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Hinckley & Bosworth
Borough Council

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

Date: 09 January 2024

To: Members of the Audit Committee

Cllr DS Cope (Chair)	Cllr MJ Surtees
Cllr A Pendlebury (Vice-Chair)	Cllr BE Sutton
Cllr CM Allen	Cllr BR Walker
Cllr REH Flemming	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, 17 JANUARY 2024** 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 - 17 JANUARY 2024

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 Chair 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 CHAIR DECIDES HAVE TO BE DEALT WITH AS MATTERS OF URGENCY
As announced under item 3 above.
7. ANNUAL AUDIT PLAN - EXTERNAL AUDIT (Pages 5 - 24)
Report of the External Auditor
8. HOUSING BENEFIT SUBSIDY CLAIM AUDIT 2021/22 (Pages 25 - 44)
To inform members of the results of the housing subsidy audit
9. LOCAL AUTHORITY AUDIT FRAMEWORK (Pages 45 - 48)
Update re local authority audit framework
10. 2022/23 REPORT ON THE NATIONAL FRAUD INITIATIVE (Pages 49 - 52)
To update members on the results from the National Fraud initiative audit.
11. AUDIT COMMITTEE SELF ASSESSMENT (Pages 53 - 66)
To present to members a summary of CIPFA's Audit Committees Practical Guidance for Local Authorities and Police
12. 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.

HINCKLEY AND BOSWORTH BOROUGH COUNCIL

AUDIT COMMITTEE

26 JULY 2023 AT 6.30 PM

PRESENT: Cllr DS Cope - Chair
Cllr A Pendlebury – Vice-Chair
Cllr CM Allen (for Cllr MJ Surtees), Cllr REH Flemming, Cllr C Harris,
Cllr E Hollick, Cllr C Lambert, Cllr BR Walker, Cllr R Webber-Jones and
Cllr P Williams

Also in attendance: Councillor KWP Lynch

Officers in attendance: Malcolm Evans, Rosemary Leach, Sally O'Hanlon, John Palmer, Sharon Stacey, Rebecca Valentine-Wilkinson and Ashley Wilson

64. **Apologies and substitutions**

Apologies for absence were submitted on behalf of Councillor Sutton and Councillor Surtees with the substitution of Councillor C Allen authorised in accordance with council procedure rule 10.

65. **Minutes of previous meeting**

It was moved by Councillor Flemming, seconded by Councillor Pendlebury and

RESOLVED – the minutes of the meeting held on 8 February 2023 be approved and signed by the Chairman.

66. **Declarations of interest**

There were no interests declared.

67. **Internal Audit Annual Report 2021/22**

Members were provided with the annual report incorporating the internal audit opinion covering the work undertaken on the internal audit plan for 2021/22.

In response to a question from members around assurances that the authority was doing everything possible to ensure it was in the most robust position, it was confirmed that management actions were being implemented over the next few months and progress would be reported back to committee.

It was moved by Councillor Webber-Jones, seconded by Councillor Williams and

RESOLVED - the report be noted.

68. **Leicestershire Revenue & Benefits Partnership Council Tax & Business Rates 2021/22**

Members were provided with a summary of the results of the internal audit work carried out on behalf of the Leicestershire Revenues and Benefits Partnership.

All recommendations had been received by management for information in terms of assurances throughout the year.

It was moved by Councillor Webber-Jones, seconded by Councillor Williams and

RESOLVED – the report be noted.

69. **Internal Audit plan progress report 2022/23**

Members were provided with a summary of the 2022/23 internal audit plan.

In response to a question from members around the amount of days allocated for this audit, it was confirmed that if additional work was required there was flexibility in the plan and this would be managed accordingly.

It was proposed by Councillor Hollick, seconded by Councillor C Allen, and

RESOLVED – the report be noted.

70. **Commercial Asset Management Final Report 2022/23**

Members received a summary of the commercial asset management internal audit report for 2022/23.

In a response to a question from members around the council being resilient to the commercial environment in terms of the way it managed KPI's moving forward, it was confirmed that this was covered as part of the audit and debt management had been rated a medium level priority.

Members also questioned the timescales around quarterly checks not being completed until June 2024, it was confirmed that it would take time to introduce the new software and train up the appropriate staff.

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

RESOLVED – the report be noted.

71. **Carbon Neutral Action Plan July 2023**

Members received a summary of the internal audit work which formed part of the 2021/22 internal audit plan carried out on the carbon neutral action plan.

Responding to a question from members around the bio diversity strategy it was confirmed that staff would be refreshing the climate change strategy to include the bio diversity priorities following on from the emergency declaration that was agreed at council.

Officers confirmed that the climate change work achieved to date was an excellent achievement, included bringing in approximately £4.5m in external funding and was disappointed that the audit didn't reflect this.

Members thanked the team for this work and officers confirmed that it had been the whole council that had worked on this and it had been a real culture shift

through every single service, with people thinking how they could contribute to becoming carbon neutral.

It was confirmed that the audit would be discussed at the next climate change working party.

It was proposed by Cllr Walker, seconded by Councillor Hollick, and

RESOLVED – the report be noted.

72. External Auditor Transition and Delivery Letter

Members were provided with an update regarding the work of the external auditors.

The report was noted.

73. Matters from which the public may be excluded

On the motion of Councillor Webber-Jones seconded by Councillor Allen, it was

RESOLVED – in accordance with Section 100A(4) of the Local Government Act 1972, the public be excluded from the following item of business on the grounds that it involves the disclosure of exempt information as defined in paragraphs 3 and 10 of Schedule 12A of the 1972 Act.

74. Leicestershire ICT Partnership Cyber Security 2022/23 Internal Audit Report

Members were provided with the internal audit report on the cyber security for Leicestershire ICT Partnership for 2022/23.

It was proposed by Councillor Webber-Jones, seconded by Councillor Hollick and

RESOLVED – the report be noted.

(The Meeting closed at 7.40 pm)

CHAIR

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Hinckley and Bosworth Borough Council

External audit plan

Year ended 31 March 2024

December 2023



Agenda Item 7

Your key team members

Chris Brown

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Introduction

Adding value through the audit

All of our clients demand of us a positive contribution to meeting their ever-changing business needs. Our aim is to add value to the Council through our external audit work by being constructive and forward looking, by identifying areas of improvement and by recommending and encouraging good practice. In this way, we aim to help the Council promote improved standards of governance, better management and decision making and more effective use of resources.

Purpose

This audit plan highlights the key elements of our proposed audit strategy and provides an overview of the planned scope and timing of the statutory external audit of Hinckley and Bosworth Borough Council ('the Council') for the year ended 31 March 2024 for those charged with governance.

The core elements of our work include:

- An audit of the 2023/24 statement of accounts for the Council; and
- An assessment of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources (value for money work).

Auditor responsibilities

We are responsible for performing an audit, in accordance with International Standards on Auditing (ISAs) (UK), the Local Audit and Accountability Act 2014 (the Act), and the Code of Audit Practice issued by the National Audit Office. The Code of Audit Practice sets out what local auditors of relevant local public bodies are required to do to fulfil their statutory responsibilities under the Act.

Our primary responsibility is to form and express an independent opinion on the Council's statement of accounts, stating whether they provide a true and fair view and have been prepared properly in accordance with applicable law and the CIPFA Code of Practice on Local Authority Accounting in the UK (the CIPFA Code).

We are also required to:

- Report on whether the other information included with the financial statements (including the narrative report and annual governance statement) is consistent with the financial statements;
- Report by exception if the disclosures in the annual governance statement are incomplete or if the annual governance statement is misleading or inconsistent with our knowledge acquired during the audit;
- Report by exception any significant weaknesses identified in arrangements for securing value for money and a summary of associated recommendations;
- Report by exception on the use of our other statutory powers and duties; and
- Certify completion of our audit.

continued over

Introduction

We will conduct our audit in accordance with International Standards on Auditing (ISAs) (UK), the Local Audit and Accountability Act 2014 (the 'Act'), and the National Audit Office Code of Audit Practice.

This audit plan has been prepared for the sole use of those charged with governance and management and should not be relied upon by third parties. No responsibility is assumed by Azets Audit Services to third parties.

Auditor responsibilities *(continued)*

Under the Act we have a broad range of reporting responsibilities and powers that are unique to the audit of local authorities in the United Kingdom. These include:

- Reporting matters in the public interest;
- Making written recommendations to the Council;
- Making an application to the court for a declaration that an item of account is contrary to law;
- Issuing an advisory notice; or
- Making an application for judicial review.

The Act also requires us to give an elector, or any representative of the elector, the opportunity to question us about the accounting records of the Council and consider any objection made to the accounts.

On completion of our audit work, we will issue an audit findings report detailing our significant findings and other matters arising from the audit of the financial statements, together with an auditor's annual report including our commentary on the value for money arrangements.

If, during the course of the audit, we identify any significant adverse or unexpected findings that we conclude should be communicated, we will do so on a timely basis, either informally or in writing.

The audit does not relieve management or the Audit Committee of your responsibilities, including those in relation to the preparation of the statement of accounts.

Council responsibilities

The Council has responsibility for:

- Preparing financial statements which give a true and fair view, in accordance with the applicable financial reporting framework and relevant legislation;
- Preparing and publishing, along with the financial statements, an annual governance statement and narrative report;
- Maintaining proper accounting records and preparing working papers to an acceptable professional standard that support its financial statements and related reports disclosures; and
- Ensuring the proper financial stewardship of public funds, complying with relevant legislation and establishing effective arrangements for governance, propriety and regularity.

Audit scope and general approach

This section of our letter sets out the scope and nature of our audit and should be considered in conjunction with the [Terms of Appointment](#) and [Statement of Responsibilities](#) issued by Public Sector Audit Appointments Limited (PSAA).

General approach

Our objective when performing an audit is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement and to issue an auditor's report that includes our auditor's opinion.

As part of our risk-based audit approach, we will:

- Perform risk assessment procedures including updating our understanding of the Council, its environment, the financial reporting framework and its system of internal control;
- Review the design and implementation of key internal controls;
- Identify and assess the risks of material misstatement, whether due to fraud or error, at the financial statement level and the assertion level for classes of transaction, account balances and disclosures;

- Design and perform audit procedures responsive to those risks, to obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion; and
- Exercise professional judgment and maintain professional scepticism throughout the audit recognising that circumstances may exist that cause the financial statements to be materially misstated.

We will undertake a variety of audit procedures designed to provide us with sufficient evidence to give us reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

We include an explanation in the auditor's report of the extent to which the audit was capable of detecting irregularities, including fraud and respective responsibilities for prevention and detection of fraud.

Audit scope and general approach

Materiality

We apply the concept of materiality both in planning and performing the audit, and in evaluating the effect of identified misstatements on the audit and of uncorrected misstatements.

Judgments about materiality are made in the light of surrounding circumstances and are affected by our perception of the financial information needs of users of the financial statements, and by the size or nature of a misstatement, or a combination of both. The basis for our assessment of materiality for the year is set out in Appendix I.

Any identified errors greater than:

£41k

will be recorded and discussed with you and, if not adjusted, confirmed as immaterial as part of your letter of representation to us.

Accounting systems and internal controls

The purpose of an audit is to express an opinion on the financial statements. We will follow a substantive testing approach to gain audit assurance rather than relying on tests of controls. As part of our work, we consider certain internal controls relevant to the preparation of the financial statements such that we are able to design appropriate audit procedures. However, this work does not cover all internal controls and is not designed for the purpose of expressing an opinion on the effectiveness of internal controls. If, as part of our consideration of internal controls, we identify significant deficiencies in controls, we will report these to you in writing.

Specialised skill or knowledge required to complete the audit procedures

We will use audit specialists to assist us in our audit work in the following areas:

- The audit of the actuarial assumptions used in the calculation of the defined benefit pension liability/asset; and

We will consult internally with our Technology Risk team to assess the information technology general controls (ITGC) of the following systems:

- Civica Financials
- Active Directory

Audit scope and general approach

Significant changes in the financial reporting framework

There have been no significant changes in the financial reporting framework this year to date, including the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom (the 'CIPFA Code'). However, we are aware changes to the financial reporting framework are being considered as part of a solution to the backlog of audits in the sector. We will update the audit committee on the impacts to our proposed work if and when such changes are implemented

Significant changes in the Council's functions or activities

There have been no significant changes to the functions and activities of the Council.

Going concern

Management responsibility

Management is required to make and document an assessment of whether the Council is a going concern when preparing the financial statements. The review period should cover at least 12 months from the date of approval of the financial statements. Management are also required to make balanced, proportionate and clear disclosures about going concern within the financial statements where material uncertainties exist in order to give a true and fair view.

Going concern

Auditor responsibility

Under ISA (UK) 570, we are required to consider the appropriateness of management's use of the going concern assumption in the preparation of the financial statements and consider whether there are material uncertainties about the Council's ability to continue as a going concern that need to be disclosed in the financial statements.

In assessing going concern, we will consider the guidance published in the CIPFA Code and Practice Note 10 (PN10), which focusses on the anticipated future provision of services in the public sector rather than the future existence of the entity itself.

Audit scope and general approach

Related party transactions

ISA 550 requires that the audit process starts with the audited body providing a list of related parties to the auditor, including any entities under common control. During our initial audit planning you have informed us of the individuals and entities that you consider to be related parties. Please advise us of any changes as and when they arise.

Additional procedures for the NAO

The National Audit Office (the 'NAO') issues group audit instructions which set out additional audit requirements. We expect the procedures for this year to be similar to previous years.

The NAO audit team for the Whole of Government Accounts (WGA) request us to undertake specific audit procedures to provide them with additional assurance over the amounts recorded in WGA schedules. The extent of these procedures will depend on whether the Council has been selected by the NAO as a sampled component for 2023/24. As at the date of this report, the draft instructions have not yet been issued by the NAO and the NAO have not yet confirmed which entities will be sampled components.

We will seek to comply with the instructions and to report to the NAO in accordance with their requirements once instructions have been issued.

Auditor reporting delays for previous periods and the impact on our audit

Although we are planning to complete your audit for the year ended 31 March 2024 in line with the timetable set out in section 5 on page 15, please note that we will not be able to fully complete the audit, issue our auditor's report and certify the closure of the audit until your predecessor auditors have issued their auditor reports for the years ended 31 March 2021, 2022 and 2023.

Once these outstanding auditor reports have been issued, we will revisit our planning procedures to assess whether any additional audit work is required over and above that set out in this audit plan.

Should additional procedures or changes to the plan be required, we will report these to you. The cost of any additional work to revisit planning upon completion of the prior year audits will also be reported to you.

Financial statements - significant audit risks

Significant risks are risks that require special audit consideration and include identified risks of material misstatement of the financial statements that:

- Our risk assessment procedures have identified as being close to the upper range of the spectrum of inherent risk due to their nature and a combination of the likelihood and potential magnitude of misstatement; or
- Are required to be treated as significant risks due to requirements of ISAs (UK), for example in relation to management override of internal controls.

Significant risks at the financial statement level

The table below summarises significant risks of material misstatement identified at the financial statement level. These risks are considered to have a pervasive impact on the financial statements as a whole and potentially affect many assertions for classes of transaction, account balances and disclosures.

Identified risk	Planned audit procedures
<p>Management override of controls</p> <p>Auditing Standards require auditors to treat management override of controls as a significant risk on all audits. This is because management is in a unique position to perpetrate fraud by manipulating accounting records and overriding controls that otherwise appear to be operating effectively.</p> <p>Although the level of risk of management override of controls will vary from entity to entity, the risk is nevertheless present in all entities.</p> <p>Specific areas of potential risk including manual journals, management estimates and judgements and one-off transactions outside the ordinary course of business.</p> <p>Risk of material misstatement: Very High</p>	<p>Procedures performed to mitigate risks in this area will include:</p> <ul style="list-style-type: none"> • Documenting our understanding of the journals posting process and evaluating the design effectiveness of management controls over journals; • Analysing the journals listing and determining the criteria for selecting high risk and/or unusual journals; • Testing high risk and/or unusual journals posted during the year and after the draft accounts stage back to supporting documentation for appropriateness, corroboration and to ensure approval has been undertaken in line with the Council's journals policy; • Gaining an understanding of the key accounting estimates and critical judgements made by management. We will also challenge assumptions and consider for reasonableness and indicators of bias which could result in material misstatement due to fraud; and • Evaluating the rationale for any changes in accounting policies, estimate or significant unusual transactions.

Financial statements - significant audit risks

Identified risk	Planned audit procedures
<p>Prior year opinion on the financial statements</p> <p>As at the date of writing, you have not been able to obtain an unmodified opinion from your predecessor auditor for the 2020/21, 2021/22 and 2022/23 financial years.</p> <p>There is therefore a risk that issues not yet identified in the open audit years arise in the completion of those audits which may impact the current (2023/24) audit year.</p> <p>There is a further risk that, in the event an 'audit backstop' is implemented, the prior year opinions may be qualified by a 'limitation of scope' or disclaimed in full.</p> <p>In this eventuality:</p> <ul style="list-style-type: none"> • there may be limited assurance available over the opening balances in the 2023/24 financial statements, including those balances which involve higher levels of management judgement and more complex estimation techniques (e.g. defined benefit pensions valuations and property, plant and equipment valuations, amongst others). • significant transactions, accounting treatment and management judgements may not have been subject to audit for one or more years. This may include management judgements and accounting treatment in respect of significant new transactions, schemes or initiatives which came into effect during the qualified or disclaimed period, going back to 2020/21. <p>The potential absence of prior year assurance raises a significant risk of material misstatement at the financial statements level that may require additional audit procedures.</p> <p>Risk of material misstatement: High</p>	<p>Procedures performed to mitigate risks in this area will include:</p> <ul style="list-style-type: none"> • Considering the findings and outcomes of unfinished prior year audits and their impact on the 2023/24 audit; • Considering the impact on our work of qualified or disclaimed audit opinions, particularly regarding opening balances and 'unaudited' transactions and management judgements made in the previous years which continue into 2023/24; and • Considering the impact of any changes in Code requirements for financial reporting in previous and current audit years.

Financial statements - significant audit risks

Significant risks at the assertion level for classes of transaction, account balances and disclosures

The table below summarises significant risks of material misstatement at the assertion level for classes of transaction, account balances and disclosures.

Identified risk	Planned audit procedures
<p>Fraud in revenue recognition and expenditure (rebutted) Material misstatement due to fraudulent financial reporting relating to revenue recognition is a rebuttable presumed risk in ISA (UK) 240.</p> <p>Having considered the nature of the revenue streams at the Council, we consider that the risk of fraud in revenue recognition can be rebutted due to:</p> <ul style="list-style-type: none"> • Little incentive by management to manipulate revenue recognition; and • Limited opportunity to manipulate revenue recognition <p>We have also considered Practice Note 10, which comments that for certain public bodies, the risk of manipulating expenditure could exceed the risk of manipulating revenue. We have therefore also considered the risk of fraud in expenditure at the Council, and we are satisfied that this is not a significant risk for the reasons set out below:</p> <ul style="list-style-type: none"> • Little incentive by management to manipulate expenditure recognition; and • Limited opportunity to manipulate expenditure recognition. <p>Inherent risk of material misstatement:</p> <ul style="list-style-type: none"> • Revenue and expenditure recognition: Low 	<p>Whilst we have rebutted the risk of fraud in income and expenditure, we will perform the below procedures based on their value within the financial statements:</p> <ul style="list-style-type: none"> • Documenting our understanding of the Council’s systems for income and expenditure to identify significant classes of transactions, account balances and disclosures with a risk of material misstatement in the financial statements • Evaluating the design of the controls in the key accounting systems, where a risk of material misstatement was identified, by performing a walkthrough of the systems; • Evaluating the Council’s accounting policies for recognition of income and expenditure and compliance with the CIPFA Code. • Substantively testing material income and expenditure streams using analytical procedures and sample testing of transactions recognised for the year.

Financial statements - significant audit risks

Identified risk	Planned audit procedures
<p>Valuation of council dwellings, other land and buildings and investment property (key accounting estimate)</p> <p>Revaluation of council dwellings, other land and buildings and investment property should be performed with sufficient regularity so that carrying amounts are not materially misstated.</p> <p>The council carries out a full revaluation each year and council dwellings are valued using the beacon method, which aggregates the vacant possession value of each unit of housing stock based on the value of a beacon or sample property. A discount factor is applied to reflect the lower rent yield from social housing compared to market rates.</p> <p>Management engage the services of a qualified valuer, who is a Regulated Member of the Royal Institute of Chartered Surveyors (RICS) to undertake these valuations as of 31 March 2024.</p> <p>The valuations involve a wide range of assumptions and source data and are therefore sensitive to changes in market conditions. ISAs (UK) 500 and 540 require us to undertake audit procedures on the use of external expert valuers and the methods, assumptions and source data underlying the fair value estimates.</p> <p>These valuations represent key accounting estimates made by management within the financial statements due to the size of the values involved, the subjectivity of the measurements and the sensitive nature of the estimate to changes in key assumptions. We have therefore identified the valuation of council dwellings, other land and buildings and investment property as a significant risk.</p> <p>We will further pinpoint this risk to specific assets, or asset types, on receipt of the draft financial statements and the year-end updated asset valuations to those assets where the in-year valuation movements falls outside of our expectations.</p> <p>Inherent risk of material misstatement:</p> <ul style="list-style-type: none"> • Council dwellings, other land and buildings and investment property (valuation): High 	<p>Procedures performed to mitigate risks of material misstatement in this area will include:</p> <ul style="list-style-type: none"> • Evaluating management processes and assumptions for the calculation of the estimate, the instructions issued to the valuation experts and the scope of their work; • Evaluating the competence, capabilities and objectivity of management's valuation expert; • Considering the basis on which the valuations are carried out and challenging the key assumptions applied; • Evaluating the reasonableness of the valuation movements for assets revalued during the year, with reference to market data. We will consider whether we require an auditor's expert; • For unusual or unexpected valuation movements, testing the information used by the valuer to ensure it is complete and consistent with our understanding; • Ensuring revaluations made during the year have been input correctly to the fixed asset register and the accounting treatment within the financial statements is correct; and • Evaluating the assumptions made by management for any assets not revalued during the year and how management are satisfied that these are not materially different to the current value.

Financial statements - significant audit risks

Identified risk	Planned audit procedures
<p>Valuation of the pension fund net liability/asset (key accounting estimate)</p> <p>An actuarial estimate of the net pension liability/asset is calculated on an annual basis under IAS 19 'Employee Benefits', and on a triennial funding basis, by an independent firm of actuaries with specialist knowledge and experience. The triennial estimates are based on the most up to date membership data held by the pension fund and a roll forward approach is used in intervening years, as permitted by the CIPFA Code.</p> <p>The calculations involve a number of key assumptions, such as discount rates and inflation and local factors such as mortality rates and expected pay rises. The estimates are highly sensitive to changes in these assumptions. ISAs (UK) 500 and 540 require us to undertake audit procedures on the use of external experts (the actuary) and the methods, assumptions and source data underlying the estimates.</p> <p>This represents a key accounting estimate made by management within the financial statements due to the size of the values involved, the subjectivity of the measurement and the sensitive nature of the estimate to changes in key assumptions. We have therefore identified the valuation of the net pension liability/asset as a significant risk.</p> <p>Inherent risk of material misstatement:</p> <ul style="list-style-type: none"> • Defined benefit pension fund net liability/asset (valuation): High 	<p>Procedures performed to mitigate risks in this area will include:</p> <ul style="list-style-type: none"> • Evaluating management's processes for the calculation of the estimate, the instructions issued to management's expert (the actuary) and the scope of their work; • Evaluating the competence, capabilities and objectivity of the actuary; • Assessing the controls in place to ensure the data provided to the actuary by the Council and their pension fund was accurate and complete; • Evaluating the methods, assumptions and source data used by the actuary in their valuations, with the support of an auditor's expert; • Assessing the impact of any significant differences between the estimated gross asset valuations included in the financial statements and the Council's share of the investment valuations in the audited pension fund accounts, and • Ensuring pension valuation movements for the year and related disclosures have been correctly reflected in the financial statements.

Value for Money audit

Under the Code of Audit Practice, we must satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources (referred to here as “Value for Money”, or “VFM”).

NAO Auditor Guidance Note 03 ‘Auditors’ Work on Value for Money Arrangements’ (“AGN 03”) was updated and issued on 18 January 2023 and requires us to provide an annual commentary on arrangements, which will be published as part of the Auditor’s Annual Report. Such commentary will highlight any significant weaknesses in arrangements, along with recommendations for improvement.

The Code of Practice requires us to structure our VFM commentary under three reporting criteria:

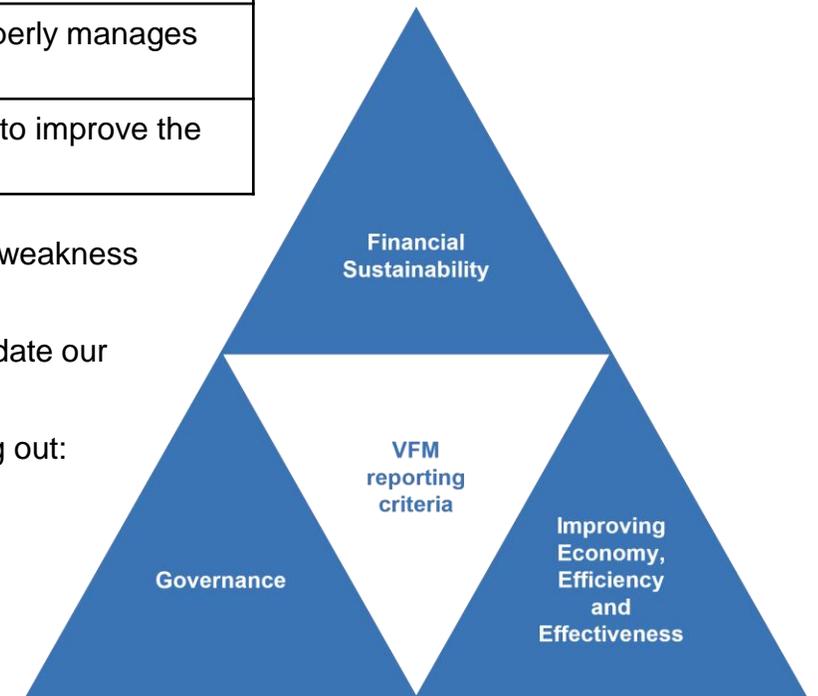
Financial sustainability	How the body plans and manages its resources to ensure it can continue to deliver its services
Governance	How the body ensures that it makes informed decisions and properly manages its risks
Improving economy, efficiency and effectiveness	How the body uses information about its costs and performance to improve the way it manages and delivers its services

As part of the planning process, we are required to perform procedures to identify potential risks of significant weakness in the Council’s arrangements to secure VFM.

We are required to re-evaluate this risk assessment during the course of the audit and, where appropriate, update our work to reflect emerging risks or findings that may suggest a significant weakness in arrangements.

Where we identify significant weaknesses in arrangements, we are required to make recommendations setting out:

- Our judgement on the nature of the weakness;
- The evidence on which our view is based;
- The impact on the local body; and
- The action the body needs to take to address the weakness.



Value for Money arrangements

Risks of significant weakness in VFM arrangements

We have carried out an initial risk assessment to identify any risks of significant weakness using the guidance contained in AGN 03. A risk of significant weakness is a risk requiring audit consideration and procedures to address the likelihood that proper arrangements are not in place at the body to deliver value for money.

We will re-evaluate this risk assessment during the course of the audit and, where appropriate, update our work to reflect emerging risks or findings that may suggest a significant weakness in arrangements.

Criteria	Potential risk of significant weakness	Our risk based procedures and evaluation approach includes (but is not limited to)
Financial sustainability	Whilst we have not identified any risks of significant weakness, the Council has not received any assurance over its VFM arrangements from its external auditors for the past three years.	We will perform detailed review of the arrangements management have implemented to manage this risk effectively. We will also monitor performance against the financial plan and review key indicators of financial resilience.
Governance	As at November 2023, no annual opinion from the Head of Internal Audit has been issued for either 2021/22 or 2022/23, and an internal audit plan for 2023/24 has not been developed. The Audit Committee has also not received any assurance over risk management or counter fraud arrangements in the previous 12 months as prescribed by its terms of reference. This presents a potential risk of significant weakness within the Council's governance arrangements. In addition, the Council has not received any assurance over its VFM arrangements from its external auditors for the past three years.	We will review the design and effectiveness of the Council's governance arrangements as we cannot place reliance on previous assessments.
Improving economy, efficiency and effectiveness	Whilst we have not identified any risks of significant weakness, the Council has not received any assurance over its VFM arrangements from its external auditors for the past three years.	We will review the effectiveness of the Council's arrangements as we cannot place any reliance on previous assessments.

Weaknesses or risks identified by auditors are only those which have come to their attention during their normal audit work in accordance with the Code of Audit Practice and may not be all that exist.

Audit team and logistics

Your audit team

Role	Name	Contact details
Key Audit Partner	Chris Brown	Chris.Brown@azets.co.uk
Engagement Manager	Helen Parks	Helen.Parks@azets.co.uk
In-charge auditor	Michaela Asare	Michaela.Opoku.Asare@azets.co.uk

Timetable

Event	Date
Planning and risk assessment	Oct – Nov 2023
Reporting of plan to Audit Committee	January 2024
Interim audit	Feb - Mar 2024
Year end audit	October 2024
Reporting of Audit Findings (ISA260)	November 2024
Auditor's Annual Report (AAR)	November 2024
Target date of approval of accounts	November 2024
Accounts publication deadline (as specified in the Accounts and Audit Regulations 2015)	TBC (likely 30 November 2024)

Our expectations and requirements

For us to be able to deliver the audit in line with the agreed fee and timetable, we require the following:

- Draft financial statements to be produced to a good quality by the deadlines you have agreed with us. These should be complete including all notes, the narrative statement and the annual governance statement;
- The provision of good quality working papers at the same time as the draft financial statements. These will be discussed with you in advance to ensure clarity over expectations;
- The provision of agreed data reports at the start of the audit, fully reconciled to the values in the accounts, to facilitate our selection of samples for testing;
- Ensuring staff are available and on site (as agreed) during the period of the audit;
- Prompt and sufficient responses to audit queries within two working days (unless otherwise agreed) to minimise delays.

The audit process is underpinned by effective project management to ensure that we co-ordinate and apply our resources efficiently to meet your deadlines. It is therefore essential that the audit team and the Council's finance team work closely together to achieve this timetable.

Please note that we will be unable to complete our 2023/24 audit until your audits for all previous financial years have been completed by your predecessor auditors and auditor's reports covering both the financial statements audit and value for money work have been issued. The National Audit Office continues to explore ways to facilitate the timely completion of all outstanding local government audits.

Independence, objectivity and other services provided

Auditor independence

We confirm that we comply with the Financial Reporting Council's (FRC) Ethical Standard and are able to issue an objective opinion on the financial statements. We have also complied with the NAOs Auditor Guidance Note 01, issued in September 2022, which contains supplementary guidance on ethical requirements for auditors of local public bodies. We have considered our integrity, independence and objectivity in respect of audit services provided and we do not believe that there are any significant threats or matters which should be brought to your attention.

Other services

We have detailed in the table below any other services provided to the Council, the threats to our independence these present, and the safeguards we have put in place to mitigate these threats.

Service	Provided to	Fee	Threats identified	Safeguards to mitigate threats to independence
Audit related: Certification of Housing Benefit Assurance Process (HBAP) claim (2023/24)	Council	36,500	Self-interest (recurring fees) Self-review Management	Self-interest: Given this is likely to be a recurring fee, we consider a threat present. However, the fee is not significant to Azets Audit Services or the Council. The fee is fixed and not contingent in nature. Self-review: Whilst housing benefit revenue and expenditure streams are within the financial statements, we do not complete the claim form. The focus of our work is solely testing the data in the claim form prepared by management. Management: As above, the claim form is completed by management and any adjustments or amendments identified to the form during the certification work are discussed and agreed by management prior to submission of the certification report. We therefore consider these risks sufficiently mitigated

Fees

PSAA set a fee scale for each audit that assumes the audited body has sound governance arrangements in place, has been operating effectively throughout the year, prepares comprehensive and accurate draft accounts and meets the agreed timetable for audit. This fee scale is reviewed by PSAA each year and adjusted, if necessary, based on auditors' experience, new requirements, or significant changes to the audited body. The fee may be varied above the fee scale to reflect the circumstances and local risks within the audited body.

The estimated audit fee (excluding VAT) is as follows:

Audit fee	2023/24 £
Base fee for the audit of the Council financial statements (as set out in the fee scales issued by PSAA)	144,029
New auditing standards: ISA315 and ISA240	21,604
Initial audit fee for Hinckley and Bosworth Borough Council	165,633
Additional work arising from prior year audit outcomes	TBC
Proposed audit fee for Hinckley and Bosworth Borough Council	TBC

This fee is estimated based on our understanding at this point in time and may be subject to change.

It is our policy to bill for overruns or scope extensions e.g., where we have incurred delays, deliverables have been late or of poor quality, where key personnel have not been available, or we have been asked to do extra work.

Our policy is to raise fees to account at appropriate stages of the audit such as during the audit planning, the interim visit, the final audit and once the financial statements have been signed.

The approximate total fees to be charged to the Council for the provision of services in 2023/24 are as follows:

Fee	2023/24 £
Audit of the Council (as above, excluding any additional work arising from prior year audit completion)	165,633
Certification of the HBAP Claim (excluding the per diem rate for additional workbooks)	36,500
Total fees (excluding any additional work arising from prior year audit completion, and any additional work on the HBAP claim)	202,133

Appendix I: Materiality

Whilst our audit procedures are designed to identify misstatements which are material to our audit opinion, we also report to those charged with governance and management any uncorrected misstatements of lower value errors to the extent that our audit identifies these. Under ISA (UK) 260 we are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA (UK) 260 defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria.

An omission or misstatement is regarded as material if it would reasonably influence the users of the financial statements. The assessment of what is material is a matter of professional judgement and is affected by our assessment of the risk profile of the Council and the needs of the users. When planning, we make judgements about the size of misstatements which we consider to be material, and which provide a basis for determining the nature and extent of our audit procedures. Materiality is revised as our audit progresses, should we become aware of any information that would have caused us to determine a different amount had we known about it during our planning.

Our assessment, at the planning stage, of materiality for the year ended 31 March 2024 was calculated as follows:

	Council £'000	Explanation
Overall materiality for the financial statements	836	1.5% of gross revenue expenditure based on the draft financial statements at 31 March 2023. The 2022-23 accounts have not been subject to audit and therefore this is subject to change. Materiality will also be reassessed upon receipt of the draft accounts for 2023/24. Any changes will be communicated to the Audit Committee. The financial statements are considered to be materially misstated where total errors exceed this value.
Performance materiality	501	60% of materiality. Audit work will be performed to capture individual errors at this level
Trivial threshold	41	5% of overall materiality for the Council. Individual errors above this threshold are communicated to those charged with governance.

In addition to the above, we consider any areas for specific lower materiality. We have determined that no specific materiality levels need to be set for this audit.

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Hinckley & Bosworth Borough Council

Forward timetable of consultation and decision making

Audit Committee

17 January 2024

Wards affected:

All wards

Housing benefit subsidy Claim audit 2021/22

Report of Head of Finance (Section 151 Officer)

1. Purpose of report

- 1.1 To inform the Audit Committee of the audit results of the housing subsidy audit.

2. Recommendation

- 2.1 That the Committee note the results of the audit completed by Azets Audit Services, who took over the certification process from Grant Thornton.

3. Background to the report

- 3.1 The 2021/22 Audit is later than normal as our original Auditors, Mazars, were informed by the DWP that as they are our internal auditors, there would be a conflict of interest if they complete the subsidy audit as well. This meant that an alternative supplier was required. Azets were then appointed our External Auditors and offered to complete the certification of the subsidy claim. The fees for this were:

- £28,000 base fee
- £18,000 additional workbooks

- 3.2 Additional workbooks are required when errors or issues are required on individual “cells” within the housing subsidy.

- 3.3 The Housing Benefit Assurance Process (HBAP) the testing and reporting requirements to be followed for the Housing Benefit subsidy come from the Department for Work and Pensions (DWP) and have to be followed. There is no materiality for the testing as cell are expected to be fully accurate.

3.4 The Table below has a very high level comparison of the main cells of the subsidy form, and show that following the audit, the council is entitled to £43 more subsidy. The details of the testing are in the External Auditors certification letter attached at Appendix A.

FINAL SUBSIDY CLAIM FOR HOUSING BENEFIT - 2021/2022	Cell Ref	Post Audit	Pre-Audit	Difference
SUBSIDY CLAIMED FOR RENT REBATES (Cell 036S + Cell 076S)	6	£4,364,883	£4,364,840	£43
SUBSIDY CLAIMED FOR RENT ALLOWANCE (Cell 129S)	3	£6,616,480	£6,616,480	£0
ADMINISTRATION SUBSIDY RECEIVED	4	£184,763	£184,763	£0
TOTAL REDUCTION FOR PRIOR YEAR UNCASHED PAYMENTS (Cell 179S)	5	£0		£0
TOTAL SUBSIDY CLAIMED Cells (003 + 004 + 005) - (006)	7	£11,166,126	£11,166,083	£43
LESS INTERIM BENEFIT SUBSIDY	8	£11,117,375	£11,117,375	£0
BALANCE NOW OWED TO OR BY(-) AUTHORITY (Cell 007 - Cell 008)	9	£48,751	£48,708	£43

4. Exemptions in accordance with the Access to Information procedure rules

4.1 Report is to be taken in open session.

5. Financial implications [AW]

5.1 Details of primary fee changes are attached in Appendix A.

6. Legal implications MR

6.1 Set out in the report.

7. Corporate Plan implications

7.1 Suitable Planning fees are required to ensure that resources are effectively allocated to ensure delivery of all the aims, outcomes and targets included in the Council's Corporate Plan.

8. Consultation

8.1 All members of the Strategic Leadership Team have been consulted in preparing this Strategy.

9. Risk implications

- 9.1 It is the council's policy to proactively identify and manage significant risks which may prevent delivery of business objectives.
- 9.2 It is not possible to eliminate or manage all risks all the time and risks will remain which have not been identified. However, it is the officer's opinion based on the information available, that the significant risks associated with this decision / project have been identified, assessed and that controls are in place to manage them effectively.
- 9.3 There are no significant risks associated with these report / decisions were identified from this assessment.

10. Knowing your community – equality and rural implications

- 10.1 The budget process will impact on all areas of the Borough and all groups within the population.

11. Climate implications

- 11.1 The stewardship of the financial resources of the council underpins all policy actions to address the council's objectives in ensuring it manages its resources to ensure climate considerations are achieved in accordance with the corporate plan.

12. Corporate implications

- 12.1 there are no corporate implications arising for this report.

Background papers:None.

Contact officer: Ashley Wilson

Executive member: Cllr K Lynch

Appendix A

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Housing Benefit (Subsidy) Assurance Process 2022 Module 6 DWP Reporting Framework Instruction (Applicable to England only) Reporting accountants' report for the Housing Benefit Subsidy claim form MPF720A, year ended 31 March 2022

By post to: Housing Benefit Subsidy Team, Housing Delivery Division, DWP Business Finance & Housing Delivery Directorate, Room B120D, Warbreck House, Blackpool, Lancashire FY2 0UZ.

Or by email to lawelfare.lapaymentsandsubsidy@dwp.gov.uk Please ensure that the subject of the email contains **Hinckley and Bosworth Borough Council Financial Year Ending March 2022 HBAP Report.**

And: The Section 151 Officer of Hinckley and Bosworth Borough Council.

Dear Sirs or Madams

This report is produced in accordance with the terms of our engagement letter with the Hinckley and Bosworth Borough Council dated 7 February 2023 and the Standardised Engagement Terms in Appendix 2 of HBAP Module 1 2021/22 issued by the Department for Work and Pensions (DWP) for the purpose of reporting to the Section 151 Officer of Hinckley and Bosworth Borough Council (the 'local authority') and the DWP.

Our report is prepared solely for the confidential use of the local authority and the DWP and solely for the purpose of facilitating the claim for Housing Benefit subsidy on form MPF720A dated 22 April 2022.

This report should not be copied, referred to or disclosed, in whole (save as otherwise permitted by the Standardised Engagement Terms) or in part, without our prior written consent. Without assuming or accepting any responsibility or liability in respect of this report to any party other than the local authority and DWP, we acknowledge that the local authority and/or DWP may be required to disclose this report to parties demonstrating a statutory right to see it.

This report is designed to meet the agreed requirements of local authority and DWP as described in the DWP HBAP reporting framework instruction 2022.

This report should not therefore be regarded as suitable to be used or relied by any other party for any purpose or in any context. Any party other than Hinckley and Bosworth Borough Council and the DWP which obtains access to this report or a copy and chooses to rely on this report (or any part of it) will do so entirely at its own

risk. To the fullest extent permitted by law, we accept no responsibility or liability in respect of our work or this report to any other party and shall not be liable for any loss, damage or expense of whatsoever nature which is caused by the reliance of anyone other than the addressees on our work or this report.

Respective responsibilities of the local authority and the Reporting Accountant

We conducted our engagement in accordance with HBAP Modules 1 and 6 2021/22 issued by the DWP, which highlight the terms under which DWP has agreed to engage with Reporting Accountants.

As Section 151 Officer of the local authority, you have responsibilities under the Income-related Benefits (Subsidy to Authorities) Order 1998. You are also responsible for ensuring that the local authority maintains accounting records which disclose with reasonable accuracy, at any time, the financial position of the local authority. It is also the Section 151 Officer's responsibility to extract relevant financial information from the local authority's accounting records, obtain relevant information held by any officer of the local authority and complete the attached form MPF720A in accordance with the relevant framework set out by the DWP.

Our approach

For the purpose of the HBAP engagement we have been provided with a signed copy of form MPF720A 2021-22 dated 22 April 2022 by the Section 151 Officer. The Section 151 Officer remains solely responsible for the completion of the MPF720A and is the signatory on the local authority's certificate on claim form MPF720A.

Our engagement was carried out in accordance with the DWP reporting framework instruction which has been prepared in accordance with the **International Standard on Related (ISRS) 4400, Engagement to perform agreed-upon-procedures regarding financial information**. The purpose of the engagement is to perform the specific test requirements determined by DWP on the defined sample basis as set out in HBAP Modules of the HBAP reporting framework instruction on the local authority's form MPF720A dated 22 April 2022, and to report the results of those procedures to the Local Authority and the DWP.

The results of these are reported on in appendices a, b, c.

Inherent limitations

The procedures specified in DWP's HBAP Reporting framework instruction does not constitute an examination made in accordance with generally accepted auditing standards, the objective of which would be the expression of assurance on the contents of the Local Authority's claim for Housing Benefit subsidy on form MPF720A. Accordingly, we do not express such assurance. Had we performed

additional procedures or had we performed an audit or review of the Local Authority's claim for Housing Benefit subsidy on form MPF720A in accordance with generally accepted auditing or review standards, other matters might have come to our attention that would have been reported to you. This report relates only to the Local Authority's form MPF720A and does not extend to any financial statements of the Local Authority, taken as a whole.

Summary of HBAP report

Summary of Initial Testing

In line with the requirements of HBAP modules, an initial sample of cases was selected and tested for all headline cells (Cell 011, 055, and 094), including Cell 214. We have re-performed a sample of the Local Authority's testing and confirm the tests we have carried out concur with the Local Authority's result:

Cell 011 Non HRA Rent Rebate Incorrect LHA Rate

Initial testing in line with the requirements of HBAP modules of Cell 011 identified three instances whereby the Local Authority had used the incorrect LHA rate. This resulted in an underpayment of benefit. As using an incorrect LHA rate could also result in an overpayment of benefit, additional testing of all remaining cases in cell 011 was completed.

Cell 011 Non HRA Rent Rebate Incorrect Occupational Pension

Initial testing in line with the requirements of HBAP modules of Cell 011 identified one instance where the Local Authority had incorrectly calculated occupational pension. This resulted in an underpayment of benefit. As incorrectly calculated occupational pension could also result in an overpayment of benefit, additional testing of all remaining cases in cell 011 was completed.

Cell 011 Non HRA Rent Rebate Expenditure

Initial testing in line with the requirements of HBAP modules of Cell 011 identified two instances that the Local Authority had incorrectly classified as non HRA rent rebate. One case was given passported benefit as in receipt of Universal Credit, there is no entitlement to housing benefit if not housed in temporary or supported housing. This resulted in an overpayment of benefit. For the other case there is no effect on benefit paid or subsidy claimed. Additional testing of all remaining cases in cell 011 was completed.

Cell 055 HRA Rent Rebate Incorrect Occupational Pension

Initial testing in line with the requirements of HBAP modules of Cell 055 identified one instance where that the Local Authority had incorrectly calculated occupational pension. This resulted in an overpayment of benefit. As it was not possible to

correctly establish the error for amendment additional 40+ testing of cases with occupational pension was completed.

Cell 094 Rent Allowance Incorrect Earnings

Initial testing in line with the requirements of HBAP modules of Cell 094 identified one instance where the Local Authority had incorrectly calculated earnings. This resulted in an overpayment of benefit. As it was not possible to correctly establish the error for amendment additional 40+ testing of cases with earnings was completed.

Cell 094 Rent Allowance Non Dependent Error

Initial testing in line with the requirements of HBAP modules of Cell 094 identified that the Local Authority had not applied the 26 week easement period at the correct time. This resulted in an overpayment of benefit. As it was not possible to correctly establish the error for amendment additional 40+ testing of cases with non dependents was completed.

Cell 214 Modified Schemes – Rent Allowance

Initial testing in line with the requirements of HBAP modules of cell 214 Modified Schemes identified one instance where the Local Authority has incorrectly calculated war disablement pension. This had no impact on subsidy. No additional testing was required as all cases in cell 214 had been covered by initial testing.

Cell 214 Modified Schemes – Rent Rebate

Initial testing in line with the requirements of HBAP modules of cell 214 Modified Schemes identified one instance where the Local Authority has incorrectly calculated war disablement pension. This had no impact on subsidy. No additional testing was required as all cases in cell 214 had been covered by initial testing.

Completion of Modules

The Specific Test Requirements set out in Module 1 Appendix 3 have been completed, including testing required by Modules 2 and 5 as detailed below.

Completion of Module 2

Testing of Module 2 has not identified any issues.

Completion of Module 5

We have completed the questionnaire for the appropriate software supplier and no issues were identified.

Summary of testing arising from Cumulative Assurance Knowledge and Experience

In line with the requirements of HBAP Modules we have undertaken CAKE testing based upon the preceding HBAP report. Where appropriate the LA have completed testing of the sub populations for:

- Rent Rebates Cell 055 incorrect start date;
- Rent Rebates Cell 055 incorrect calculation of earnings;
- Rent Allowance Cell 094 incorrect calculation of earnings;
- Rent Allowance Cell 094 ESA contribution incorrectly calculated.

In line with the requirement of HBAP modules we have re-performed a sample of the Authority's testing and confirm the tests we have carried out concur with the Authority's results. These results are outlined in the appropriate appendix.

No errors within our initial or additional 40+ CAKE testing:

- Rent Rebates Cell 055 incorrect start date

Summary paragraph/ending of letter

For the form MPF720A dated 14 November 2023 for the year ended 31 March 2022 we have completed the specific test requirements detailed in the DWP reporting framework instruction HBAP and have identified the following results set out in Appendix A, B, C and D)

Firm of accountants...AZETS AUDIT SERVICES.....

Office...BIRMINGHAM.....

Contact details (person, phone and email) ..LAURA HINSLEY.....

6th FLOOR, BANK HOUSE
CHERRY STREET
BIRMINGHAM
B2 5AL

Signature / stamp...Azets Audit Services.....

Date...15 NOVEMBER 2023.....

Appendix A Exceptions/errors found

Error Type 3 – benefit overpaid or insufficient supporting information

Cell 055 HRA Rent Rebate Incorrect Occupational Pension

Cell 055 HRA Rent Rebate

Cell Total: £4,273,589

Cell Total £484,340 – sub population

Cell Population: 1303 cases

Cell Population: 201 cases – sub population

Initial testing identified one case (value: £3,153) where that the Local Authority had incorrectly calculated occupational pension, that resulted in an overpayment of £3.38 (rounded up to £4.00 for the purpose of the extrapolation table).

Given the nature of the population and the error found, an additional sample of 40 case where an assessment in the subsidy period included occupational pension was tested. The additional testing identified no further errors of a similar nature.

This is the first year that this error has been identified in the HBAP report.

Sample:	Movement/brief note of error:	Original cell total: sub population (claims with occupational pension)	Sample error:	Sample value:	Percentage error rate (to two decimal places)	Cell adjustment:
		[CT]	[SE]	[SV]	[SE/SV]	[SE/SV times CT]
Initial sample - 4 cases	Incorrect occupational pension calculation - Cell 055	4,273,589	4	13,013		
Additional sample - 40 cases	Incorrect occupational pension calculation - Cell 055	483,340	0	93,365		
Combined sample - 44 cases	Incorrect occupational pension calculation - Cell 055	483,340	4	106,378	0.004%	18
Corresponding cell adjustment	Cell 061 overstated				(0.004%)	(18)
	Cell 065 understated				0.004%	18
Total corresponding adjustment	Total amendment off Cell 061 and 065				0.004%	18

Appendix B Observations

Cell 011 Non HRA Rent Rebate Incorrect Occupational Pension

Cell 011 Non HRA Rent Rebate

Cell Total: £129,960

Cell Total £129,960 – sub population

Cell Population: 130 cases

Cell Population: 130 cases – sub population

Initial testing of Cell 011 identified one instance where the Local Authority had incorrectly calculated occupational pension. This resulted in an underpayment of benefit. As there is no eligibility to subsidy for benefit which has not been paid, the underpayment identified does not affect subsidy and has not, therefore, been classified as errors for subsidy extrapolation purposes.

As incorrectly calculated occupational pension could also result in an overpayment of benefit, additional testing of cases was completed on all the remaining cell 011 cases. No further errors were identified in relation to calculation of occupational pension.

Cell 055 HRA Rent Rebate Incorrect Start Date

Cell 055 HRA Rent Rebate

Cell Total: £4,273,589

Cell Total £ 236,027– sub population

Cell Population: 1303 cases

Cell Population: 140 cases – sub population

In 2019/20 and 2020/21 HBAP reports it was identified that the Local Authority has incorrectly applied the start date of a claim.

Initial testing in 2021/22 did not identify any errors in relation the application of start dates.

Given the nature of the population and the error found, an additional sample of 40 case was tested where an assessment in the subsidy period included a change in start date. The additional testing identified no further errors of a similar nature. As such, we deem this matter closed.

Cell 094 Incorrect Calculation of Earnings

Cell 094 Rent Allowance

Cell Total: £6,824,653

Cell Total £406,573 – sub population

Cell Population: 1360 cases

Cell Population: 122 cases – sub population

In 2019/20 and 2020/21 it was identified that the Local Authority has incorrectly calculated earned income resulting in an overpayment of benefit. No errors were found in our initial testing.

However, given the nature of the population and the error found, an additional sample of 40 case where an assessment in the subsidy period was based on earned income was tested. The additional testing identified:

- 1 case (value £16,194) where despite the earned income being incorrectly calculated, there was no impact on the benefit paid to the claimant; and
- 1 case (value £ 5,353) which had resulted in underpayment of housing benefit due to miscalculating the claimants' earned income. As there is no eligibility to subsidy for benefit which has not been paid, the underpayment identified does not affect subsidy and has not, therefore, been classified as errors for subsidy extrapolation purposes.

This is the third year that this error has been identified in the HBAP report.

Cell 094 ESA contribution incorrectly calculated

Cell 094 Rent Allowance

Cell Total: £6,824,653

Cell Total £124,072 – sub population

Cell Population: 1360 cases

Cell Population: 20 cases – sub population

In 2019/20 and 2020/21 HBAP reports it was identified that the Local Authority has incorrectly calculated ESA Contribution income.

Initial testing in 2021/22 did not identify any errors in relation the calculation of ESA Contribution income.

As it was not possible to correctly establish the error for amendment, 100% testing was performed on claims with ESA Contribution.

Two errors were identified where the ESA Contribution was incorrectly calculated. In both cases there is no effect on benefit paid or subsidy claimed.

Cell 214 Rent Rebate Modified Schemes War Disablement Pension Incorrectly Calculated

Cell 214 Modified Schemes

Cell Total: £7,073

Cell Population: 2 cases

In 2020/21 HBAP report it was identified that the Local Authority had used the wrong value for War Disablement Pension.

Within our initial testing of 100% of modified schemes within rent rebates we identified one case where the Local Authority had used the wrong value for War Disablement Pension. This had no impact on the subsidy granted, therefore no amendment was required.

**Cell 214 Rent Allowance Modified Schemes War Disablement Pension
Incorrectly Calculated**

Cell 214 Modified Schemes

Cell Total: £4,764

Cell Population: 1 case

In 2020/21 HBAP report it was identified that the Local Authority had used the wrong value for War Disablement Pension.

Within our initial testing for modified schemes within rent allowances we identified one case where the Local Authority had used the wrong value for War Disablement Pension. This had no impact on the subsidy granted, therefore no amendment was required.

Appendix C Amendments

Cell 011 Non HRA Rent Rebate Expenditure Misclassification

Cell 011 Non HRA Rent Rebate

Cell Total: £129,960

Cell Total £129,960 – sub population

Cell Population: 130 cases

Cell Population: 130 cases – sub population

Initial testing of Cell 011 identified two instances where the Local Authority had classified the expenditure as Non HRA when it was in fact Rent Rebate.

In one instance this had no impact on the subsidy amount, only the classification, as such Cells 011 and 023 are overstated by £3,918 and Cells 055 and 061 are understated by the corresponding amount.

In the other instance it was subsequently identified that no subsidy should've been awarded to this claimant and as such Cell 023 is overstated by £876 and Cell 026 is understated by the corresponding amount.

Due to the small number of cases classified as Non HRA, the Council undertook a 100% review of these cases. Two further errors were identified from this testing resulting in Cells 011 are overstated by £1,893, Cell 023 overstated by £354, Cell 026 overstated by £1,466 and Cell 028 overstated by £72. Cell 055, 061, 065 and 067 are understated by the respective corresponding amount.

This is reflected in the amendment made to the form MPF720A dated 31st March 2022.

Cell 011 Non HRA Rent Rebate Incorrect LHA Rate

Cell 011 Non HRA Rent Rebate

Cell Total: £129,960

Cell Total £129,960 – sub population

Cell Population: 130 cases

Cell Population: 130 cases – sub population

Initial testing of Cell 011 identified three instances where the Local Authority had applied the wrong LHA rate. This resulted in an underpayment of benefit. As

applying the wrong LHA rate could also result in an overpayment of benefit, additional testing of cases was completed on all the remaining cell 011 cases.

Eleven further instances were identified all leading to underpayments of benefit. As there is no eligibility to subsidy for benefit which has not been paid, the underpayment identified does not affect subsidy and has not, therefore, been classified as errors for subsidy extrapolation purposes.

One further instance was identified which led to an overpayment of benefit, as such Cell 012 is overstated by £11 and Cell 026 is understated by the corresponding amount.

This is reflected in the amendment made to the form MPF720A dated 31st March 2022

Cell 055 HRA Rent Rebate Incorrect Earned Income

Cell 055 HRA Rent Rebate

Cell Total: £4,273,589

Cell Total £75,125– sub population

Cell Population: 1303 cases

Cell Population: 40 cases – sub population

In 2020/21 it was identified that the Local Authority has incorrectly calculated earned income resulting in an overpayment of benefit. A full review of cases with earned income was undertaken. The additional testing identified:

- 3 cases (value £3,879) where the Local Authority had incorrectly calculated earned income resulting in an overpayment of £43 leading to an overstatement of Cell 061 and corresponding understatement of Cell 065; and
- 1 case (value £638) where despite the earned income being incorrectly calculated, there was no impact on the benefit paid to the claimant.

This is reflected in the amendment made to the form MPF720A dated 31st March 2022.

Cell 094 Rent Allowance Non-dependent easement period

Cell 094 Rent Allowance

Cell Total: £6,824,653

Cell Total £19,897 – sub population

Cell Population: 1360 cases

Cell Population: 5 cases – sub population

Initial testing identified one case where the Local Authority had incorrectly calculated the non-dependent easement period for a claimant on pension credit. The error resulted in an overpayment of benefit. Consequently, as a result of the overpayment, cell 113 is understated by £387.96 and cell 102 is overstated by £387.96. There is no effect on cell 094.

It was possible to narrow down the error to those cases in receipt of pension credit with non-dependents and there were less than 100 cases in the subpopulation. Therefore, the Council undertook a 100% review of these cases. No further errors were identified from this testing.

This is reflected in the amendment made to the form MPF720A dated 31st March 2022

Appendix D Other matters

There are no other matters to report.

6 December 2023

Dear Section151 Officer colleagues

Local Audit market update

I am writing as a follow up to my letter of 26 July 2023 about Government proposals to re-establish the local authority audit framework on a more sustainable basis, with a focus on providing assurance on public bodies' most recent financial information.

The proposals were referenced in a ministerial statement over the summer, but formal guidance from the Department for Levelling Up, Housing & Communities (DLUHC) and the Financial Reporting Council (FRC), as the incoming shadow system leader, are still pending. As such, I wanted to use this opportunity to update you on EY's approach and how we are prioritising our delivery to best prepare for implementation of the proposals.

About the proposals

The challenges facing the existing framework for local authority audit are well-documented and have been highlighted by auditors, the Redmond Review, the National Audit Office, the Public Sector Audit Appointments Ltd (PSAA), the Local Government Association and Parliament. The problem continues to grow. Recently, the PSAA reported that only 5 out of 467 Local Government bodies received a 2022/23 audit opinion by 30 September 2023, taking the total outstanding opinions to around 918.

The Government's proposals will help to reset local authority audit, with auditors able to focus on providing assurance on public bodies' most recent financial statements. Additionally, there will be benefits to authorities in reducing demands on your teams by allowing them to focus on the most recent financial year.

Since the cross-system ministerial statement EY has invested significantly in engaging with DLUHC and the FRC, as well as other stakeholders to support the reset and recover the local audit market. Whilst we cannot pre-empt the final ministerial guidance, and the below may be subject to change, we understand that the proposals will still seek to:

- Use legislation to set statutory deadlines (backstop dates) for account preparers and auditors to clear the backlog, acknowledging this will result in qualifications and disclaimers of opinions in the short term. This is currently expected to be 31 March 2024.
- Continue to require auditors to report on value for money, alongside existing statutory powers.
- Find a sustainable solution for the future, which may require:
 - Changes to the CIPFA code for preparation of accounts;
 - An audit approach that seeks to rebuild assurances on account balances over a period of time rather than in the first year following a qualification (disclaimer or scope limitation);
 - Developing an escalated reporting framework for audit firms and local bodies to resolve issues ahead of statutory deadlines; and
 - Continued investment in the capacity in the audit market.

Our approach

Following the ministerial statement in July and the continuing expectation of a 31 March 2024 backstop date for the completion of all outstanding audits to 2022/23, we have taken a number of steps to support the delivery of consistent high-quality audits and prepare for implementation of the proposals. These include:

- **Maximising the completion of historic audits** – working to close open audits where audit work is substantially complete and with a high likelihood of issuing an opinion in a short period of time. Currently, the delivery of these audits is likely to be phased through to early 2024.
- **Pension fund audits** – These audits are not subject to the reset of the system; we continue to prioritise completion of all these audits to 2022/23.
- **Value for Money reporting** – As there are no anticipated changes to value for money reporting requirements, auditors' exception reporting responsibilities and statutory powers we continue to prioritise the completion of our reporting up to the 2022/23 financial year. Given the increasing focus on the financial sustainability of the local government sector, as well as a focus on those authorities who are seen to be at greater risk of not achieving value for money, this is an important priority in providing necessary assurances to stakeholders.
- **Planning for 2023/24 audits** – Where capacity allows, we will seek to commence planning for 2023/24; focusing on the most recent set of financial statements and supporting the reset.

This clarity in approach has enabled us to successfully close out a higher proportion of historic audits over the last few months, seeking to maximise the level of assurance provided whilst we await further statements and/or consultations on the proposed measures to reset the local audit system. It also means that we are focused on areas of the audit that will either provide or contribute to a final reporting deliverable to you.

We are continuing to engage with DHLUC and the FRC on the proposals and will continue to review our approach as more information becomes available.

Preparing for the proposals – our ask of you

To ensure we can respond positively and quickly when the Government proposals are finalised, it would be helpful if you could continue to do the following:

- **Stakeholder engagement** – Ensure key stakeholders in your organisation are sighted on the Minister's proposals and recent communications, including this letter, so that they are apprised on the status and decisions being made.
- **Flexibility** – We understand that the issues experienced by the preparers of financial statement and auditors over the last few years have been difficult to manage, and that collectively we have a finite level of capacity. We ask that you continue to work with us on the priority areas above.
- **Financial statement preparation** – We know that there are some authorities where draft financial statements through to 2022/23 have not yet been prepared and subject to an inspection period. If you are one of those authorities, this needs to be prioritised to meet your statutory responsibilities regardless of the last year of audit. Failure to do so may also prevent our ability to close out historic audits and issue an opinion as part of the proposed reset, as well as being able to move forward with your 2023/24 audit within the required timelines.
- **Planning for 2023/24 year-end** – Acknowledging that it has been a while since we have all operated under traditional delivery deadlines, we would like to engage with you to ensure the effective reset and recovery from the 2023/24 financial year. Going forward, it will be important to agree joint protocols for ways of working, as well as expectations on accounts and audit preparation and delivery.

Audit plays a vital role in underpinning trust, transparency, and confidence in local government bodies; EY is committed to our role in serving the public interest by delivering consistent high-quality audits. As we collectively navigate through the proposals and this period of uncertainty, I wanted to thank you for your engagement to date. The proposed system reset offers all stakeholders an important opportunity to move forward. We remain committed to achieving the reset of the local audit system and look forward to continuing to work collaboratively with you over the coming months.

If you or your elected members have any questions or would like to discuss any aspect of this letter, please don't hesitate to contact me or your key audit partner.

Yours sincerely



Stephen Reid
Partner, UK Head of Public Sector Audit
for and on behalf of Ernst & Young LLP

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Hinckley & Bosworth Borough Council

Forward timetable of consultation and decision making

Audit Committee

17 January 2024

Wards affected:

All wards

2022/23 Report on the National Fraud Initiative (NFI)

Report of Head of Finance (Section 151 Officer)

1. Purpose of report

- 1.1 To inform the Audit Committee of the results of the 2022/23 Report on the National Fraud Initiative (NFI)

2. Recommendation

- 2.1 That the Committee note the results of the 2022/23 Report on the National Fraud Initiative (NFI).

3. Background to the report

- 3.1 The National Fraud Initiative (NFI) is an exercise that matches electronic data within and between public and private sector bodies to prevent and detect fraud completed on behalf of the Cabinet Office. Data for the NFI is provided by some 1,100 participating organisations from across the public and private sectors to prevent and detect fraud. By integrating thousands of data sets encompassing hundreds of millions of records, every check is thorough.
- 3.2 The NFI data matching plays an important role in protecting the public purse against fraud risks. However, the NFI is only one element of an effective anti-fraud strategy. It must be supported by strong anti-fraud cultures and effective counter-fraud policies and procedures that emphasise that fraud is unacceptable. Since 2020 there has been a significant recovery of loss caused by fraud due to the NFI approach as noted in the table below.

Money Recovered, From April 2020 to March 2022	£443 Million
Participating Authorities (Data Provided by Public and Private Sectors)	1,100+
Total Money Recovered From 1996 To 2022	£2.4 billion
Incorrect Claims for Council Tax Single Person Discount, In England for 2020 To 2022	32,669

- 3.3 HBBC are required by law to protect the public funds it administers. It may share information provided to it with other bodies responsible for; auditing, or administering public funds, or where undertaking a public function, in order to prevent and detect fraud.
- 3.2 Data matching involves comparing computer records held by one body against other computer records held by the same or another body to see how far they match. This is usually personal information. Computerised data matching allows potentially fraudulent claims and payments to be identified. Where a match is found it may indicate that there is an inconsistency which requires further investigation. No assumption can be made as to whether there is fraud, error, or other explanation until an investigation is carried out.
- 3.3 The Table below has a very high level overview of the results of the 2022/23 NFI exercise completed by the Council after investigation were completed.

Area of review	Frauds/Errors	Cases reviewed	Value of Errors/Frauds found.
Council Tax	1	92	£1,652.90
Creditors	0	1667	£0.00
Duplicate records	0	59	£0.00
Housing Benefit	0	23	£0.00
Housing Tenants	0	40	£0.00
Payroll	0	10	£0.00
Procurement	0	10	£0.00
Right to Buy	0	12	£0.00
State Benefits	0	10	£0.00
VAT	0	22	£0.00
Waiting List	0	388	£0.00
Grand Total	1	2333	£1,652.90

- 3.4 The one instance of error/fraud was due to earnings not being declared whilst obtaining support for council tax. The overpayment will be recovered.

4. Exemptions in accordance with the Access to Information procedure rules

4.1 Report is to be taken in open session.

5. Financial implications [AW]

5.1 Set out in the report.

6. Legal implications MR

6.1 Set out in the report.

7. Corporate Plan implications

7.1 Anti-fraud controls are required to ensure that resources are effectively allocated to ensure delivery of all the aims, outcomes and targets included in the Council's Corporate Plan.

8. Consultation

8.1 All members of the Strategic Leadership Team have been consulted in preparing this Strategy.

9. Risk implications

9.1 It is the council's policy to proactively identify and manage significant risks which may prevent delivery of business objectives.

9.2 It is not possible to eliminate or manage all risks all the time and risks will remain which have not been identified. However, it is the officer's opinion based on the information available, that the significant risks associated with this decision / project have been identified, assessed and that controls are in place to manage them effectively.

9.3 There are no significant risks associated with these report / decisions were identified from this assessment.

10. Knowing your community – equality and rural implications

10.1 The budget process will impact on all areas of the Borough and all groups within the population.

11. Climate implications

11.1 The stewardship of the financial resources of the council underpins all policy actions to address the council's objectives in ensuring it manages its resources to ensure climate considerations are achieved in accordance with the corporate plan.

12. Corporate implications

12.1 there are no corporate implications arising for this report.

Background papers:None.

Contact officer: Ashley Wilson

Executive member: Cllr K Lynch

Appendix A



Hinckley & Bosworth Borough Council

Forward timetable of consultation and decision making

Audit Committee 17 January 2024

Wards affected: All Wards

AUDIT COMMITTEE SELF ASSESSMENT

Report of Head of Finance (Section 151 Officer)

1. Purpose of report

1.1 To present to the Audit Committee a summary of CIPFA's Audit Committees Practical Guidance for Local Authorities and Police, which was updated in October 2022.

2. Recommendation

2.1 The report is noted, and

2.2 That the Audit Committee members meet to assess themselves against the CIPFA's criteria in the appendix to this report (Appendix 1)

2.3 The Audit Committee's with the support of officers draft an action plan to address areas of weakness noted in the self-assessment.

3. Background to the report

3.1 CIPFA guidance for Audit Committees was updated in October 2022 in the publication "Audit Committees: Practical Guidance for Local Authorities and Police (2022 Edition)". This publication represents CIPFA's view of best practice for audit committees in local authorities throughout the United Kingdom. The most recent guidance was in 2022, which replaces the 2018 requirements. This new guidance is also supported by the Department for Levelling Up, Housing and Communities and the Home Office.

3.2 The guidance emphasises the importance of audit committees being in place in all principal local authorities and police bodies. It also recognises that audit committees are a key component of governance. Noting that an

“Audit committees are a key component of an authority’s governance framework. Their purpose is to provide an independent and high-level focus on the adequacy of governance, risk and control arrangements. The committee’s role in ensuring that there is sufficient assurance over governance risk and control gives greater confidence to all those charged with governance that those arrangements are effective.”

3.3 Guidance emphasis that the Audit Committee should be independent of executive decision making and able to provide objective oversight. It makes it clear that the Audit Committee It is an advisory committee that has sufficient importance in the authority so that its recommendations and opinions carry weight and have influence with the leadership team and those charged with governance.

3.4 The checklist has a maximum score of 200 points over 40 questions covering the key areas of:

- Audit committee purpose and governance
- Functions of the committee
- Membership and support
- Effectiveness of the committee

3.5 The audit Committee may wish to consider what a minimum acceptable score is as part of the self-assessment.

3.6 CIPFA have also included a positions statement which is to give guidance to Councils and in particular Audit Committee Members on the purpose of the audit committee, its independence and effectiveness and how it should operate in an apolitical manner to be reflective of good governance practice. This can be read at the end of this report (Appendix2), and members should familiarise themselves with it before completing the self-assessment.

3.6 A full copy of an Audit Committees: Practical Guidance for Local Authorities and Police (2022 Edition) is available from CIPFA publications for £265+VAT is desired, but the key elements are attached as appendices to this report.

4. Exemptions in accordance with the Access to Information procedure rules

4.1 Report is taken in an open session.

5. Financial implications [IB]

5.1 None directly from this report

6. Legal implications [MR]

6.1 The legal implications are contained within the report.

7. Corporate Plan implications

7.1 Adoption of the proposal in this paper will contribute to the achievement of the following Corporate Aim of Empowering communities.

8. Consultation

8.1 None

9. Risk implications

9.1 It is the council's policy to proactively identify and manage significant risks which may prevent delivery of business objectives.

9.2 It is not possible to eliminate or manage all risks all the time and risks will remain which have not been identified. However, it is the officer's opinion based on the information available, that the significant risks associated with this decision / project have been identified, assessed and that controls are in place to manage them effectively.

9.3 There is no immediate risk to the Council, however, early consideration by the Council of its preferred approach will enable detailed planning to take place to achieve successful transition to the new arrangement in a timely and efficient manner.

10. Knowing your community – equality and rural implications

10.1 The Financial Statements and the audit process will allow local communities and groups to review the financial performance and stewardship of the Council.

11. Climate implications

11.1 None directly from this report.

12. Corporate implications

12.1 By submitting this report, the report author has taken the following into account:

- Community safety implications
- Environmental implications
- ICT implications
- Asset management implications
- Procurement implications
- Human resources implications

- Planning implications
 - Data protection implications
 - Voluntary sector
-

Background papers: None
Contact Officer: Ashley Wilson, Ext 5609
Executive Member: K Lynch

Appendix 1: Self-assessment of good practice

This appendix provides a high-level review that incorporates the key principles set out in CIPFA's Position Statement and this publication. Where an audit committee has a high degree of performance against the good practice principles, then it is an indicator that the committee is soundly based and has in place a knowledgeable membership. These are the essential factors in developing an effective audit committee.

A regular self-assessment can be used to support the planning of the audit committee work programme and training plans. It can also inform an annual report.

Good practice questions	Does not comply Partially compliant and extent of improvement needed. Fully complies				
	Improvement Level	Major	Significant	Moderate	Minor
Weighting of answers	0	1	2	3	5
Audit committee purpose and governance					
1 Does the authority have a dedicated audit committee that is not combined with other functions (e.g. standards, ethics, scrutiny)?					
2 Does the audit committee report directly to the governing body (PCC and chief constable/full council/full fire authority, etc)?					
3 Has the committee maintained its advisory role by not taking on any decision-making powers?					
4 Do the terms of reference clearly set out the purpose of the committee in accordance with CIPFA's 2022 Position Statement?					

Good practice questions	Does not comply	Partially compliant and extent of improvement needed.			Fully complies
5 Do all those charged with governance and in leadership roles have a good understanding of the role and purpose of the committee?					
6 Does the audit committee escalate issues and concerns promptly to those in governance and leadership roles?					
7 Does the governing body hold the audit committee to account for its performance at least annually?					
8 Does the committee publish an annual report in accordance with the 2022 guidance, including:					
• compliance with the CIPFA Position statement					
• results of the annual evaluation, development work undertaken and planned improvements					
• how has it fulfilled its terms of reference and the key issues escalated in the year?					
Subtotal					
Functions of the committee					
9 Do the committee's terms of reference explicitly address all the core areas identified in CIPFA's Position Statement as follows?					
Governance arrangements					
Risk management arrangements					

Good practice questions	Does not comply	Partially compliant and extent of improvement needed.			Fully complies
Internal control arrangements, including: • financial management • value for money • ethics and standards • counter fraud and corruption					
Annual governance statement					
Financial reporting					
Assurance framework					
Internal audit					
External audit					
10 Over the last year, has adequate consideration been given to all core areas?					
11 Over the last year, has the committee only considered agenda items that align with its core functions or selected wider functions, as set out in the 2022 guidance?					
12 Has the committee met privately with the external auditors and head of internal audit in the last year?					
Subtotal					
Membership and support					
13 Has the committee been established in accordance with the 2022 guidance as follows?					
• Separation from executive					
• A size that is not unwieldy and avoids use of substitutes					
• Inclusion of lay/co-opted independent members in accordance with legislation or CIPFA's recommendation					

Good practice questions	Does not comply	Partially compliant and extent of improvement needed.			Fully complies
14 Have all committee members been appointed or selected to ensure a committee membership that is knowledgeable and skilled?					
15 Has an evaluation of knowledge, skills and the training needs of the chair and committee members been carried out within the last two years?					
16 Have regular training and support arrangements been put in place covering the areas set out in the 2022 guidance?					
17 Across the committee membership, is there a satisfactory level of knowledge, as set out in the 2022 guidance?					
18 Is adequate secretariat and administrative support provided to the committee?					
19 Does the committee have good working relations with key people and organisations, including external audit, internal audit and the CFO?					
Subtotal					
Effectiveness of the committee					
20 Has the committee obtained positive feedback on its performance from those interacting with the committee or relying on its work?					

Good practice questions	Does not comply	Partially compliant and extent of improvement needed.			Fully complies
21 Are meetings well chaired, ensuring key agenda items are addressed with a focus on improvement?					
22 Are meetings effective with a good level of discussion and engagement from all the members?					
23 Has the committee maintained a non-political approach to discussions throughout?					
24 Does the committee engage with a wide range of leaders and managers, including discussion of audit findings, risks and action plans with the responsible officers?					
25 Does the committee make recommendations for the improvement of governance, risk and control arrangements?					
26 Do audit committee recommendations have traction with those in leadership roles?					
27 Has the committee evaluated whether and how it is adding value to the organisation?					
28 Does the committee have an action plan to improve any areas of weakness?					
29 Has this assessment been undertaken collaboratively with the audit committee members?					
Subtotal					

Good practice questions	Does not comply	Partially compliant and extent of improvement needed.			Fully complies
Total score					
Maximum possible score 200**					

** 40 questions/sub-questions multiplied by five.

Appendix 2: CIPFA's Position Statement 2022: Audit committees in local authorities and police

Purpose of the audit committee

Audit committees are a key component of an authority's governance framework. Their purpose is to provide an independent and high-level focus on the adequacy of governance, risk and control arrangements. The committee's role in ensuring that there is sufficient assurance over governance risk and control gives greater confidence to all those charged with governance that those arrangements are effective.

In a local authority the full council is the body charged with governance. The audit committee may be delegated some governance responsibilities but will be accountable to full council. In policing, the police and crime commissioner (PCC) and chief constable are both corporations sole, and thus are the individuals charged with governance.

The committee has oversight of both internal and external audit together with the financial and governance reports, helping to ensure that there are adequate arrangements in place for both internal challenge and public accountability.

Independent and effective model

The audit committee should be established so that it is independent of executive decision making and able to provide objective oversight. It is an advisory committee that has sufficient importance in the authority so that its recommendations and opinions carry weight and have influence with the leadership team and those charged with governance.

The committee should:

- be directly accountable to the authority's governing body or the PCC and chief constable.
- in local authorities, be independent of both the executive and the scrutiny functions.
- in police bodies, be independent of the executive or operational responsibilities of the PCC or chief constable.
- have rights of access to and constructive engagement with other committees/functions, for example scrutiny and service committees, corporate risk management boards and other strategic groups
- have rights to request reports and seek assurances from relevant officers.
- be of an appropriate size to operate as a cadre of experienced, trained committee members. Large committees should be avoided.

The audit committees of the PCC and chief constable should follow the requirements set out in the Home Office Financial Management Code of Practice and be made up of co-opted independent members.

The audit committees of local authorities should include co-opted independent members in accordance with the appropriate legislation.

Where there is no legislative direction to include co-opted independent members, CIPFA recommends that each authority audit committee should include at least two co-opted independent members to provide appropriate technical expertise.

Core functions

The core functions of the audit committee are to provide oversight of a range of core governance and accountability arrangements, responses to the recommendations of assurance providers and helping to ensure robust arrangements are maintained. The specific responsibilities include:

Maintenance of governance, risk and control arrangements

- Support a comprehensive understanding of governance across the organisation and among all those charged with governance, fulfilling the principles of good governance.
- Consider the effectiveness of the authority's risk management arrangements. It should understand the risk profile of the organisation and seek assurances that active arrangements are in place on risk-related issues, for both the body and its collaborative arrangements.
- Monitor the effectiveness of the system of internal control, including arrangements for financial management, ensuring value for money, supporting standards and ethics and managing the authority's exposure to the risks of fraud and corruption.
- **Financial and governance reporting**
- Be satisfied that the authority's accountability statements, including the annual governance statement, properly reflect the risk environment, and any actions required to improve it, and demonstrate how governance supports the achievement of the authority's objectives.
- Support the maintenance of effective arrangements for financial reporting and review the statutory statements of account and any reports that accompany them.

Establishing appropriate and effective arrangements for audit and assurance

- Consider the arrangements in place to secure adequate assurance across the body's full range of operations and collaborations with other entities.
- In relation to the authority's internal audit functions:

- oversee its independence, objectivity, performance and conformance to professional standards.
- support effective arrangements for internal audit.
- promote the effective use of internal audit within the assurance framework.
- Consider the opinion, reports and recommendations of external audit and inspection agencies and their implications for governance, risk management or control, and monitor management action in response to the issues raised by external audit.
- Contribute to the operation of efficient and effective external audit arrangements, supporting the independence of auditors and promoting audit quality.
- Support effective relationships between all providers of assurance, audits and inspections, and the organisation, encouraging openness to challenge, review and accountability.

Audit committee membership

To provide the level of expertise and understanding required of the committee, and to have an appropriate level of influence within the authority, the members of the committee will need to be of high calibre. When selecting elected representatives to be on the committee or when co-opting independent members, aptitude should be considered alongside relevant knowledge, skills and experience.

Characteristics of audit committee membership:

- A membership that is trained to fulfil their role so that members are objective, have an inquiring and independent approach, and are knowledgeable.
- A membership that promotes good governance principles, identifying ways that better governance arrangement can help achieve the organisation's objectives.
- A strong, independently minded chair, displaying a depth of knowledge, skills, and interest. There are many personal skills needed to be an effective chair, but key to these are:
 - promoting apolitical open discussion
 - managing meetings to cover all business and encouraging a candid approach from all participants.
 - maintaining the focus of the committee on matters of greatest priority.
- Willingness to operate in an apolitical manner.
- Unbiased attitudes – treating auditors, the executive and management fairly.
- The ability to challenge the executive and senior managers when required.

- Knowledge, expertise and interest in the work of the committee.

While expertise in the areas within the remit of the committee is very helpful, the attitude of committee members and willingness to have appropriate training are of equal importance.

The appointment of co-opted independent members on the committee should consider the overall knowledge and expertise of the existing members.

Engagement and outputs

The audit committee should be established and supported to enable it to address the full range of responsibilities within its terms of reference and to generate planned outputs.

To discharge its responsibilities effectively, the committee should:

- meet regularly, at least four times a year, and have a clear policy on those items to be considered in private and those to be considered in public.
- be able to meet privately and separately with the external auditor and with the head of internal audit.
- include, as regular attendees, the chief finance officer(s), the chief executive, the head of internal audit and the appointed external auditor; other attendees may include the monitoring officer and the head of resources (where such a post exists). These officers should also be able to access the committee members, or the chair, as required.
- have the right to call on any other officers or agencies of the authority as required; police audit committees should recognise the independence of the chief constable in relation to operational policing matters.
- support transparency, reporting regularly on its work to those charged with governance.
- report annually on how the committee has complied with the position statement, discharged its responsibilities, and include an assessment of its performance. The report should be available to the public.

Impact

As a non-executive body, the influence of the audit committee depends not only on the effective performance of its role, but also on its engagement with the leadership team and those charged with governance.

The committee should evaluate its impact and identify areas for improvement.