their development.

*Where permitted under applicable country laws

www.mazars.co.uk



Hinckley & Bosworth BC

Audit Committee Internal Audit Progress Report

Prepared by: Mazars LLP
Date: July 2023

mazars

Contents

- 01 Snapshot of Internal Audit Activity
- 02 Summary of the 2022/23 Internal Audit Plan

Page 32

Disclaimer

This report ("Report") was prepared by Mazars LLP at the request of Hinckley & Bosworth BC and terms for the preparation and scope of the Report have been agreed with them. The matters raised in this Report are only those which came to our attention during our internal audit work. Whilst every care has been taken to ensure that the information provided in this Report is as accurate as possible, Internal Audit have only been able to base findings on the information and documentation provided and consequently no complete guarantee can be given that this Report is necessarily a comprehensive statement of all the weaknesses that exist, or of all the improvements that may be required.

The Report was prepared solely for the use and benefit of the Hinckley & Bosworth BC and to the fullest extent permitted by law Mazars LLP accepts no responsibility and disclaims all liability to any third party who purports to use or rely for any reason whatsoever on the Report, its contents, conclusions, any extract, reinterpreted, amendment and/or modification. Accordingly, any reliance placed on the Report, its contents, conclusions, any extract, reinterpreted, amendment and/or modification by any third party is entirely at their own risk. Please refer to the Statement of Responsibility in this report for further information about responsibilities, limitations and confidentiality.





Snapshot of Internal Audit Activity

Below is a snapshot of the current position of the delivery of the 2022/23 Internal Audit Plan.

Draft Reports Issued

We have issued the following final reports since the last meeting of the Audit Committee:

- Section 106 Planning Agreements

Page 33

Final Reports Issued

- Carbon Neutral Action Plan (2021/22)
- Commercial Asset Management

Other matters

- Dates have been agreed for most of the audits in the 22/23 audit plan.
- Biodiversity Net Gain Grant was signed off in March 2023.

Follow Up

We will follow up the recommendations raised in the 2021/22 internal audit reports when they fall due.





Summary of the 2022/23 Internal Audit Plan

The table below lists the 2022/23 Internal Audit Plan and a status summary for all of the reviews.

Fieldwork commencing	Review	Days	Status	Assurance Level	Total	Findings		
						High	Medium	Low
February 2023	Commercial Asset Management	10	Final Report Issued (June 2023)	Moderate	6	-	3	3
March 2023	Section 106 Planning Agreements	10	Draft Report Issued (April 2023)					
March 2023	Biodiversity Net Gain Grant Sign Off	4	Completed sign off in March 2023	N/A				
June 2023	Statutory Property Compliance	10	Work in Progress					
August 2023	Accounts Receivable	8	Terms of Reference Issued (June 2023)					
August 2023	Procurement	12	Terms of Reference Issued (June 2023)					
September 2023	Leicester Revenues & Benefits Partnership Follow Up	2	TBC					
September 2023	Risk Management	8	Risk Workshop to be arranged					
Totals					6	-	3	3

Page 34



Definition of Assurance and Priorities

Audit Assessment

In order to provide management with an assessment of the adequacy and effectiveness of their systems of internal control, the following definitions are used.

Definitions of Assurance Levels	
Level	Description
Substantial	The framework of governance, risk management and control is adequate and effective.
Moderate	Some improvements are required to enhance the adequacy and effectiveness of the framework of governance, risk management and control.
Limited	There are significant weaknesses in the framework of governance, risk management and control such that it could be or could become inadequate and ineffective.
Unsatisfactory	There are fundamental weaknesses in the framework of governance, risk management and control such that it is inadequate and ineffective or is likely to fail.

Grading of recommendations

In order to assist management in using our reports, we categorise our recommendations according to their level of priority as follows:

Definitions of Recommendations	
Priority	Description
High (Fundamental)	Significant weakness in governance, risk management and control that if unresolved exposes the organisation to an unacceptable level of residual risk.
Medium (Significant)	Weakness in governance, risk management and control that if unresolved exposes the organisation to a high level of residual risk.
Low (Housekeeping)	Scope for improvement in governance, risk management and control.

Contacts

Peter Cudlip

Partner, Mazars

Peter.Cudlip@mazars.co.uk

Sarah Knowles

Manager, Mazars

Sarah.Knowles@mazars.co.uk

Page 36

We take responsibility to Hinckley & Bosworth BC for this report which is prepared on the basis of the limitations set out below.

The responsibility for designing and maintaining a sound system of internal control and the prevention and detection of fraud and other irregularities rests with management, with internal audit providing a service to management to enable them to achieve this objective. Specifically, we assess the adequacy and effectiveness of the system of internal control arrangements implemented by management and perform sample testing on those controls in the period under review with a view to providing an opinion on the extent to which risks in this area are managed.

We plan our work in order to ensure that we have a reasonable expectation of detecting significant control weaknesses. However, our procedures alone should not be relied upon to identify all strengths and weaknesses in internal controls, nor relied upon to identify any circumstances of fraud or irregularity. Even sound systems of internal control can only provide reasonable and not absolute assurance and may not be proof against collusive fraud.

The matters raised in this report are only those which came to our attention during the course of our work and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. Recommendations for improvements should be assessed by you for their full impact before they are implemented. The performance of our work is not and should not be taken as a substitute for management's responsibilities for the application of sound management practices.

This report is confidential and must not be disclosed to any third party or reproduced in whole or in part without our prior written consent. To the fullest extent permitted by law Mazars LLP accepts no responsibility and disclaims all liability to any third party who purports to use or reply for any reason whatsoever on the Report, its contents, conclusions, any extract, reinterpretation amendment and/or modification by any third party is entirely at their own risk.

Registered office: 30 Old Bailey, London EC4M 7AU, United Kingdom. Registered in England and Wales No 0C308299.



Hinckley & Bosworth Borough Council – Internal Audit
Report

Commercial Asset Management 2022/23

June 2023

Final Report

mazars

Contents

01 Introduction	1
02 Background	1
03 Key findings	3
04 Areas for further improvement and action plan	6
A1 Audit information	14
Statement of Responsibility	15
Contacts	17

Disclaimer

This report (“Report”) was prepared by Mazars LLP at the request of Hinckley & Bosworth Borough Council and terms for the preparation and scope of the Report have been agreed upon with them. The matters raised in this Report are only those which came to our attention during our internal audit work. Whilst every care has been taken to ensure that the information provided in this Report is as accurate as possible, Internal Audit have only been able to base findings on the information and documentation provided and consequently, no complete guarantee can be given that this Report is necessarily a comprehensive statement of all the weaknesses that exist, or of all the improvements that may be required.

The Report was prepared solely for the use and benefit of Hinckley & Bosworth Borough Council, and to the fullest extent permitted by law, Mazars LLP accepts no responsibility and disclaims all liability to any third party who purports to use or rely for any reason whatsoever on the Report, its contents, conclusions, any extract, reinterpretation, amendment and/or modification. Accordingly, any reliance placed on the Report, its contents, conclusions, any extract, reinterpretation, amendment and/or modification by any third party is entirely at their own risk. Please refer to the Statement of Responsibility in Appendix A3 of this report for further information about responsibilities, limitations, and confidentiality.

01 Introduction

As part of the 2022/23 Internal Audit Plan for Hinckley and Bosworth Borough Council (the 'Council'), we have undertaken a review of Commercial Asset Management. The objectives of the audit were to evaluate and assess the adequacy and effectiveness of the Council's arrangements for the management of commercial assets.

We are grateful to the Estates & Assets Manager, Commercial Estates Surveyor, and other staff for their assistance and co-operation during the course of the audit.

This report summarises the results of the internal audit work and, therefore, does not include all matters that came to our attention during the review. Any such matters have been discussed with the relevant staff.

02 Background

Commercial asset management is the process of buying, selling, and holding assets with the goal of receiving maximum return from assets, whilst also ensuring that assets are utilised efficiently and that community benefits are deliverable from them. Expected Annual Rental Income from Commercial Assets for 2022/23 was £1.2 million.

The Council has a Property Asset Management Plan 2023-2028 in place, which has a primary objective to provide, operate and maintain an appropriate portfolio of property assets and to ensure the property assets are considered as part of the overall strategy of the Council.

'Commercial Development' has been included as a key target within the Council's Property Asset Management Plan 2023-2028, with the Council seeking to explore greater opportunities to increase and compliment their current commercial estate. Creating greater awareness of the Council as a prominent local landlord by providing a range of commercial, retail and office units to local businesses, is an example of one of many forms how the Council aims to deliver on this key target.

The Council holds a portfolio of commercial assets comprising of industrial units, ground lease plots and retail and other miscellaneous units for which they offer flexible lease terms to businesses. This portfolio amounts to just over 100 units and plots, with industrial units boasting a significant share of this.

Responsibility for managing commercial assets sits with the Commercial Estates Function within the Council, which is overseen by the Estates & Asset Manager. This function can be further sub-categorised into the following: Admin, Financial Management, Legal and Accounts. Day-to-day responsibility is delegated from the Estates & Asset Manager to the Commercial Estates Surveyor.

The Commercial Estates Function utilises a spreadsheet, known as the 'Lease Terrier', to record information regarding leases associated solely with the commercial units they manage (a wider database capturing all properties the Council manages can be found on the central Government database ePIMS). The Lease Terrier contains separate worksheets that categorise commercial units based on their nature. This review focussed on commercial units that fell within the following categories: Industrial, Plots and Retail. Furthermore, they also operate a 'Current Matters' spreadsheet, which provides a snapshot of their current position with reference to commercial properties that either are vacant or are experiencing backlog matters (matters where an arrangement exists that requires a formal agreement but where no formal record has been completed).

Financial management information such as budgets and/or forecasts, impacting individual commercial units, are typically generated on an exception basis. However, wider financial forecasts which concern the commercial estate as a whole are produced annually as they formulate part of the Council's Medium Term Financial Strategy.

Management of debtors at the Council falls under the remit of the Accounts Team, where the Civica Financial Information System is utilised to create new debtors, produce periodic invoices and generate debt-recovery letters. However, whilst the Accounts Team are responsible for using the Civica System to manage any debt, responsibility for taking action to recover outstanding debt lies with the respective budget-holders / functions as they are the ultimate owners of the debt.

The Council has established a new Extended Leadership Team, of which the Estates & Asset Manager is a member of, with a view to establish formal key performance indicators for various functions within the Council (including the Commercial Estate). Whilst no formal KPIs exist for the function currently, the Council does capture vacancy and backlog matters information through a dashboard InPhase, which is currently updated quarterly.

03 Key findings

Assurance Rating



Moderate Assurance

Rationale

Based on the agreed scope and rating criteria (see **Appendix A1** for the detailed scope and definitions of the assurance ratings), there is **Moderate** assurance over the system of internal control evaluated.

We have identified some areas with significant weaknesses and room for improvement relating to KPI and budget reporting, debt recovery management and lease compliance monitoring. Further detail regarding the recommendations is in **Section 04** and a summary of key observations is included below.

Priority	Number of Recommendations
High	-
Medium	3
Low	3
TOTAL	6

3.1 Examples of areas where controls are operating reliably

Governance Arrangements

- The Council has an 'Asset Management Policy' in place which supports their 'Property Asset Management Plan 2023-2028' by outlining the structured approach to how the Council will manage the key resource of property and land.
- A 'Commercial Estates Organisational Hierarchy' and 'Commercial Estates Structure' exists which clearly depicts the sub-functions of the Commercial Estate and to which board the function must report to (Asset Regeneration & Strategy Group).
- Three forms of regular meetings occur within the Commercial Estates Function:
 - A weekly catch-up between the Estates & Asset Manager and Commercial Estates Surveyor to discuss any current matters regarding the commercial estate;
 - A bi-weekly 'Lease Update Meeting', where updates regarding ongoing leases and other commercial estate matters are discussed; and,
 - A bi-weekly 'Legal Meeting', which is similar to the 'Lease Update Meeting' but also has the Head of Legal and solicitors present to discuss legal implications of any progressing leases.

Financial Management

- The Commercial Estate team uses a 'Current Matters' spreadsheet, which provides a snapshot of units that are either vacant or are experiencing backlog matters. This spreadsheet is updated bi-weekly, with a separate spreadsheet saved monthly to allow for a clear audit trail of progression. This spreadsheet is shared at all three meetings within the Commercial Estate.
- Within the 'Current Matters' spreadsheet, a 'Renewals' worksheet

exists which captures leases due to expire within the following 12 months. A system report is run on ePIMS (the wider Government database capturing all property managed by the Council) bi-annually by the Commercial Estates Surveyor, where information is then transferred to the 'Current Matters' spreadsheet ensuring it is forward-looking for at least the next 6 months.

- Each week, a report is run on Civica which identifies and generates debt-recovery letters regarding overdue invoices. The system will generate letters where overdue invoices have not been paid for two weeks and then again for four weeks.
- The Council has an 'Acquisition and Development Strategy Technical Document' in place, which guides the use of the Council's actions to make land and property acquisitions and disposals to support economic redevelopment within the borough. Included within the document are also separate 'Acquisition' and 'Disposal' Strategies.
- Audit reviewed the most recent case of an acquisition and the most recent case of a disposal and confirmed for both cases adherence to requirements within the 'Acquisition and Development Strategy Technical Document'.

Lease Compliance

- The Commercial Estates Team uses a 'Lease Terrier' spreadsheet, which captures information regarding current leases and their associated units, vacant units are also highlighted within this database. Information captured includes the unit / plot, details of the tenant, the lease commencement and expiration date, amount of rent and a notes section.
- Audit reviewed a sample of 15 leases, to confirm details held on the 'Lease Terrier' were accurate and up-to-date, and confirmed for all within the sample that information was correctly captured.
- Audit selected a sample of 17 properties to confirm whether the rent charged on the lease was reflective of the most recent rent review that had taken place at the Council. We confirmed for all within the sample that the current rent being charged was either consistent with the rent review or established there was a legitimate reason as to why

a discrepancy existed (for example, multiple units occupied by the same tenant and aggregated under a single lease resulted in a discounted level of rent being charged).

- The Commercial Estate Function maintain a spreadsheet which hold details of the commercial properties they manage and their respective Electrical Installation Condition Reports (EICRs). Whilst ground lease plots are not captured on the EICR spreadsheet, a separate spreadsheet capturing insurance details regarding the Council's plots is maintained as it is the responsibility of the tenant to obtain insurance for buildings built upon the plot of land.

Performance Information

- Data regarding current vacant units and backlog matters are captured and updated quarterly on a dashboard InPhase. Furthermore, they are outlined within the 'Current Matters' spreadsheet which is shared and discussed at regular meetings within the Commercial Estates Function, ensuring relevant personnel are informed with the current position and status of leases.

3.2 Risk Management

We reviewed the Corporate Risk Register from January 2023 and found the following risk which has a link to Commercial Asset Management: 'S.48 – Fire arrangements in commercial premises'.

Audit testing highlighted that the Council do not maintain a record of the fire-risk assessments for their leased commercial properties. Whilst audit confirmed through review of the Commercial Tenants Handbook that fire-risk assessments (FRA) are the responsibility of the tenant, the Council are unable to gain assurance that their leased properties have adequate fire-safety monitoring arrangements in place.

As such, we have raised a formal recommendation for the Council to implement an FRA register, this is detailed further in Section 04. below. This will enable the Council to monitor fire-risk arrangements for all of their leased commercial properties and to gain assurance that their tenants are complying with the Commercial Tenants Handbook.

3.3 Value for Money

Value for Money (VfM) considerations can arise in various ways and our audit process aims to include an overview of the efficiency of systems and processes in place within the auditable area.

Audit verified that the Council is able to run reports from the wider Government database ePIMS, allowing it to identify commercial leases that are due to expire. Through conversations with the Estates & Asset Manager and Commercial Estates Surveyor, we established that information held on ePIMS is substantial and not always pertinent to the Commercial Estate, as ePIMS captures all details of property owned by the Council. However, the Commercial Estates Surveyor bi-annually runs a report on ePIMS and transfers relevant information to the 'Current Matters' spreadsheet, which is shared and updated fortnightly within the various meetings that occur within the Commercial Estates Function. This is an efficient and effective method utilised by the Council in identifying expiring leases therefore allowing them to act in a proactive manner.

3.4 Sector Comparison

From our experience across our client base, we are seeing pressure on resources, and higher service demands have resulted in challenges to the existing control environment. This often results in increased challenges to the decision-making process where conflicting priorities exist and need to be balanced with effective risk management.

During the course of the audit, we noted that formal KPIs are yet to be established at the Council regarding performance of the Commercial Estate, however steps have been put into place to target this with the formation of the new Extended Leadership Team.

Review across the sector has highlighted that production of a combination of regular reports (typically at least quarterly) with respect to KPIs is good practice, these include: which key strategic objective the KPI is helping to measure, what the current performance is, what the target level of performance is, who is responsible for the delivery of performance, and where the raw data leading to the KPI has been sourced from.

04 Areas for further improvement and action plan

Definitions for the levels of assurance and recommendations used within our reports are included in Appendix A1.

We identified a number of areas where there is scope for improvement in the control environment. The matters arising have been discussed with management. The recommendations are detailed in the management action plan below.

Ref	Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility
4.1	<p>Key Performance Indicators and Production of Budgets / Forecasts</p> <p><i>Observation:</i> The Asset Management Policy states the Council will capture data to create reports detailing performance of its commercial assets. However, we established through conversations with the Estates & Asset Manager and Commercial Estates Surveyor that currently there are currently no formal KPIs reported on regarding the Commercial Estate.</p> <p>Audit were informed that the Council has taken steps to address this with the formation of a new Extended Leadership Team (at time of Internal Audit). This Team will have the responsibility for establishing formal KPIs for Functions within the Council.</p> <p>The Commercial Estates Function does currently capture the number of vacant units and backlog matters on a dashboard InPhase. However, these are not formally reported on and instead are present on InPhase for staff members to view at their will.</p>	<p>The Council should establish formal KPIs regarding the Commercial Estate and ensure they are monitored and reported on regularly.</p> <p>Similarly, the Council should look to establish regular formal budgets / forecasts, alongside reporting of their KPIs, to enable a clear snapshot of performance of the Commercial Estate.</p> <p>Consideration should be given to how the Council wish to group their properties within the Commercial Estate, therefore allowing KPIs and budgets / forecasts to specifically target such properties.</p>	Medium	<p>Agreed in Part - The Councils Extended Leadership (ELT) Review is now complete and Commercial KPI's will not be included this year they will however be reconsidered next time the Strategic KPI's are reviewed.</p> <p>The Estates and Asset Management Service will continue to capture and record this data and these local KPI's will be presented to the Finance and Audit Committee.</p> <p>Separating out the budget codes for each of the estates in principle has been agreed. This will allow a breakdown of costs to be available for each site and provide a detailed financial understanding for each estate.</p> <p>It is proposed that centralised costs; salaries, accountancy costs etc to be maintained under</p>	<p>1st April 2024</p> <p>Estates & Assets Manager</p> <p>Head of Finance</p>

Ref	Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility
	<p>Similarly, we established that formal budgets / forecasts are not produced regularly regarding specific types of units and/or plots.</p> <p>Whilst an annual budget is produced for the whole Commercial Estate, budgets and forecasts are only produced on an exception basis regarding specific groups or individual units.</p> <p><i>Risk:</i> Performance information is not discussed on a regular basis leading to management being unaware of financial performance.</p> <p>The lack of regular budgets / forecasts for individual or grouped units could prevent management assessing financial performance of their commercial assets, and affect decision making.</p>			their own 'source' budget and allocated to each site via a proportion formula to be agreed.	
4.2	<p>Debt Recovery Monitoring and Procedures</p> <p><i>Observation:</i> Management of debtors at the Council falls under the remit of the Accounts Team. However, the Council's Debt Recovery Policy outlines that responsibility for taking action to recover outstanding debt lies with the respective budget-holders / Functions, as they are the ultimate owners of the debt.</p> <p>Review of the November 2022 debt report illustrated that the Commercial Estates Function is responsible for almost 30% of</p>	<p>The Council should seek to separate their commercial properties into clear identifiable areas, to allow for clear reporting regarding outstanding debt.</p> <p>This would allow for easier management and provide a clear snapshot of debt positions in relation to specific areas of the Commercial Estate.</p> <p>Furthermore, the Council should investigate the automatic generation of debt management letters on the Civica system, to ensure a consistent</p>	Medium	Agreed - Debt management of the Commercial Estate to be reviewed and the generation of automated debt management letters be considered.	<p>1st April 2024</p> <p>Estates & Assets Manager</p> <p>Head of Finance</p>

Ref	Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility
	<p>aged debt exceeding 90 days at the Council (roughly £415,000).</p> <p>The Commercial Estates Function also requests separate outstanding debt reports to be produced, categorised by the type of commercial property, to allow for further analysis of outstanding debt.</p> <p>Four separate reports are provided to the Function monthly which capture details such as the debtor, amount of overdue debt and date the invoice was due, however the reports provided to the Commercial Estate Function can sometimes contain superfluous information, often capturing data relating to non-Commercial Estate properties.</p> <p>This contributes to the Commercial Estate having an unclear position regarding their outstanding debt, which can lead to ineffective decisions made in attempts to recover outstanding debt.</p> <p>The Civica system is utilised by the Accounts Team regarding debt management at the Council. Reports are run weekly to identify any outstanding debt and accordingly generate debt-management letters. The first letter is generated and sent to debtors after two weeks has passed from the initial due date. Where this debt is still outstanding, a second and final letter is sent to the debtor a further two weeks following the first.</p>	<p>approach is applied to all overdue invoices.</p>			

Ref	Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility
	<p>We selected a sample of 10 overdue debts, to confirm debt-management letters were produced in a timely manner.</p> <p>The first debt management letter was produced late in all 10 cases (by between 1 – 12 days), and the second debt management letter was produced late in two instances (by 4 days in both cases).</p> <p><i>Risk:</i> Debt recovery procedures and monitoring is ineffective leading to income not being collected in a timely manner.</p>				
4.3	<p>Electrical Installation Condition Reports (EICR) / Insurance / Fire-Risk Assessment (FRA) Registers</p> <p><i>Observation:</i> The Commercial Tenants Handbook and individual leases clearly state that responsibility for compliance with health and safety regulations are passed onto the tenant once a lease commences.</p> <p>The Commercial Estate function maintains a spreadsheet which holds details of the commercial properties managed and their respective Electrical Installation Condition Reports (EICRs).</p> <p>Audit selected a sample of 15 properties, to confirm whether an up-to-date EICR was held for the selected property, and noted:</p> <ul style="list-style-type: none"> - 2 out of 10 properties did not hold an up-to-date EICR. 	<p>The Council should ensure that each of their commercial properties holds an up-to-date EICR, ensuring tenants are adhering to terms and conditions established within their lease.</p> <p>Similarly, the Council should ensure that adequate insurance arrangements are in place regarding the plots they have leased to tenants.</p> <p>The Council should create and maintain an FRA register, and should clearly document the number of workers their tenant employs.</p> <p>The Council should undertake periodic spot-checks to confirm tenants' compliance and request the written FRAs where applicable.</p>	Medium	<p>Agreed in Part - A process for compliance will be written up and added to the commercial estate process list requiring tenants to self-declare compliance annually.</p> <p>A New Tenant Pack will be circulated, electronically advising the Tenant of their key responsibilities under their lease. and require them to respond – it is envisaged that this will be done using some format of E-signature document.</p>	<p>1st August 2024</p> <p>Estates & Assets Manager</p>

Ref	Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility
	<p>The remaining five properties related to plots; the Council does not record EICRs for plots as they instead record insurance details as it is the responsibility of the tenant to obtain insurance for buildings built upon the plot of land.</p> <p>Review of the Insurance spreadsheet noted that several properties (6 out of 19) did not hold up-to-date insurance where it was either missing / expired. We queried this with management who informed us that often it can be difficult to obtain confirmation insurance is held as tenants may not be as engaging as others or may not possess the technological competence to provide evidence of insurance arrangements.</p> <p>The Commercial Tenants Handbook states that occupiers must undertake a fire-risk assessment (FRA) and where appropriate, link the assessment to the wider building fire assessment, furthermore a written record must be made where five or more people are employed.</p> <p>However, we noted that the Council does not maintain a record that documents the number of workers their tenants employ and furthermore does not hold a register of fire-risk assessments relating to their leased properties.</p> <p><i>Risk:</i> Tenants do not comply with leases leading to property falling into disrepair or becoming unsafe.</p>				

Ref	Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility
	Fire safety monitoring arrangements are insufficient or inappropriate leading to loss of life or injury, as well as financial and reputational loss.				
4.4	<p>Update of Process Sheets</p> <p><i>Observation:</i> The Commercial Estates Function uses 'Commercial Process Sheets', which are a series of worksheets on Excel which act as an aide-memoire for protocols that must be followed regarding the issue of leases.</p> <p>Each worksheet does not necessarily relate to another, with specific worksheets followed when they explicitly relate to an applicable lease scenario.</p> <p>The worksheets contain checklists and also contain live hyperlinks that relate to standard forms, e.g. Heads of Terms form.</p> <p>However, audit reviewed the 'Commercial Process Sheets' and found several hyperlinks not active, rendering the worksheets incomplete. Furthermore, the 'Debtors' worksheet was also blank and therefore incomplete.</p> <p><i>Risk:</i> Inconsistencies can arise due to officers not adhering to the approved processes and corporate expectations.</p>	<p>The Council should update all worksheets within the 'Commercial Process Sheets' to ensure each live hyperlink is active and working, to allow staff to access the attached documentation.</p> <p>Furthermore, the Council should work to complete all worksheets, most notably the 'Debtors' worksheet which contains a blank checklist.</p>	Low	Agreed It is intended to use workflow tools that will be available under Office 365 to update the processes and build-in the process.	30 th June 2024 Estates & Assets Manager

Ref	Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility
4.5	<p>Formal Check-Ins with Tenants</p> <p><i>Observation:</i> Audit noted that the Commercial Estates Surveyor aims to visit each tenant at least once a month, to check-in and provide opportunity to discuss any business issues tenants may be facing. However, these visits are not formally recorded.</p> <p>We established through conversations with management that controls regarding identifying tenants at risk of going out of business, are largely reactive as opposed to detective.</p> <p>Audit learnt that the Council has launched a new Facilities Management Package, TrackPlan, with an aim to standardise and formalise maintenance checks that occur at their units.</p> <p>This software could provide opportunity for the Council to standardise formal check-ins at their tenants, and potentially record notes of such meetings, therefore providing a clear audit trail of when tenants have been contacted.</p> <p><i>Risk:</i> Tenants at risk of going out of business are not identified and action plans put in place do not mitigate any impacts promptly.</p>	<p>The Council should look to establish and record formal check-ins with all tenants to ensure they are aware of any potential business issues and interruptions.</p> <p>Functionality of TrackPlan should be explored to verify whether details of such check-ins can be recorded on the software for ease of use.</p>	Low	<p>Agreed, we will where practical, implement formal quarterly tenant check-ins with frequent, non-formal monitoring to continue.</p> <p>Monitoring will be complimented by the debt monitoring process and provide greater insight into a Tenant's continued viability.</p>	<p>30th June 2024</p> <p>Estates & Assets Manager</p>
4.6	<p>Update to Lease & Rent Management Policy and Commercial Tenants Handbook</p>	<p>The Council should review and complete both policies to ensure they</p>	Low	<p>Agreed It is intended to use workflow tools that will be available under Office 365 to</p>	<p>30th June 2024</p>

Ref	Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility
	<p><i>Observation:</i> The Council has a Lease & Rent Management Policy (dated 2022) which outlines standards that must be followed by the Commercial Estate Function in selecting tenants, granting leases, and determining rent levels.</p> <p>The Council also has a Commercial Tenants Handbook in place, which provides guidance to tenants of their roles and responsibilities with respect of their occupancy of commercial premises.</p> <p>Review of both the policy and handbook show that both documents are incomplete, with some sections left completely blank.</p> <p><i>Risk:</i> Inconsistencies can arise due to officers not adhering to the approved processes and corporate expectations</p> <p>Tenants do not comply with leases leading to property falling into disrepair or becoming unsafe.</p>	<p>are fully complete and readily accessible.</p> <p>As planned, the Council should introduce a 'Unit Handover' section within the Commercial Tenants Handbook, to clearly document and evidence the stages that must be complied with to allow for a successful handover.</p>		<p>update the processes and build-in the process.</p>	<p>Estates & Assets Manager</p>

A1 Audit information

Audit Control Schedule	
Client contacts:	Ashley Wilson: Head of Finance Malcolm Evans: Estates & Assets Manager Matt Burns: Commercial Estates Surveyor
Internal Audit Team:	Peter Cudlip: Partner Sarah Knowles: Engagement Manager Aman Purewal: Internal Auditor
Finish on-site / Exit meeting:	21 March 2023
Draft report issued:	31 May 2023
Management responses received:	20 June 2023
Final report issued:	21 June 2023

Report Distribution List		
Report	Name	Job Title
Draft & Final	Julie Kenny	Director (Corporate and Streetscene Services)
Final	Bill Cullen	Chief Executive
Draft & Final	Ashley Wilson	Head of Finance
Draft & Final	Malcolm Evans	Estates & Assets Manager
Draft & Final	Matt Burns	Commercial Estates Surveyor

Scope and Objectives

Audit objective: Our objective is to evaluate and assess the adequacy and effectiveness of the Council's arrangements for the management of commercial assets.

Our audit considered the following risks relating to the area under review:

- Governance Arrangements:
 - Governance boards and management meetings do not provide the desired direction and transparency to meet the objectives of the Asset Management Plan.
 - Officers in services do not adhere to the approved processes and corporate expectations.
- Financial Management:
 - Budgets and forecasts are not reviewed and updated on a regular basis.
 - Empty properties are not identified and re-let in a timely manner leading to loss of potential income.
 - Debt recovery procedures and monitoring is ineffective leading to income not being collected in a timely manner.
 - Tenants at risk of going out of business are not identified and action plans put in place to mitigate any impacts promptly.
 - Acquisitions and disposals are not supported by an appropriate business case and financial forecasts / modelling.
- Lease Compliance:
 - Tenants do not comply with leases leading to property falling into disrepair or becoming unsafe.
 - Rents and leases are not reviewed on a regular basis and / or have not been agreed formally leading to inappropriate arrangements being in place.
 - Fire safety monitoring arrangements are insufficient or inappropriate leading to loss of life or injury, as well as financial and reputational loss.
- Performance Information:

- Performance information is not discussed on a regular basis leading to management being unaware of financial performance.
- Poor performance is not identified and corrected promptly.

The objective of our audit was to evaluate the adequacy of key controls and the extent to which controls have been applied, with a view to providing an opinion on the extent to which risks in this area are managed. In giving this assessment, it should be noted that assurance cannot be absolute. The most an Internal Audit service can provide is reasonable assurance that there are no major weaknesses in the framework of internal control.

The limitations to this audit were that testing was performed on a sample basis and as a result our work does not provide absolute assurance that material error, loss or fraud does not exist.

Definitions of Assurance Levels	
Level	Description
Substantial	The framework of governance, risk management and control is adequate and effective.
Moderate	Some improvements are required to enhance the adequacy and effectiveness of the framework of governance, risk management and control.
Limited	There are significant weaknesses in the framework of governance, risk management and control such that it could be or could become inadequate and ineffective.
Unsatisfactory	There are fundamental weaknesses in the framework of governance, risk management and control such that it is inadequate and ineffective or is likely to fail.

Definitions of Recommendations	
Priority	Description
High (Fundamental)	Significant weakness in governance, risk management and control that if unresolved exposes the organisation to an unacceptable level of residual risk.
Medium (Significant)	Weakness in governance, risk management and control that if unresolved exposes the organisation to a high level of residual risk.
Low (Housekeeping)	Scope for improvement in governance, risk management and control.

Statement of Responsibility

We take responsibility to Hinckley and Bosworth Borough Council for this report which is prepared on the basis of the limitations set out below.

The responsibility for designing and maintaining a sound system of internal control and the prevention and detection of fraud and other irregularities rests with management, with internal audit providing a service to management to enable them to achieve this objective. Specifically, we assess the adequacy and effectiveness of the system of internal control arrangements implemented by management and perform sample testing on those controls in the period under review with a view to providing an opinion on the extent to which risks in this area are managed.

We plan our work in order to ensure that we have a reasonable expectation of detecting significant control weaknesses. However, our procedures alone should not be relied upon to identify all strengths and weaknesses in internal controls, nor relied upon to identify any circumstances of fraud or irregularity. Even sound systems of internal control can only provide reasonable and not absolute assurance and may not be proof against collusive fraud. The matters raised in this report are only those which came to our attention during the course of our work and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. Recommendations for improvements

should be assessed by you for their full impact before they are implemented. The performance of our work is not and should not be taken as a substitute for management's responsibilities for the application of sound management practices.

This report is confidential and must not be disclosed to any third party or reproduced in whole or in part without our prior written consent. To the fullest extent permitted by law Mazars LLP accepts no responsibility and disclaims all liability to any third party who purports to use or rely for any reason whatsoever on the Report, its contents, conclusions, any extract, reinterpretation amendment and/or modification by any third party is entirely at their own risk.

Registered office: 30 Old Bailey, London, EC4M 7AU, United Kingdom.
Registered in England and Wales No 0C308299.

Mazars LLP is the UK firm of Mazars, an international advisory and accountancy group. Mazars LLP is registered by the Institute of Chartered Accountants in England and Wales to carry out company audit work.

Contacts

Peter Cudlip
Partner, Mazars
peter.cudlip@mazars.co.uk

Sarah Knowles
Manager, Mazars
sarah.knowles@mazars.co.uk

Hannah Parker
Manager, Mazars
hannah.parker@mazars.co.uk

Mazars is an internationally integrated partnership specialising in audit, accountancy, advisory, tax and legal services*. Operating over 90 countries and territories around the world, we draw on the expertise of 44 000 professionals – 28000 in Mazars' integrated partnership and 16,000 via the Mazars North American Alliance – to assist clients of all sizes at every stage in their development.

*Where permitted under applicable country laws

www.mazars.co.uk

This page is intentionally left blank



Hinckley & Bosworth Borough Council - Internal Audit Report

Carbon Neutral Action Plan

July 2023

Final Report

Contents

01 Introduction	3
02 Background	3
03 Key findings	4
04 Areas for Further Improvement and Action	6
A1 Audit Information	11
Statement of Responsibility	12

Disclaimer

This report (“Report”) was prepared by Mazars LLP at the request of Hinckley & Bosworth Borough Council and terms for the preparation and scope of the Report have been agreed with them. The matters raised in this Report are only those which came to our attention during our internal audit work. Whilst every care has been taken to ensure that the information provided in this Report is as accurate as possible, Internal Audit have only been able to base findings on the information and documentation provided and consequently no complete guarantee can be given that this Report is necessarily a comprehensive statement of all the weaknesses that exist, or of all the improvements that may be required.

The Report was prepared solely for the use and benefit of Hinckley & Bosworth Borough Council and to the fullest extent permitted by law Mazars LLP accepts no responsibility and disclaims all liability to any third party who purports to use or rely for any reason whatsoever on the Report, its contents, conclusions, any extract, reinterpretation, amendment and/or modification. Accordingly, any reliance placed on the Report, its contents, conclusions, any extract, reinterpretation, amendment and/or modification by any third party is entirely at their own risk. Please refer to the Statement of Responsibility in Appendix A1 of this report for further information about responsibilities, limitations and confidentiality.

01 Introduction

As part of the 2021/22 Internal Audit Plan for Hinckley and Bosworth Borough Council (the Council), we have undertaken a review of the Carbon Neutral Action Plan. The objective of the audit was to provide Members, the Chief Executive and other officers with reasonable, but not absolute, assurance as to the adequacy and effectiveness of the key controls relating to the Carbon Neutral Action Plan.

We are grateful to the Private Sector Housing & Climate Change Manager and other staff for the assistance they provided to us during the course of the audit.

This report summarises the results of the internal audit work and, therefore, does not include all matters that came to our attention during the review. Such matters have been discussed with the relevant staff.

02 Background

The recent release of the Government's net zero strategy and the United Nations COP26 Conference have heavily intensified the focus on the need to mitigate and reverse climate change. Projections show that current pledges are not sufficient to restrict the global average temperature rise to 1.5°C, bringing us towards climate 'tipping points' resulting in irreversible damage and instability. It is therefore crucial that organisations step forward and take immediate action to drive meaningful, lasting change to safeguard against the wide-ranging risks posed by climate change. Local authorities are well positioned to lead on decarbonisation with wide-ranging service offerings and direct links with communities.

In July 2019, the Council declared a climate emergency in recognition of the substantial and imminent challenges posed by climate change. As part of the declaration, targets were implemented to make the Council carbon neutral by 2030 for direct emissions, and an ambition for the borough to be carbon neutral by 2050, in line with the government target of net zero emissions by 2050.

The Council pledged to report a Climate Change Action Plan (the Action Plan) within six to nine months of the declaration, detailing how the Council

will achieve the 2030 commitment, including staff time and resources required. The action plan was accompanied by the 2020/21 Climate Change Strategy.

The Corporate Plan for 2022 to 2025 details the Council's vision across themes of People, Places and Prosperity. The Climate Change Strategy supports the corporate plan vision of 'creating great places to live, work and relax through creating clean and attractive places to live and work.'

In January 2022, a new Climate Change Strategy was approved by the Council, with the themes of Buildings and Land Use; Travel; Community; Waste; and Economy. The current Climate Change Strategy covers the period until 2024 and was approved in January 2022. The Strategy lists a number of actions to be taken, broken down across the five aforementioned categories.

The strategy is supported by an action plan, which should be reviewed at least annually. Ownership for the Climate Action Plan is with the Carbon Reduction and Climate Change Officer, supported by the Private Sector Housing and Climate Change Manager.

As at Summer 2022, HBBC's action plan is recorded and maintained on the governance software In-Phase.

There are a number of groups involved with the Council's Climate Strategy and Action Plan. The Cross Party Working Group (Member's Group) is made up of seven members. They are responsible for **monitoring progress against the climate change action plan** and meet quarterly.

An Officer Climate Change Group made of Officers from across the organisation, meets monthly. The Group is supported by the Director (Community Services). This group monitors progress against the Action Plan and oversees a series of Task and Finish Groups, each responsible for one of the themes within the Action Plan (Buildings and Land Use; Travel; Community; Waste; and Economy).

These Task and Finish groups meet monthly, and were established to begin to deliver the tasks within the current Action Plan, to reduce carbon usage and to achieve the set net zero target.

03 Key findings

Assurance Rating



Limited Assurance

Rationale

Based on the agreed scope and rating criteria (see **Appendix A1** for the detailed scope and definitions of the assurance ratings), there is **Limited** assurance over the system of internal control evaluated.

Whilst we understand that this is a new stream of work for the council that has required significant culture change, the audit focused on assessing the control framework in place at the time of the audit, and was not an assessment of progress in this audit area.

We have identified several areas of fundamental and significant control deficiency. Further detail regarding the recommendations is in **Section 04** and a summary of key observations is included below.

Priority	Number of Recommendations
High	2
Medium	6
Low	-
TOTAL	8

3.1 Examples of areas where controls are operating reliably

- In January 2022, a new Climate Change Strategy was approved by the Council, with the themes of Buildings and Land Use; Travel; Community; Waste; Economy.

- The Corporate Plan for 2022- 2025 details the Council’s vision across People, Places and Prosperity. The Climate Change Strategy supports the corporate plan vision of creating great places to live, work and relax through creating clean and attractive places to live and work.
- All actions in the plan have a linked category. All actions have an individual listed as owner and are noted as ‘In Progress’.
- Management introduced a Climate Change Report for the Senior Leadership Team. This was first issued in July 2022 and is due to be issued quarterly.
- HBBC participates in a quarterly Green Living Group, along with the other Leicestershire District and Borough Councils, Leicestershire County Council and Leicester City Council. The Terms of Reference for the Group states they will ‘provide a forum for co-ordinating and collaborating on the development and implementation of the group members commitments and objectives to green living initiatives.
- Management hold a monthly Climate Change meeting with the Executive Member for Climate Change. We confirmed that agendas were in place monthly from December 2021 to present.

3.2 Risk Management

At the beginning of fieldwork, we requested to see the Council’s Corporate Risk Register, as stored in In-Phase. The first version of the Risk Register (August 2022) did not include any risks related to the declared climate emergency. However, this was updated during the course of the audit and the October 2022 version included a risk (S55-Climate Emergency).

Mitigating actions listed in the Risk Register on In-Phase, as at 13 October are:

Cross party member working group and officer working group established, task and finish groups are working to deliver the climate change strategy and an action plan has been developed which is reviewed quarterly. There is a quarterly update report for SLT. Work is

also being undertaken in partnership with the other Leicestershire districts and county council.

Our fieldwork identified that some meetings are not held consistently and the oversight of the Action Plan in these meetings is not clearly documented. We have also identified other areas for improvements and our recommendations are detailed in Section 04.

3.3 Value for Money

As with all public sector organisations, the Council needs to be cognizant of spend in relation to its Climate Action Plan. Currently, the Council has not worked out any specific costs for implementing the action plan. Management advised that costs will be established via the financial strategy and the departmental reports by March 2023.

In its current form, the action plan does not include sub-actions, accurate timescales or links to specific departments. We have raised recommendations in relation to this in Section 04, but without this key information, the Council will be unable to demonstrate the costs and expected benefits of implementing its action plan.

04 Areas for Further Improvement and Action

Definitions for the levels of assurance and recommendations used within our reports are included in **Appendix A1**.

We identified areas where there is scope for improvement in the control environment. The matters arising have been discussed with management, to whom we have made recommendations. The recommendations are detailed in the management action plan below.

Comment from Management:

“The audit has been completed but could more fully acknowledge that this was a new stream of work which has required a significant culture change across the council and participation of officers from across all services. The work was developed against the backdrop of Covid, where many of the officers involved had competing priorities. The work that has taken place should be recognised and officers commended for the progress that has been made across the different work streams and action plan”.

Ref	Observation/Risk	Recommendation	Priority	Management response	Timescale/responsibility
4.1	<p>Climate Action Plan- Links with Strategy We attempted to match the actions listed in the Climate Change Strategy (January 2022) to the Climate Action Plan (October 2022) and were unable to match these. The Private Sector Housing and Climate Change Manager informed us that as part of the migration to In-Phase, the Action Plan was still in the process of being updated in line with the Strategy.</p> <p><i>Risk: Lack of alignment with the strategy could result in wasted time and resources, which may result in the strategic objective not being achieved.</i></p>	The Council should ensure the Action Plan is updated to reflect the Council’s Climate Change Strategy.	High	At the time of the audit there were 9 actions missing from the word version of the action plan. The action plan was being migrated over to Inphase to ensure actions could be tracked more easily. The Action Plan on Inphase does reflect the strategy. Most actions on the action plan match the strategy word for word. Some actions have been grouped together under one action but are commented on by the lead officer in the comments section. Actions also have more information available under the details tab. In this section all previous comments and RAG ratings can be seen in order to monitor progress.	Complete

Ref	Observation/Risk	Recommendation	Priority	Management response	Timescale/responsibility
4.2	<p>Climate Action Plan- Management</p> <p>The due date of all actions listed in the plan is March 2023. We were informed by the Private Sector Housing and Climate Change Manager that the dates currently recorded on In-phase are incorrect, due to a technical problem with In-Phase. The dates were incorrect when we first viewed the Action Plan in August 2022 and were still incorrect in the October 2022 version.</p> <p>We asked why the timescales weren't decided at the time of strategy implementation and management advised that they did not have the information at the time to make decisions on timescales as the departmental plans are not yet completed.</p> <p>Of the 38 actions in the plan, 12 are not Red, Amber, Green (RAG) rated. Management advised they are in the process of completing this activity, however, awaiting rollout and completion of Carbon Literacy training first.</p> <p><i>Risk: The Action Plan does not contain sufficient detail in order to efficiently manage and monitor progress of actions.</i></p>	<p>The Council should ensure all actions within the plan are RAG rated and have realistic due dates.</p> <p>The actions should be regularly monitored to ensure that progress against the plan is on track, or assistance can be given where actions are falling behind target.</p>	High	<p>The action plan is RAG rated. All previous updates and RAG rating can be seen in the details tab. Some actions may not have been updated at the time of audit as officers are asked to update quarterly.</p> <p>The issue with the dates was a technical problem as part of the migration to in phase which was advised at the time of the audit.</p>	Complete
4.3	<p>Climate Change Strategy</p> <p>The current Strategy covers the period until 2024 and was approved in a Council meeting in January 2022. There are currently no plans to review the strategy until 2024, unless there are any material changes.</p> <p><i>Risk: The Strategy becomes incorrect or out of date and does not reflect the Council's current practice or changes in the regulatory environment.</i></p>	<p>The Council should review and update its Climate Change Strategy on an annual basis to take account of in-year events that may affect it.</p>	Medium	<p>This action is not accepted.</p> <p>Corporately the council does not review and update Strategies on an annual basis. The action plan is continually reviewed and updated and this is where in year events can be included.</p>	N/A

Ref	Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility
4.4	<p>Actions</p> <p>At the time of the audit, we noted that there are no specific plans in place that set out how each of the Council's departments will contribute towards net zero targets for the Council and the borough</p> <p>Management advised that they plan to develop departmental plans, following rollout of Carbon Literacy training to staff.</p> <p>The current Climate Action Plan lists 41 actions and their accompanying related category. The listed actions are broad and do not have related sub-actions.</p> <p><i>Risk: Actions are not specific enough for the Council to achieve its climate change objectives.</i></p>	The Council should establish departmental specific actions and incorporate these into the Climate Action Plan.	Medium	This work was already underway at the time of the audit and audit were advised of this.	September 2023 Private Sector Housing & Climate Change Manager
4.5	<p>Resource</p> <p>Ownership for the Climate Action Plan is with the Carbon Reduction and Climate Change Officer who has been in post for the last year. The Carbon Reduction and Climate Change Officer is a full-time member of staff who has been hired on a rolling 12 month contract, now extended for another 12 months. The Council are working on a bid to extend the funding for another two years. This post is supported by the Private Sector Housing and Climate Change Manager.</p> <p><i>Risk: The Council does not have adequate resource dedicated to Climate Change to achieve its net zero objectives.</i></p>	The Council should consider reviewing its current resource allocated to Climate.	Medium	Capacity is now in place until March 2025	Complete
4.6	<p>Cross Party Working Group/Members Group</p> <p>According to its Terms of Reference, this group should meet quarterly and is responsible for monitoring progress against the Climate Change Action Plan.</p>	The Council should ensure its Members Group meets regularly as set out in the	Medium	The Member working group does meet. Two meetings were missed – one due to availability due to summer holidays and one due to the Queen's funeral. Task	Complete

Ref	Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility
	<p>We reviewed meeting minutes and found that the group last met in April 2022, and was not due to meet again until November 2022. A planned meeting in September 2022 was cancelled due to the Queen Elizabeth II's death.</p> <p>From our review of meeting minutes, we could not confirm that the action plan had been discussed at this group in the last twelve months.</p> <p>Management advised that the action plan is discussed through updates from each of the Task and Finish groups and is recorded as such in the meeting minutes. However, the Task and Finish Groups were only set up in April 2022 and at the time of the audit, no meetings had been held since.</p> <p>The only information recorded in the meeting minutes regarding the Task and Finish Groups from April 2022 is the following:</p> <p><i>'It was reported that the Climate Change Officer group had been split to create five smaller groups to help delivery, progress and action the strategy. Each group had a different topic and consisted of relevant officers to be able to deliver on actions.'</i></p> <p><i>Risk: The action plan does not have the required oversight and is therefore not progressed adequately.</i></p>	ToR and discusses the action plan regularly.		and finish updates, which are aligned to the action plan, are given. We will include an explicit agenda item "action plan" for future meetings.	
4.7	<p>Officer Climate Change Group</p> <p>The Officer Climate Change Group meets monthly and oversees a series of task and finish groups who are working on the action plan. They are responsible for progressing actions within the Strategy and should review this quarterly.</p> <p>We reviewed the meeting agendas for this monthly meeting since April 2022 and confirmed these included</p>	The Council should ensure its Officer Group discusses the action plan at least quarterly, in line with expectations. Discussions and actions arising from the meeting should be captured.	Medium	The action plan oversight is described in the minutes as the task and finish group updates, this is the review of the action plan and updates have been included at every meeting since they were introduced. Notes of the meeting are now produced	Complete

Ref	Observation/Risk	Recommendation	Priority	Management response	Timescale/responsibility
	<p>an agenda item for the action plan and Task and Finish Group updates.</p> <p>However, we also reviewed minutes for this group and could not see evidence of the action plan being discussed since August 2021.</p> <p>The Private Sector Housing and Climate Change Manager advised that the action plan is discussed, but that this has not been reflected in the minutes, and that these discussions will have been captured in the audio recordings of the meetings minutes. It is our view, that the meeting minutes should be an accurate reflection of all key discussions and actions, and we therefore did not listen to the audio recordings.</p> <p><i>Risk: The action plan does not have the required oversight and is therefore not progressed adequately.</i></p>			but weren't in the early days of this work due to lack of capacity.	
4.8	<p>Task and finish groups</p> <p>Five Task and Finish Groups have been established, in order to deliver the tasks within the current action plan, reduce carbon usage and achieve the net zero target. These groups should meet monthly, but meetings are not minuted. Instead, outputs from these groups are expected to be presented to the monthly Officer Climate Change Group in the form of an update.</p> <p>As detailed in recommendation 4.6, we were unable to confirm that updates were made monthly to the Group. As meetings are not minuted and updates to the Group could not be evidenced, we were unable to confirm that meetings are being consistently being held monthly.</p> <p><i>Risk: The action plan does not have the required oversight and is therefore not progressed adequately.</i></p>	Task and Finish Groups should meet monthly as expected. Outputs from these meetings should be reflected in the Action Plan and update reports to the Officer Group.	Medium	All task and finish groups meet monthly (and did at the time of the audit) except the building task and finish which is broken down into smaller project groups some of which meet weekly. Green living, SHDF, LAD2, LAD3, HUG1, ECO4, MEES and Assets are discussed within existing meetings. The action plan is updated with outputs from the meetings.	Complete

A1 Audit Information

Audit Control Schedule	
Client contacts:	Sharon Stacey Director: Community & Development Services Rosemary Leach: Private Sector Housing & Climate Change Manager Danielle Leggett: Carbon Reduction & Climate Change Officer
Internal Audit Team:	Peter Cudlip: Partner Sarah Knowles: Senior Manager Jessica Holt: Assistant Manager
Finish on site / Exit meeting:	27 October 2022
Draft report issued:	16 November 2022 / 7 March 2023
Management responses received:	7 July 2023
Final report issued:	12 July 2023

Report Distribution List		
Report	Name	Job Title
Draft & Final	Danielle Leggett	Carbon Reduction & Climate Change Officer
Draft & Final	Rosemary Leach	Private Sector Housing & Climate Change Manager
Draft & Final	Sharon Stacey	Director (Community and Development Services)
Draft & Final	Ashley Wilson	Head of Finance (Section 151 Officer)
Final	Bill Cullen	Chief Executive

Scope and Objectives

Audit objective:

To provide Members, the Chief Executive and other officers with reasonable, but not absolute, assurance as to the adequacy and effectiveness of the key controls relating to the Carbon Neutral Action Plan

Our audit considered the following risks relating to the area under review:

- External Changes in Political and/or legislative environment including ongoing impact of Covid-19 resulting in fewer resources dedicated to implementing the strategy;
- Failure to achieve climate change objectives;
- Failure to monitor Climate Emergency Action Plan may result in carbon footprint not being reduced and the Council not becoming carbon neutral by 2030;
- Lack of expertise / knowledge resulting in failure to reduce the negative impact from activities upon the environment;
- Lack of consistency between the Council's and Leicestershire County Council's goals;
- Executive and senior management are not made aware of progress in implementing the Climate Emergency Action Plan resulting in poor progress not being identified; and
- Significant climate change could threaten the wellbeing of Hinckley & Bosworth residents and disrupt the economy if not monitored.

The objective of our audit was to evaluate the adequacy of key controls and the extent to which controls have been applied, with a view to providing an opinion on the extent to which risks in this area are managed. In giving this assessment, it should be noted that assurance cannot be absolute. The most an Internal Audit service can provide is reasonable assurance that there are no major weaknesses in the framework of internal control.

The limitations to this audit were that testing was performed on a sample basis and as a result our work does not provide absolute assurance that material error, loss or fraud does not exist.

Definitions of Assurance Levels	
Level	Description
Substantial	The framework of governance, risk management and control is adequate and effective.
Moderate	Some improvements are required to enhance the adequacy and effectiveness of the framework of governance, risk management and control
Limited	There are significant weaknesses in the framework of governance, risk management and control such that it could be or could become inadequate and ineffective.
Unsatisfactory	There are fundamental weaknesses in the framework of governance, risk management and control such that it is inadequate and ineffective or is likely to fail.

Definitions of Recommendations	
Priority	Description
High (Fundamental)	Significant weakness in governance, risk management and control that if unresolved exposes the organisation to an unacceptable level of residual risk.
Medium (Significant)	Weakness in governance, risk management and control that if unresolved exposes the organisation to a high level of residual risk.
Low (Housekeeping)	Scope for improvement in governance, risk management and control.

Statement of Responsibility

We take responsibility to Hinckley and Bosworth Borough Council for this report which is prepared on the basis of the limitations set out below.

The responsibility for designing and maintaining a sound system of internal control and the prevention and detection of fraud and other irregularities rests with management, with internal audit providing a service to management to enable them to achieve this objective. Specifically, we assess the adequacy and effectiveness of the system of internal control arrangements implemented by management and perform sample testing on those controls in the period under review with a view to providing an opinion on the extent to which risks in this area are managed.

We plan our work in order to ensure that we have a reasonable expectation of detecting significant control weaknesses. However, our procedures alone should not be relied upon to identify all strengths and weaknesses in internal controls, nor relied upon to identify any circumstances of fraud or irregularity. Even sound systems of internal control can only provide reasonable and not absolute assurance and may not be proof against collusive fraud. The matters raised in this report are only those which came to our attention during the course of our work and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. Recommendations for improvements should be assessed by you for their full impact before they are implemented. The performance of our work is not and should not be taken as a substitute for management's responsibilities for the application of sound management practices.

This report is confidential and must not be disclosed to any third party or reproduced in whole or in part without our prior written consent. To the fullest extent permitted by law Mazars LLP accepts no responsibility and disclaims all liability to any third party who purports to use or rely for any reason whatsoever on the Report, its contents, conclusions, any extract, reinterpretation amendment and/or modification by any third party is entirely at their own risk.

Registered office: 30 Old Bailey, London, EC4M 7AU, United Kingdom. Registered in England and Wales No 0C308299. Mazars LLP is the UK firm of Mazars, an international advisory and accountancy group. Mazars LLP is registered by the Institute of Chartered Accountants in England and Wales to carry out company audit work.

Contacts

Peter Cudlip

Partner, Mazars

peter.cudlip@mazars.co.uk

Sarah Knowles

Manager, Mazars

sarah.knowles@mazars.co.uk

Mazars is an internationally integrated partnership specialising in audit, accountancy, advisory, tax and legal services*. Operating over 90 countries and territories around the world, we draw on the expertise of 44 000 professionals – 28000 in Mazars' integrated partnership and 16,000 via the Mazars North American Alliance – to assist clients of all sizes at every stage in their development.

*Where permitted under applicable country laws

www.mazars.co.uk

This page is intentionally left blank



Ernst & Young LLP
No 1 Colmore Square
Birmingham
B4 6HQ

Tel: +44 122 339 4400
Fax: +44 122 339 4401
ey.com

23 May 2023

Your ref: Section 151 Officer

Dear Section 151 Officer colleagues

Local Audit market update

National delivery of Local Audit

We are delighted to have been successful in our bid to the PSAA to remain a supplier of local public audit, during which we sought to demonstrate our track record and continued commitment to providing high quality audit in this sector. We share PSAA and other stakeholders' views that the audit market provides high quality assurance and remains sustainable into, and beyond, the period of this next contract.

The national picture of delivery for local audit continues to remain challenging, with the number of audits in progress across the sector remaining high. The issues identified in the 2020 independent review by Sir Tony Redmond (Redmond Review) on financial reporting and external audit continues to impact on the timelines to deliver a quality audit to audited bodies. Those factors impacting the audit profession are not operating in isolation and delivery of external audit is also being impacted by several other key factors within individual Authorities.

We also acknowledge DLUHC's letter to Authorities sent on 14 March 2023. We are pleased to see that this requests collaborative working to resolve any historical open audits, including shorter term requests to provide Authorities, specifically Audit Committees, with a position statement, to accompany those being provided separately by management. Your key audit partner will be liaising with you directly about the timeline for your open audits and subsequent reporting to your Audit Committee.

Transition between the existing and new PSAA contract

The delivery of the existing PSAA contract audits, as well as planning for the transition to the new contract from 2023/24 is a key priority for us.

If your audit is being transitioned to another firm, transition timing will be impacted by delayed audits, so communication will be key. We will set out a timeline, and agree this with you and the incoming auditor, to ensure all parties can plan their involvement efficiently to avoid duplication of effort. This will include agreeing an exit plan with you to ensure delivery to agreed deadlines, and proactively establishing key meetings required with the incoming auditor to ensure that they have access to the information they need as part of the transition.

Where we remain your auditor, we will continue to liaise with you and set out timelines for the delivery of ongoing and future audits, as well as establishing some key principles on our expectations of you, both in preparing for, and engaging during the audit.

Expected delivery timelines

Our aim is to provide you with a clear and transparent view of the current situation and work with you to complete both the existing programme of open audits and those we are yet to commence.

As part of our continued resource management and planning for the transition between the PSAA contracts we are estimating that our expected delivery of audits under the existing contract (i.e. those relating to 2022/23 and earlier years) will extend through 2024. There are a number of factors that will continue to impact this estimated timeline. We wanted to reassure you that we are continuing to invest significantly in additional headcount in addressing capacity pressures in a sustainable way, noting that increasing audit capacity is only one of the sector-wide improvement actions referred to in the Redmond

Review. Therefore, we will continue to revisit our plans on a regular basis and communicate any changes with you.

At a local team level, the phasing of the current programme of work is being impacted by the number of historic audits that remain in progress. In addition, all audited bodies geographically located across South Yorkshire, the Midlands and Northwest are to be transitioned to other firms creating a high level of demand and pressure within the team. We are keen to deliver and facilitate effective transition arrangements in the most equitable and efficient way.

For open 2019/20, 2020/21 and 2021/22 audits our aspiration is to: sign the earlier audit and substantially progress the subsequent audit by the end of December 2023; with a small number being conducted in the early part of 2024. We are currently working through our phasing of these audits and will be able to share the proposed timing of your audits in due course.

Therefore, we will not be commencing 2022/23 financial year audits prior to this, although where capacity allows, we will evaluate the best way to utilise this within our portfolio based on a number of factors, including size and risk. We are reviewing our plans to work through this segment of work, so we can give you a better indication of the timing of your 2022/23 audit later in the year.

Other services

We are cognisant of the considerable amount of change and challenges in both the local audit market but also in the provision of Housing Benefit certification work and other assurance statements. We want to ensure we have the capacity to deliver existing commitments and provide the following updates:

Housing benefits

We are reviewing our approach to Housing Benefit work from 2023/24 and note that currently:

- In light of the recent PSAA audit procurement and the resulting changes in appointed auditor, where EY will no longer be your external auditor from 2023/24, we will no longer be able to be your reporting accountant for Housing Benefit.
- For those of you where EY continues to be your appointed auditor in 2023/24, we are not yet in a position to be able to confirm whether we can be your reporting accountant, but we will update you through your normal contacts in due course.

Teacher's Pension and CFB06

Having assessed the small number of assurance services we provide in these areas, as well as evaluating the pressures on audit delivery outlined above, we have made the decision that we will not be able to commit to delivering these services in future years. Our decision is based on our continued commitment to providing high quality audits in this extremely important sector and supporting the local audit market in addressing the matters set out in this letter. For any returns where the work has commenced, we will complete the existing assurance statement over the returns.

Thank you for your understanding. We are happy to discuss the issues with you on an engagement level with the relevant Audit Partner, or indeed our Sector Lead, Janet Dawson.

Yours sincerely

for and on behalf of Ernst & Young LLP



Hayley Clark – Partner



Hassan Rohimun - Partner

By virtue of paragraph(s) 3, 10 of Part 1 of Schedule 12A of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank