

# Public Document Pack



Hinckley & Bosworth  
Borough Council

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

**Date: 25 February 2025**

**To: Members of the Audit Committee**

Cllr DS Cope (Chair)	Cllr C Lambert
Cllr A Pendlebury (Vice-Chair)	Cllr MJ Surtees
Cllr CM Allen	Cllr BE Sutton
Cllr REH Flemming	Cllr R Webber-Jones
Cllr SM Gibbens	Cllr P Williams
Cllr E Hollick	

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, 5 MARCH 2025** 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

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- *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.

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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.

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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 - 5 MARCH 2025

### A G E N D A

1. APOLOGIES AND SUBSTITUTIONS  
To receive and note any apologies for absence
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. 2025/26 INTERNAL AUDIT PLAN AND CHARTER (Pages 5 - 20)  
Report of the Internal Auditors
7. COUNTER FRAUD FRAMEWORK (Pages 21 - 28)  
To inform members of the counter fraud framework
8. APPROACH TO RE-BUILDING AUDIT ASSURANCE (Pages 29 - 32)  
Report of the External Auditors
9. EXTERNAL AUDITORS ANNUAL REPORT - YEAR ENDED 31 MARCH 2024 (Pages 33 - 56)  
Report of the External Auditor
10. ITEMS TO BE REFERRED TO COUNCIL  
Members to consider if any items are required to be referred to council
11. ANY OTHER ITEMS OF BUSINESS WHICH THE CHAIR DECIDES HAVE TO BE DEALT WITH AS MATTERS OF URGENCY  
As announced under item 3 above.
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

15 JANUARY 2025 AT 6.30 PM

PRESENT: Cllr DS Cope - Chair  
Cllr A Pendlebury – Vice-Chair  
Cllr CM Allen, Cllr SM Gibbens, Cllr E Hollick, Cllr MJ Surtees, Cllr BE Sutton  
and Cllr P Williams

Also in attendance:

Officers in attendance: Ilyas Bham, Chris Brown (Azets), Julie Kenny, Sarah Knowles (Mazars), Helen Parks (Azets), Rebecca Valentine-Wilkinson, Ashley Wilson and Ashley Stewart (Mazars)

#### 324. **Apologies and substitutions**

Apologies for absence were submitted on behalf of Councillors Flemming, Webber-Jones and Lambert.

#### 325. **Minutes of previous meeting**

It was moved by Councillor Williams, seconded by Councillor Allen and

RESOLVED – the minutes of the meeting held on 13 November be confirmed as a correct record.

#### 326. **Declarations of interest**

No interests were declared at this meeting.

#### 327. **Audit completion report 2023/24**

Members received a covering report from the Head of Finance and the first Audit completion report from Azets the new external auditors.

In response to questions from members around the Government reform review, officers confirmed that they were engaging with Ministers to talk about the reform of the local audit system that included consultation on all proposals.

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

RESOLVED – that members note the report and actions in place to address the value for money conclusions and outcomes from the recent Corporate Peer Challenge.

#### 328. **Audit Committee corporate risk register review 2024/25**

Members were provided with an update to the Corporate Risk Register that had addressed actions from the Audit Committee Action Plan as well as findings from the Corporate Peer Challenge held in December 2024.

In response to questions from members, officers confirmed that:

- The Corporate Risk Register was regularly reviewed, updated and published on a quarterly basis;
- The devolution and Local Government Reorganisation risk listed on the register was as at November 2024 and had already been updated since the white paper had been published.

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

RESOLVED –

- (i) That members reviewed and considered the content of the report;
- (ii) That the Corporate Risk Register and Risk Management Framework be endorsed.

### **329. Audit Committee review of terms of reference**

Members received this report updating the current terms of reference for this committee based on the most recent CIPFA guidance for consideration.

It was proposed by Councillor Allen, seconded by Councillor Surtees, and

RESOLVED –

- (i) The proposed updated Terms of Reference which had been drafted in response to the action plan and findings from the LGA Peer Challenge were approved
- (ii) The revised Terms of Reference were also recommended to Council for inclusion in the constitution.

### **330. Sickness management final internal audit report**

Members were presented with the final sickness management internal audit report for 2024/25.

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

RESOLVED – the report be approved.

### **331. Treasury Management 2024/2025 - Internal audit final report**

Members received the Treasury management final internal audit report for 2024/25.

Members noted that there were areas identified where there was scope to improve the control environment.

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

RESOLVED – the report be approved.

**332. Internal Audit annual report 2023/24**

Members were presented with the internal audit annual report that summarised the internal audit work undertaken by Forvis Mazars in 2023/24, the scope and outcome of the work completed and included the annual statement on internal controls assurance.

In response to a question from members, officers confirmed that the Leisure centre audit had been deferred and would be carried out in March 2024.

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

RESOLVED – the report be approved.

**333. Internal Audit progress report January 2025**

Members were presented with the internal audit progress report for January 2025 which showed the current position of delivery of the 2024/25 internal audit plan. Members noted that the capital programme audit had been delayed but should be completed by the end of March 2025.

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

RESOLVED – the report be approved.

**334. Audit Committee annual report to council 2023/24**

Members were presented with the annual report to council for 2023/24. This report would now be presented to the next council meeting.

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

RESOLVED – the report be approved.

**335. Statement of Accounts 2023/24 update**

Members were presented with the financial statements for 2023/24 and Annual Governance Statement for 2023/24 with a brief explanation of some of the key year on year changes in the primary statement of the accounts. These financial statements were subject to external audit with a completion date by the end of February 2025. An error of omission of a paragraph on page 261 of the pack was brought to the attention of the Audit Committee for inclusion in the approved version of the Annual Governance Statement under the heading, “How this issue is being addressed”.

It was proposed by Councillor Pendlebury, seconded by Councillor Hollick and

RESOLVED –

- (i) The following paragraph be included on page 261 of the pack under the section, “How this issue is being addressed” – During 2023/24 the committee had not been receiving information relating to the above responsibilities, and although the Finance and Performance Scrutiny see risks as part of its role, the coverage is not compensating for the required arrangements that need to be in place for the Audit Committee to ensure that assurance is being gained on the points above.
- (ii) The report be noted and the financial statements for 2023/24 and Annual Governance statement for 2023/24 approved for publication, subject to completion of the external audit process,
- (iii) The Chair given delegated authority to approve the final 2023/24 Statement of Accounts once the audit has been completed if there were any further amendments or audit requirements needed.

**336. Items to be referred to council**

There were no additional items to be referred to Council.

(The Meeting closed at 8.00 pm)

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CHAIR





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## **Hinckley and Bosworth Borough Council Audit Committee – 5 March 2025**

**Internal Audit Strategy Update – Operational Plan 2025/26 and Charter – Draft**

Date Prepared: February 2025

Strictly private and confidential

**forvis  
mazars**

Agenda Item 6

# Contents

- 01 Introduction
- 02 Internal Audit Operational Plan 2025/26
- 03 Updated Internal Audit Strategy 2025/26 – 2027/28
- 04 Internal Audit Charter

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## Disclaimer

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

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

# 01

Section 01

Introduction

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# Introduction

The Internal Audit Strategy (the Strategy) is used to direct Internal Audit resources to those aspects of the organisation that are assessed as generating the greatest risk to the achievement of its objectives. This is subject to review and update on at least an annual basis to ensure it meets the needs of Hinckley and Bosworth Borough Council (Hinckley), including taking account of any areas of new and emerging risk within the Risk Register. The purpose of this document is to provide the Audit Committee with a further update of the Strategy and the proposed 2025/26 Internal Audit Plan (the Plan) for consideration and approval.

In considering the document, the Audit Committee is asked to consider:

- whether the balance is right in terms of coverage and focus;
- whether key areas have been captured that would be expected; and
- whether there are any significant gaps.

The scope and purpose of internal audit is set out on the right hand side, and how the 2025/26 Plan was prepared is set out in **Section 02**. The updated Internal Audit Strategy for 2025/26 to 2027/28 is set out in **Section 03**.

In addition, we are also seeking approval from the Audit Committee for the Internal Audit Charter in **Section 04**, which we request on an annual basis.

# Scope and Purpose of Internal Audit



## IA's Role

The purpose of internal audit is to provide the Council, through the Audit Committee, and management, with an independent and objective opinion on risk management, control and governance and their effectiveness in achieving Hinckley's agreed objectives.



## IA Plan

Completion of the internal audits proposed in the 2025/26 Plan should be used to help inform Hinckley's statement on the effectiveness of internal control within its annual report and accounts



## Objective

Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes. Internal Audit also has an independent and objective consultancy role to help line managers improve risk management, governance and control



## Charter

We have included our Internal Audit Charter in Section 04. The Charter sets out terms of reference and serves as a basis for the governance of Hinckley's IA function, establishing our purpose, authority, responsibility, independence and scope, in accordance with the Chartered Institute of Internal Auditor's (IIA) standards.

# 02

## Section 02

### Internal Audit Operational Plan 2025/26

# Preparing the Strategy Update and Operational Plan for 2025/26

As part of our approach, it is important we consider Hinckley’s strategic priorities, as well as the key strategic risks identified, as we seek to align our risk-based approach accordingly. In preparing the Strategy update, the following activities have been undertaken:

A review of the outcomes of 2024/25 internal audit work

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Consideration of the latest assessment of risks facing Hinckley, as detailed in the Corporate Risk Register (January 2025)

Consideration of areas which are not necessarily high risk (such as core operational controls), but where the work of internal audit can provide a tangible input to assurance

Consideration of the results of internal audit across our wider client base

A meeting between Forvis Mazars, and the Extended Leadership Team on 29 January 2025 to discuss the draft plan.

This section includes the proposed 2025/26 Plan.

The Plan will be reassessed on a continual basis in light of emerging risks (including issues identified by Internal Audit). Should this result in a need for significant revisions, the plan will be revised and presented for re-approval to the Audit Committee.

Our professional judgement has been applied in assessing the level of resource required to carry out the audits identified in the strategic cycle. This includes consideration of the complexity of the system, volume and frequency of transactions, sources of assurance and the audit approach to the area under review.

Recommendations made as part of our work will be subject to on-going review as part of our Follow up Audit approach.

# Internal Audit Operation Plan 2025/26

An overview of the Internal Audit Operational Plan 2025/26 is set out below.

Proposed Summary Operational Plan					
Audit Area	Estimated Days	Overarching Corporate Risk	High level scope	Target Start Date	Target Audit Committee
Partnership Governance	10	ICT Partnership	To access the adequacy and effectiveness of controls in place to maintain effective partnership relationships and outcomes.	Q1	June 2025
Corporate Governance	10	No specific Corporate Risk	To evaluate the adequacy and effectiveness of the core governance arrangements across the Council, including the arrangements for delegated decision making.	Q2	TBC
Revenue and Benefits (TBC)	10	Dissolution of Business Rates Pool	To be agreed with the Leicestershire Revenues & Benefits Partnership.	Q2	TBC
Service Level Budget Monitoring	10	Balanced MTFS	To cover the strategic approach to co-ordinating budgetary control at service level, including monitoring and reporting.	Q2	TBC
Licencing	10	No specific Corporate Risk	To assess the effectiveness of licensing processes, ensuring adherence to regulations.	Q3	TBC
IT Audit	12	Cyber Security	To be agreed with the Leicestershire ICT Partnership.	Q3	TBC
Workforce Capacity	10	Workforce capacity	To access the arrangements in place for the Council to meet current and future staffing needs, for ensuring optimal resource allocation and for identifying gaps or inefficiencies.	Q3	TBC
Business Continuity	10	Insufficient business continuity management arrangements	To access the adequacy and effectiveness of the Council's Business Continuity plans and processes, ensuring preparedness for disruptions and identifying areas for improvement.	Q4	TBC
Enforcement Action	10	No specific Corporate Risk	To evaluate the effectiveness and compliance of enforcement activities, ensuring adherence to regulation.	Q4	TBC
Management and Reporting Activities					
Follow Up	5			Q4	TBC
Management and Control	15			Ongoing	N/A
<b>Total</b>	<b>112</b>				

# 03

## Section 03

### Updated Internal Audit Strategy 2025/26 – 2027/28



# Updated Internal Audit Strategy 2025/26 – 2027/28

Corporate Risks	Auditable Area	Previous Audits			Strategy		
		2022/23	2023/24	2024/25	2025/26	Indicative 2026/27	Indicative 2027/28
Devolution and Local Government Reorganisation							
Damage to Reputation/adverse publicity	Communication strategy					✓	
	Complaints management						✓
Insufficient Business Continuity Management Arrangements	Business continuity				10		
Failure to adhere to Health and Safety Legislation/ Regulations	Health and safety		Moderate				
Workforce capacity	Recruitment and onboarding					✓	
	Retention						
	Employee wellbeing						
	Workforce capacity				10		
	Sickness management			Substantial			
	Agency staff						✓
	Succession planning					✓	
Council does not prevent or detect fraudulent activities	Fraud management						✓
Depot insufficient space to accommodate introduction of food waste collections	Project assurance						
Climate Emergency	Carbon neutral action plan						
	Recording of electric and gas usage		Moderate				

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# Updated Internal Audit Strategy 2025/26 – 2027/28

Corporate Risks	Auditable Area	Previous Audits			Strategy		
		2022/23	2023/24	2024/25	2025/26	Indicative 2026/27	Indicative 2027/28
Crematorium delivery	Crematorium						✓
Cyber Security	Cyber Security						
	Disaster recovery						
	IT asset management		Limited				
	Vulnerability Management						
	Information governance						
	ICT Audit (TBC)			TBC	12	✓	✓
Page 14 Balanced MTFS	Accounts payable						
	Accounts receivable	Moderate					
	Payroll and pensions					✓	
	Procurement	Moderate					
	Main accounting		Substantial				
	Treasury management			Moderate			
	Capital Programme			TBC			
	Contract management						✓
	Service Level Budget Monitoring				10		
Dissolution of Business Rates Pool	Council Tax & Business Rates						
	Housing Benefit and Local Council Tax Support		Moderate				
	Adequacy and effectiveness of key controls relating to Council Tax and NNDR processes.			Moderate			
	Revenue and benefits (TBC)				10	✓	✓

# Updated Internal Audit Strategy 2025/26 – 2027/28 (continued)

Corporate Risks	Auditable Area	Previous Audits			Strategy		
		2022/23	2023/24	2024/25	2025/26	Indicative 2026/27	Indicative 2027/28
ICT Partnership	Partnership governance				10		
Increased homelessness presentations and temporary Accommodation Requirements	Homelessness			TBC			
Loss of external funding and impact on capacity	Budget control		Substantial				
Delivery of the Local Plan	Development of Local Plan						
Social Housing Regulation	Housing Rents						
	Responsive repairs						
	Statutory property compliance	Moderate					
	Consumer standards					✓	
Planning Designation	S106 Planning	Moderate					
	Planning					✓	
Emergency Planning arrangements	Emergency planning						✓
No specific Corporate risk	Risk management		Limited				
	Commercial asset management	Moderate					
	Leisure centre			TBC			
	Waste management			TBC			
	Fire safety			TBC			
	Licencing				10		
	Enforcement action				10		
	Corporate governance				10		
<b>Follow Up</b>					<b>5</b>	✓	✓
<b>Management and Control</b>					<b>15</b>	✓	✓
<b>Total</b>					<b>112</b>	✓	✓

# 04

## Section 04

### Internal Audit Charter

# Internal Audit Charter

The Internal Audit Charter sets out the terms of reference and serves as a basis for the governance of Hinckley's Internal Audit function. It sets out the purpose, authority and responsibility of the function in accordance with the Global Internal Audit Standards (GIAS) of the IIA and the Application Note: Global Internal Audit Standards in the UK Public Sector, produced by CIPFA. The Charter will be reviewed and updated annually by the Head of Internal Audit.

## Nature and Purpose

Hinckley is responsible for the development of a risk management framework, overseen by the Audit Committee, which includes:

- Identification of the significant risks in the operations and allocation of a risk owner to each;
- An assessment of how well the significant risks are being managed; and
- Regular reviews by the Senior/Executive Team and the Audit Committee of the significant risks, including reviews of key risk indicators, governance reports and action plans, and any changes to the risk profile.

A system of internal control is one of the primary means of managing risk and consequently the evaluation of its effectiveness is central to Internal Audit's responsibilities.

Hinckley's system of internal control comprises the policies, procedures and practices, as well as organisational culture that collectively support Hinckley's effective operation in the pursuit of its objectives. The risk management, control and governance processes enable Hinckley to respond to significant business risks, be these of an operational, financial, compliance or other nature, and are the direct responsibility of the Senior/Executive Team. Hinckley needs assurance over the significant business risks set out in the risk management framework. In addition, there are many other stakeholders, both internal and external, requiring assurance on the management of risk and other aspects of Hinckley's business. There are also many assurance providers. Hinckley should, therefore, develop and maintain an assurance framework which sets out the sources of assurance to meet the assurance needs of its stakeholders.

Internal Audit is defined by the Institute of Internal Auditors' International Professional Practices Framework (IPPF) as 'an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations.'

It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.'

Internal Audit carries out assurance and consulting activities across all aspects of Hinckley's business, based on a programme agreed with the Audit Committee, and coordinates these activities via the assurance framework. In doing so, Internal Audit works closely with risk owners, and the Senior/Executive Team.

In addition to providing independent assurance to various stakeholders, Internal Audit helps identify areas where Hinckley's existing processes and procedures can be developed to improve the extent with which risks in these areas are managed; and public money is safeguarded and used economically, efficiently and effectively. In carrying out its work, Internal Audit liaises closely with the Senior/Executive Team and management in relevant departments.

The independent assurance provided by Internal Audit also assists Hinckley to report annually on the effectiveness of the system of internal control included in the Annual Governance Statements.

## Authority and Access to Records, Assets and Personnel

Internal Audit has unrestricted right of access to all Hinckley's records and information, both manual and computerised, and other property or assets it considers necessary to fulfil its responsibilities. Internal Audit may enter business property and has unrestricted access to all locations and officers where necessary on demand and without prior notice.

Any restriction (management or other) on the scope of Internal Audit's activities will be reported to the Audit Committee.

Internal Audit is accountable for the safekeeping and confidentiality of any information and assets acquired in the course of its duties and execution of its responsibilities.

Internal Audit will consider all requests from the external auditors for access to any information, files or working papers obtained or prepared during audit work that has been finalised, and which external audit would need to discharge their responsibilities.

# Internal Audit Charter (continued)

## Responsibility

The Head of Internal Audit is required to provide an annual opinion to Hinckley, through the Audit Committee, on the adequacy and the effectiveness of Hinckley's risk management, control and governance processes.

In order to achieve this, Internal Audit will:

- Coordinate assurance activities with other assurance providers as needed (such as the external auditors) such that the assurance needs of Hinckley, regulators and other stakeholders are met in the most effective way
- Evaluate and assess the implications of new or changing systems, products, services, operations and control processes.
- Carry out assurance and consulting activities across all aspects of Hinckley's business based on a risk-based plan agreed with the Audit Committee. Provide the Council with reasonable, but not absolute, assurance as to the adequacy and effectiveness of the key controls associated with the management of risk in the area being audited.
- Issue periodic reports to the Audit Committee and the Senior Leadership Team summarising results of assurance activities.

- Assist, when requested, in the investigation of allegations of fraud, bribery and corruption within Hinckley and notifying management and the Audit Committee of the results.
- Assess the adequacy of remedial action to address significant risk and control issues reported to the Audit Committee. Responsibility for remedial action in response to audit findings rests with line management.

There are inherent limitations in any system of internal control and thus errors or irregularities may occur and not be detected by Internal Audit's work.

When carrying out its work, Internal Audit will provide line management with comments and report breakdowns, failures or weaknesses of internal control systems together with recommendations for remedial action.

However, Internal Audit cannot absolve line management of responsibility for internal controls.

Internal Audit will support line managers in determining measures to remedy deficiencies in risk management, control and governance processes and compliance to Hinckley's policies and standards and will monitor whether such measures are implemented on a timely basis.

The Audit Committee is responsible for ensuring that Internal Audit is adequately resourced and afforded a sufficiently high standing within the organisation, necessary for its effectiveness.



# Contact

## Forvis Mazars

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**Senior Manager**

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**Ashley Stewart**

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### Statement of Responsibility

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

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

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

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

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## Hinckley & Bosworth Borough Council

Forward timetable of consultation and decision making

Audit Committee 5 March 2025

Wards affected: All Wards

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### AUDIT COMMITTEE – COUNTER FRAUD FRAMEWORK

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#### Report of Head of Finance (Section 151 Officer)

#### 1. Purpose of report

- 1.1 As part of the Audit Committee's self-assessment the members agreed an action plan to ensure compliance with CIPFA's requirements for good practice. The action agreed to put in place a Counter fraud strategy, then follow that up with a counter fraud plan.
- 1.2 The attached Counter Fraud Framework is for consideration by the audit Committee to meet this requirement.

#### 2. Recommendation

- 2.1 That the Audit Committee note the report.

#### 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 This includes the need to have a Term of Reference (ToR) that covers the governance of fraud. The Audit Committee have already updated their ToR, which includes under the heading of “Governance, Risk and Control” that the Audit Committee’s Role is to:
- review the assessment of fraud risks and potential harm to the council from fraud and corruption.
  - monitor the counter fraud strategy, actions, and resources.
- 3.4 The attached Counter Fraud Framework forms the basis of how this can be achieved. This framework will be further developed as part of the Council’s on-going response to Countering the risk of Fraud. This will commence with a Counter Fraud Policy targeted for the next Audit Committee meeting.
- 3.5 The Framework requires the services of an accredited counter fraud specialist, which the Council does not currently have. This service would have to be contracted for on an as and when required basis, most likely from one of the audit firms currently used by the public sector.

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

- 4.1 Report is taken in an open session.

#### **5. Financial implications [AW]**

- 5.1 None directly from this report

#### **6. Legal implications**

- 6.1 None directly from this report

#### **7. Corporate Plan implications**

- 7.1 Adoption of the proposal in this paper will contribute to the achievement of the aims of the Corporate Plan by protecting the resources of the Council.

#### **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 The following significant risks associated with these report / decisions were identified from this assessment:

Risk Description	Mitigating Actions	Owner
S.45 - Council does not prevent or detect fraudulent activities.	Coverage of specific fraud risk is via the NFI process. Internal Audit cover financial controls and reports any issues as needed	Ashley Wilson

## 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

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Hinckley & Bosworth  
Borough Council

# Counter Fraud Framework

# Introduction

Hinckley and Bosworth Borough Council has adopted a stance of zero tolerance to all forms of fraud, bribery, and corruption. The aim of this framework is to provide an effective framework to protect Council resources from fraud and corruption.

## The Corporate Plan

Our corporate plan for 2024 to 2028 sets out our vision in creating great places to live, work and enjoy. This plan will be supported and delivered by council services working together as one team and with trusted partners in accordance with the council's key values.

Commitments set out in this plan will not duplicate or replace existing partner responsibilities or functions.

- People: Helping people to stay safe, healthy, active, and in employment
- Places: Creating clean, sustainable and attractive places to live, visit and work in
- Prosperity: Encouraging sustainable commercial economic and housing growth, as well as attracting businesses, improving skills and supporting regeneration

Good governance is essential to meet these ambitions to meet legal requirements and to uphold public expectations in the appropriate use of funds in making good use of resources.

Having a holistic approach to tackling fraud is part of good governance to minimise risks of fraud losses and financial irregularity against the Council. This means public money can be used for delivering the Council's priorities.

This framework supports the Council's Corporate Plan, vision, and key priorities. It will support the Council to provide good

value services for local residents and communities.

## Our objective

We will protect Hinckley and Bosworth Borough Council's resources from fraud and corruption. We have a culture where Officers are accountable for their actions and are empowered to make decisions so that fraud, bribery, and corruption risks are managed. There is a zero tolerance to all forms of fraud, bribery, and corruption.

## The goals for this framework

We aim to:

- a) identify fraud risks as part of our management arrangements and evaluate what this means for the Council including any new and emerging risks
- b) ensure our Members and Officers have awareness of fraud, bribery, and corruption risks, their impacts and what the Council does to minimise these risks
- c) ensure our counter fraud, anti-bribery, and anti-corruption measures are proportionate to risks
- d) develop and maintain a culture where Officers and Members are accountable for their actions
- e) help our Officers to feel empowered to make decisions so that fraud, bribery, and corruption risks are managed well
- f) ensure effective internal control measures are in place to make it more difficult for fraud and error to occur
- g) demonstrate that the Council has taken steps to achieve fraud savings and recoveries including sanctions where appropriate
- h) protect the wider public purse through strategic partnerships
- i) continue to deliver a best practice response meeting professional guidance and responding to any changes in legislation

# Making it happen: Our response to fraud

We acknowledge that there are inherent risks of fraud, bribery, and corruption against the Council. Strong governance and an ethical culture can build resilience against these risks.

We are clear on our vision to protect our resources from risks of fraud and corruption.

Hinckley and Bosworth Council will continue to take a zero-tolerance stance to all forms of fraud, bribery, and corruption. To help us deliver our vision, we will align our framework and local response to national best practice. Fighting Fraud and Corruption Locally (FFCL) provides a national framework in response to economic crime and fraud. FFCL is endorsed by a range of organisations including the Local Government Association, CIPFA Counter Fraud Centre, SOLACE, and counter fraud experts from numerous English local authorities.

Governance	Acknowledge	Prevent	Pursue	Protect
<ul style="list-style-type: none"> <li>□ Maintaining our robust arrangements and executive support to ensure anti-fraud, bribery and corruption measures are embedded throughout the Council.</li> </ul>	<ul style="list-style-type: none"> <li>□ Access and demonstrate and understanding of our fraud risks</li> <li>• Committing suitable support and resource to tackling fraud through an anti-fraud response.</li> </ul>	<ul style="list-style-type: none"> <li>• Develop an effective counter fraud, bribery, and corruption culture</li> <li>• Enhance fraud, bribery, and corruption controls and processes</li> <li>• Make best use of information and technology</li> <li>• Communicate activity and successes</li> </ul>	<ul style="list-style-type: none"> <li>• Investigate and recovery losses due to fraud thought suitable legal action</li> <li>• developing capability and capacity to investigate fraud</li> <li>• working with partners to prevent fraud</li> <li>• Provide training to staff and Members on fraud and how to prevent it</li> </ul>	<ul style="list-style-type: none"> <li>• Recognise the harm that fraud, bribery, and corruption can cause in the community</li> <li>• Protect the Council and its residents from fraud, bribery, and corruption</li> </ul>

Our response to fraud, bribery, and corruption will be:

- Risk based following an assessment of fraud, bribery, and corruption risks
- Proportionate to risks faced
- Completed with due diligence
- Communicated
- Monitored and reviewed

We will also draw on the expertise of an accredited counter fraud specialist as required

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# Hinckley and Bosworth Borough Council

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## Approach to Re-building Audit Assurance

March 2025



Agenda Item 8

Hinckley and Bosworth Borough Council  
Hinckley Hub  
Rugby Road  
Hinckley  
LE10 0FR

March 2025

Dear Audit Committee Members

### **Approach to rebuilding audit assurance**

External auditors have now disclaimed the audit opinion on HBBC's financial statements for the last four years and, across the sector, there is a backlog of around 1000 unaudited local authority accounts. The National Audit Office have published Local Audit Reset and Recovery Implementation Guidance (LARRIG) bulletins outlining illustrative timescales and processes for re-building assurance by auditors, following disclaimed audit opinions. The first, and overarching, principle of this guidance is that the public interest requires a return, as soon as possible, to a position where auditors have sufficient assurance to issue opinions on local authority financial statements. This letter sets out our intended approach to achieve this goal.

LARRIG 01 indicates that 2026-27 would be the first year for which it could be feasible for auditors to issue an unqualified opinion. However, this will require assurance over opening balances, closing balances, in-year movements and prior year comparatives. LARRIG 01 also highlights that all audit engagements are different, and local circumstances will influence the extent to which the aspiration can be met, for example where several years have been disclaimed. This means that, while rebuilding may happen faster in some cases if circumstances allow, it may also take longer.

We completed a range of audit testing on the 2023-24 accounts; however, we had insufficient time to recover the missing assurances on opening balances from the previous three years, and we therefore issued a disclaimed opinion. To re-build assurance, we need to perform work on the prior year financial statements which have not yet been subject to audit.

LARRIG 05 explains that the auditor's decision on the optimal pathway for the timeliest return to opinion-making will require the application of professional judgement within the specific context of the facts and circumstances of individual engagements. The auditor may, as appropriate, prioritise work on opening balances, closing balances, or in-year movements, to achieve this pathway.

We anticipate that the process of re-building assurance at HBBC will take place over several years, starting in 2025. Our planned approach is to perform a risk-based assessment of the financial control environment at the Council during the three years 2020-21 to 2022-23 as this will provide assurance on the strength and stability of internal controls over this period. We will also carry out targeted testing of Property, Plant and Equipment (PPE) additions, disposals and depreciation during those years, as this will provide assurance on the material capital transactions that make up these high value, long term assets on the balance sheet and provide evidence for the corresponding reserve movements. These two initial pieces of work will inform the nature and level of further testing required and allow us to develop a plan for re-building the remaining assurances, which we will present to the audit committee for review, approval and monitoring. Our estimated fee for this initial work is between £30,000 to £35,000. Any work completed in subsequent years to rebuild assurance over other balances within the financial statements would also be subject to additional fee.

The National Audit Office have also stated that “further guidance will be issued during the period of reset and recovery to respond to issues identified by the sector as work progresses”. This may include further guidance for auditors, providing information to stakeholders on the different forms of auditor opinion that may be required during this period, guidance on how auditors should approach the rebuilding of assurance and other matters that emerge during the implementation of the reset and recovery stages. We will incorporate such further guidance in our plan for re-building assurance, as appropriate.

Azets are taking a proactive approach to our programme of re-building assurance. By starting now, and phasing our work over future years, we can minimise the impact that additional work will have on the capacity of HBBC’s finance team and remove disclaimed audit opinions as quickly as possible, while also minimising the associated costs.

We appreciate that the announcement regarding local government reorganisation adds further complexity; however, we believe that our proposed approach supports local government reorganisation as this assurance will be needed as part of merging the financial statements of multiple bodies into one entity.

**Chris Brown**

**Key Audit Partner**

For and on behalf of Azets Audit Services



This report has been prepared for the sole use of the Council’s management and Those Charged with Governance. It should not be quoted in whole or in part without our prior written consent and should not be relied upon by third parties. No responsibility is assumed by Azets Audit Services to any third parties. To the fullest extent permitted by law, we do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting, on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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## Hinckley & Bosworth Borough Council

Forward timetable of consultation and decision making

Audit Committee 5 March 2025

Wards affected: All Wards

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### AUDIT COMMITTEE – ANNUAL AUDIT REPORT 2023/24

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#### Report of Head of Finance (Section 151 Officer)

#### 1. Purpose of report

- 1.1 To provide the Committee with an overview of Azets Auditor's Annual Report for the year ended 31 March 2024, the report is attached at Appendix 1.
- 1.2 This report will cover the following key elements:
  - Opinion on the financial statements
  - Value for Money commentary on:
    - Financial sustainability
    - Governance
    - Improving economy, efficiency, and effectiveness
  - Recommendations raised in 2023/24.
  - Follow up of prior recommendations.

#### 2. Recommendation

- 2.1 That the Audit Committee note the report and the actions in place to address the recommendations made.

#### 3. Background to the report

- 3.1 Azets were appointed via the agreement we have with Public Sector Audit Appointments (PSAA), who, amongst other things, appoint auditors to all relevant opted in authorities and set the scales of fees. Azets as part of this role have two main responsibilities under International Standards on Auditing (UK) and the National Audit Office (NAO) Code of Audit Practice 2024:

- to report an opinion on the financial statements and any issues found during their audit.
- to report on our Value for Money arrangements to secure economy, efficiency, and effectiveness in its use of resources and conclude if there are any weaknesses that need to be addressed.

3.2 Azets Annual Audit Report covers issues that are of note for the Audit Committee in conducting its task of approving the Financial Statements and Annual Governance Report covered in the summary below.

### **Financial Statement**

- 3.3 As reported previously, there has been a national backlog in the delivery and sign off of Audited financial statements. This has been caused by many challenges facing the audit of local government nationally. The critical factors leading to these delays can be attributed to
- shortages in specialist audit resources,
  - increasing regulatory requirements, adding demands at a time of this shortage
  - emerging national accounting issues for Infrastructure Assets and more recently Pension Liability valuation matters placing more demands on audit firms, while staff shortages are in place.
  - In addition, there have been, in some cases, but not for HBBC, a shortage of resources in finance teams across local authorities, and
  - specific governance or technical matters at some audited bodies.
- 3.4 Therefore Azets, our new External Auditors for 2023/24, due to the disclaimed audit opinions issued by the predecessor auditor resulting, are facing a lack of assurance on the Council's opening balances at 1 April 2024. This means they will issue a disclaimed our opinion on the Council's 2023/24 accounts. There is simply insufficient time available to cover all the assurance that would be needed to avoid this by the time the deadline for the opinion (28 February 2025) is due.

### **Value for Money**

- 3.5 Members will notice that for the first time, we have a weakness declared in our Annual Governance Statement in relation to the risk overview function of the Audit Committee. To some extent this should not come as a surprise to the members of the Audit Committee as they have been closely involved in an on-going self-assessment process that highlighted the need for further involvement in the risk management process in accordance with its terms of reference.
- 3.6 Azets have noted as part of their work that this area needs to be strengthened and have reported this in their VFM conclusion. This was an obvious area for consideration given this had been picked up in the Committee's self-assessment process earlier in 2024. Interestingly, our previous Auditors (EY) did not raise any issues for any of the three years VFM work completed and report in December 2024.

3.11 Furthermore it should be noted that the Council's recent Corporate Peer Challenge concluded we have an overall sound system of Risk Governance but indicated that there was room for improvement in the role of members in the risk management process, which will be accomplished via implementation of the Audit Committee action plan already in place.

3.13 Azets full report is attached to this covering report, and they will present the details for members to consider.

#### **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**

6.1 As noted in the Annual Audit Letter

#### **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.

#### **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

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



# Hinckley and Bosworth Borough Council

## Auditor's Annual Report

Year ended 31 March 2024

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February 2025



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Detailed findings from our audit of the financial statements are communicated in the following reports:

- Independent Auditor’s Report on the financial statements
- Audit completion Report to Audit Committee

We performed our audit in accordance with International Standards on Auditing (UK). This report has been prepared in line with the National Audit Office’s Code of Audit Practice (the “Code”) and is required to be published by the Council alongside the annual report and accounts. Our reports are prepared in accordance with ISAs (UK), the Code, all associated Audit Guidance Notes issued by the National Audit Office and relevant requirements of the Local Audit and Accountability Act 2014.

# Key messages

The purpose of the Auditor's Annual Report is to bring together all the auditor's work over the year. This includes our audit work on the Council's financial statements and our audit work on value for money (VFM) arrangements.

A key element of this report is our commentary on VFM arrangements, which aims to draw to the attention of the members of the Council and the wider public relevant issues, recommendations arising from the auditor's work and the auditor's view on whether previous recommendations have been implemented satisfactorily.

Area of work	Our responsibilities	Conclusions
<p>Financial statements</p> <p style="writing-mode: vertical-rl; transform: rotate(180deg);">Page 39</p>	<p>We were appointed as auditors to perform an audit of the financial statements of the Council in accordance with International Standards on Auditing (UK) (ISAs (UK)), which are directed towards forming and expressing an opinion on the financial statements.</p> <p>However, <a href="#">The Accounts and Audit Regulations 2015</a>, as amended by the <a href="#">Accounts and Audit (Amendment) Regulations 2024</a>, impose a statutory backstop date of 28 February 2025 for the publication by the Council of their final Statement of Accounts for 2023/24. The Code specifies that (except in a few exceptional circumstances) auditors are required to issue their auditor's report before this date, even if planned audit procedures are not fully complete, so that local government bodies can comply with this statutory reporting deadline.</p> <p>We have therefore considered whether the time constraints imposed by the backstop date mean that we cannot complete all necessary procedures to obtain sufficient, appropriate audit evidence to support our audit opinion in compliance with the ISAs (UK). These time constraints were further restricted by the earlier statutory backstop date of 13 December 2024, which led to the financial statements for 2020/21, 2021/22 and 2022/23 being disclaimed by the predecessor auditor.</p>	<ul style="list-style-type: none"> <li>The disclaimed audit opinions issued on each of the last three years' financial statements by the predecessor auditor resulted in a lack of assurance on the Council's opening balances at 1 April 2024. The lack of assurance over opening balances, together with the statutory backstop date for 2023/24 impacted on the audit procedures that we had planned to undertake to gain assurance on the 2023/24 financial statements. There was insufficient time and resource available for us to gain sufficient assurance during the 2023/24 audit, including recovering missing assurance from earlier years, before the statutory backstop date.</li> <li>We have therefore disclaimed our opinion on the Council's 2023/24 accounts.</li> <li>The responsibilities of the Council, the Audit Committee and management remain unchanged. The Council's Responsible Finance Officer has a responsibility under <a href="#">The Accounts and Audit Regulations 2015</a> to confirm that the Accountability Statements included in the Statement of Accounts give a true and fair view. The Audit Committee have an essential role in ensuring that they have assurance over the quality and accuracy of the financial statements prepared by management and the Council's wider arrangements to support the delivery of a timely and efficient audit.</li> <li>As part of our 2024/25 audit, we will work with management to develop a recovery plan setting out the work required to return to unmodified audit opinions in the coming years.</li> </ul>

# Key messages

Area of work	Our responsibilities	Conclusions
<p>Value for money</p>	<p>We are required under Section 20(1)c of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code requires us to report to you our commentary relating to proper arrangements under specified criteria: Financial sustainability, Governance and Improving economy, efficiency and effectiveness.</p> <p>We have summarised our findings in the commentary later in this report. We are also required to report if we have identified any significant weaknesses from this work.</p>	<p>We have identified a significant weakness against the governance criteria of the VFM arrangements. This is in relation to the Audit Committee's oversight of risk management processes and fraud risk at the Council.</p> <p>We have made "other" recommendations to support the Council's ongoing improvement.</p>
<p>Key recommendations</p>	<p>The Code requires that where auditors identify significant weaknesses as part of their review of the Council's arrangements to secure value for money, they should make recommendations setting out the actions that should be taken by the Council. We consider these to be key, or essential, recommendations.</p>	<p>We have made a recommendation in relation to the significant weakness identified above. Details can be found on page 12.</p>
<p>Narrative report and annual governance statement</p>	<p>We are required to read and report if the other information included in the Statement of Accounts (including the Narrative Report and Annual Governance Statement) is materially inconsistent with the financial statements and our knowledge obtained from the audit, or otherwise appears to be materially misstated.</p> <p>We are also required to assess whether the Annual Governance Statement complies with the disclosure requirements set out in CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit.</p>	<p>We have reviewed the information presented in the Annual Governance Statement for consistency with our knowledge of the Council. We have nothing to report in this regard.</p>

# Key messages

Area of work	Our responsibilities	Conclusions
Public interest report	Under Section 24, Schedule 7(1)(1) of the Local Audit and Accountability Act 2014 the auditor of the Council must consider whether to make a report in the public interest if they consider a matter is sufficiently important to be brought to the attention of the audited body or the public.	<ul style="list-style-type: none"> <li>We did not identify any matters for which we considered a public interest report to be required as part of our external audit for 2023/24.</li> </ul>
Statutory recommendations	Under Section 24, Schedule 7(2) of the Local Audit and Accountability Act 2014 the auditor of a Council can make written recommendations to the Council which need to be considered by the Council and responded to publicly.	<ul style="list-style-type: none"> <li>We did not identify any matters for which we considered statutory recommendations are required as part of our external audit for 2023/24.</li> </ul>
Application to the court	Under Section 28 of the Local Audit and Accountability Act 2014, if auditors think than an item of account is contrary to law, they may apply to the court for a declaration to that effect.	<ul style="list-style-type: none"> <li>We did not make an application to the court.</li> </ul>
Advisory notice	Under Section 29, Schedule 8 of the Local Audit and Accountability Act 2014, auditors may issue an advisory notice if they think that the Council, or an officer of the Council, is about to make, or has made, a decision which involves or would involve the Council incurring unlawful expenditure, is about to take or has begun to take a course of action which, if followed to its conclusion, would be unlawful and likely to cause a loss or deficiency, or is about to enter an item of account, the entry of which is unlawful.	<ul style="list-style-type: none"> <li>We did not issue any advisory notices.</li> </ul>
Judicial review	Under Section 31, Schedule 8 of the Local Audit and Accountability Act 2014, auditors may make an application for judicial review of a decision of an authority, or of a failure to act by an authority, which it is reasonable to believe would have an effect on the accounts of that body.	<ul style="list-style-type: none"> <li>We did not make an application for judicial review.</li> </ul>

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# Financial statements

*The Statement of Accounts and financial statements included therein are an important tool for the Council to show how it has used public money and how it can demonstrate its financial health.*

*We were appointed as auditors to perform the audit in accordance with International Standards on Auditing (UK) (ISAs (UK)).*

*We are independent of the Council in accordance with applicable financial requirements, including the Financial Reporting Council's Ethical Standard.*

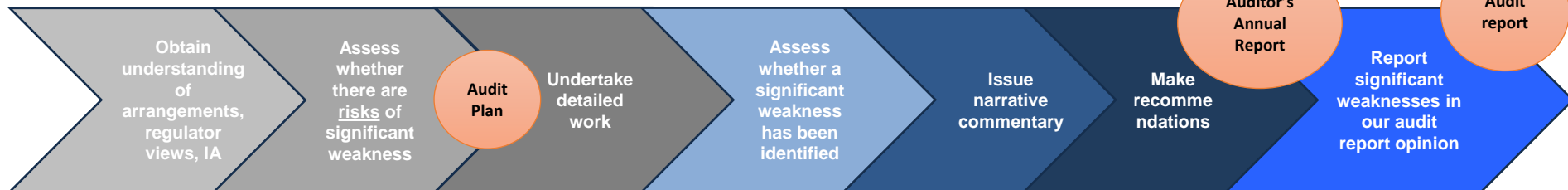
Area of work	Conclusions
<b>Audit opinion on the financial statements</b>	We issued a disclaimer of opinion on the Council's financial statements for 2023/24.
<b>Whole of Government Accounts (WGA)</b>	<p>We are required to carry out specified procedures on behalf of the NAO on the WGA consolidation pack under WGA group audit instructions.</p> <p>The Council does not exceed the threshold for detailed testing however we are required to issue an assurance statement to the NAO (even if we have issued a disclaimer of opinion on the financial statements).</p> <p>We will submit our assurance statement to the NAO after issue of our auditor's report.</p>
<b>Preparation of the accounts</b>	Under <a href="#">The Accounts and Audit Regulations 2015</a> , the deadline for the production and approval for the draft financial statements was 31 May 2024. The Council prepared its draft accounts in line with this deadline.

The findings from the audit procedures we completed on the Council's 2023/24 financial statements are set out in our Audit Completion Report to the Council's Audit Committee on 15 January 2025. Requests for this report should be directed to the Council. This report summarises the significant risks we identified for the 2023/24 financial statements audit and the work we completed. No significant adjustments were made to the 2023/24 financial statements submitted for audit.

The significant risks we identified as part of our audit are set out in Appendix 1.

# Value for money

We are required to consider whether the Council has established proper arrangements to secure economy, efficiency and effectiveness in its use of resources (as set out in the NAO Code of Practice (2024) and the requirements of Auditor Guidance Note 3 ('AGN 03'))



In undertaking our work we have identified significant weaknesses in arrangements as set out in the table below. We have made key recommendations in respect of these weaknesses. We are not required to consider, nor have we considered, whether all aspects of the Council's arrangements are operating effectively.

Reporting criteria	Planning – risk of significant weakness identified?	Final – significant weakness identified?	Key recommendations made?	Other recommendations made?
<b>Financial sustainability</b> How the body plans and manages its resources to ensure it can continue to deliver its services	No	No	No	Yes
<b>Governance</b> How the body ensures it makes informed decisions and properly manages risk	Yes	Yes	Yes	No
<b>Improving economy, efficiency and effectiveness</b> How the body uses information about its costs and performance to improve the way it manages and delivers its services	No	No	No	No

# Value for money

In addition to our financial statements work we performed a range of procedures to inform our value for money commentary, including:

- Meeting with management and regular meetings with senior officers
- Interviews as appropriate with other executive officers and management
- Review of Council and committee reports and attendance at audit committee meetings
- Discussions with the predecessor auditor and reviews of their findings and reports
- Reviewing reports from third parties
- Considering the findings from our audit work on the financial statements
- Review of the Council's Annual Governance Statement and Narrative Report and other publications
- Considering the work of internal audit and the counter fraud function

Councils are responsible for putting in place proper arrangements for securing economy, efficiency and effectiveness in their use of resources. This includes managing key operational and financial risks and taking properly informed decisions so that they can deliver their objectives and safeguard public money.

As auditors, we are required to consider whether the Council has established proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

We performed risk assessment procedures at the audit planning stage to identify any potential areas of significant weakness which could result in value for money not being achieved. This included considering the findings from the predecessor auditor, regulators and internal auditors, reviewing records at the Council and performing procedures to gain an understanding of the high-level arrangements in place. The resulting risk areas we identified were set out in our audit plan.

For each identified risk area, we performed further procedures during our audit to consider whether there were significant weaknesses in the processes in place at the Council to achieve value for money.

The Code requires us to structure our commentary on VFM arrangements under three reporting criteria: financial sustainability, governance and improving economy, efficiency and effectiveness.

We have set out on the following pages our commentary and findings on the arrangements at the Council in each area.

## Summary of findings

Based on the audit work performed, we identified a significant weakness in the Council's governance arrangements and have therefore raised a key recommendation. We have raised other recommendations for financial sustainability regarding the Council's future savings plans.



# Financial sustainability

This relates to how the Council plans and manages its resources to ensure it can continue to deliver its services.

We considered the following areas:

- how the Council identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into the plans;
- how the Council plans to bridge its funding gaps and identifies achievable savings;
- how the Council plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities;
- how the Council ensures that its financial plan is consistent with workforce, capital, investment, and other operational plans, which may include working with other local public bodies as part of a wider system; and
- how the Council identifies and manages risks to financial resilience, such as unplanned changes in demand and assumptions underlying its plans.

The Council has in place a Medium-Term Financial Strategy (MTFS) which covers a rolling four-year period up until 2027/28. The MTFS has been developed amongst ongoing uncertainty of future funding relating to Non-Domestic Rates and New Homes Bonus.

The Council uses external consultants to aid with identifying pressures and assumptions that are factored into the MTFS. Assumptions include those for pay awards, inflation and interest rates.

The minimum approved level of general fund reserves is 15% of the budget requirement, however in 2023/24 the level of reserves has gone below the approved minimum level to 8% due to the need to fund shortfalls relating to the cancelled build of a new crematorium. Forecasting for 2024/25 also shows that the general reserves balance will be 13% of the budget requirement due to unexpected costs.

The Council has historically experienced good growth in Non-Domestic Rates income. The MTFS for the period presented to the Executive Committee in February 2025 therefore includes three scenarios based on whether there is a business rate refresh outside of the MTFS period, a reset in 2027/28, or a reset in 2026/27 (expected scenario).

The MTFS highlights that in two of the scenarios the Council will be required to make savings from 2027/28 to bridge funding gaps, however the timing of a business rate reset impacts the extent to which savings will be needed.

The Council has started to consider options for savings and additional income generation as a method of bridging funding gaps. The council has not had to implement material levels of savings in recent years as reserves have been used to balance any budget shortfalls. However, continued use of reserves to fund shortfalls is not sustainable in the longer term and reduces the Council's ability to absorb unexpected cost pressures, or reductions in income.

# Financial sustainability (continued)

Given the level of dependencies on reserves the Council should consider whether savings need to be implemented ahead of 2027/28, and if the planned savings go far enough to help ensure resilience against any unexpected costs or unforeseen changes in funding announcements. The Council should also ensure that there are strong arrangements in place to monitor progress against savings plans.

Use of capital resources supports the achievement of the Council's strategic priorities. The Council has an approved capital programme and has not used sales of assets to fund revenue pressures. The full year capital programme for 2023/24 totalled nearly £10 million and whilst there was some slippage against the plan, reasons for this have been adequately provided to Finance Overview and Scrutiny and the funding has been included in the budget for 2024/25.

# Governance

This relates to the arrangements in place for overseeing the Council's performance, identifying risks to achievement of its objectives and taking key decisions.

We considered the following areas as part of assessing whether sufficient arrangements were in place:

- how the Council monitors and assesses risk and gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud;
- how the Council approaches and carries out its annual budget setting process;
- how the Council ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information (including non-financial information where appropriate); supports its statutory financial reporting requirements; and ensures corrective action is taken where needed, including in relation to significant partnerships;
- how the Council ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency. This includes arrangements for effective challenge from those charged with governance/audit committee; and
- how the Council monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of officer or member behaviour (such as gifts and hospitality or declarations/conflicts of interests).

The Annual Governance Statement adequately describes the arrangements that the Council intends to have in place to monitor risks and assess the effectiveness of internal controls, including the prevention and detection of fraud.

The Head of Internal Audit's opinion for 2023/24 concluded that the Council's framework of governance, risk management and internal control is moderate in its overall adequacy and effectiveness. We have reviewed the internal audit reports issued throughout the year and have not identified any indications of significant weaknesses in governance arrangements.

As disclosed in the Annual Governance Statement, the council's financial management arrangements have one element that does not fully conform to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010). The Head of Finance is the Section 151 officer for the Council and has the associated statutory responsibilities. However, they are not a formal member of the Strategic Leadership Team (SLT) of the Council.

The Council has in place arrangements which allow the Head of Finance to have direct access to the Chief Executive, the Monitoring Officer, and other Directors as well as the Leader of the Council, and to regularly attend SLT meetings, thereby allowing them to effectively discharge their responsibilities.

Financial outturn reports are taken to the Finance and Performance Scrutiny Committee on a quarterly basis. These provide an update on the Council's performance against forecast year to date and full year budget outturn, and explanations for any variances. The outturn report also gives an update on capital spend against forecast and final outturn.

Treasury management reports are presented to the Finance and Performance Scrutiny Committee on a quarterly basis. They provide an update on the levels of borrowing and investments held by the council, and the risk implications.

# Governance (continued)

Heads of service and budget holders are engaged in the budget setting process so that the Council's key priorities, along with expected levels of growth or pressures, can be incorporated into financial plans.

Our VFM work identified significant weaknesses in the arrangements for overseeing and monitoring risk management and fraud risk by the Audit Committee. The arrangements in place do not reflect the responsibilities of the Audit Committee as set out in its terms of reference. Neither are there adequate compensating arrangements in place to gain assurance through other committees or oversight functions. As a result, oversight of risk management and counter fraud arrangements within the council is not effective.

Further detail is included on page 12 of this report.

# Improving economy, efficiency and effectiveness

This relates to how the Council seeks to improve its systems so that it can deliver more for the resources that are available to it.

We considered the following areas as part of assessing whether sufficient arrangements were in place:

- how financial and performance information has been used to assess performance and identify areas for improvement;
- how the Council evaluates service quality to assess performance and identify areas for improvement;
- how the Council ensures it delivers its role within significant partnerships, engages with stakeholders it has identified, monitors performance against expectations, and ensures action is taken where necessary to improve; and
- where the Council commissions or procures services, how it ensures that this is done in accordance with relevant legislation, professional standards and internal policies, and how it assesses whether it is realising the expected benefits.

The Council is involved in a number of partnership arrangements with other local authorities for the provision of a variety of services including Revenues and Benefits and ICT services. The governance and oversight arrangements in place to monitor the performance of these services varies by service.

The Council uses InPhase to record and monitor performance against a suite of Key Performance Indicators (KPIs) designed to cover a comprehensive range of the Council's activities. These are used to help monitor both the cost and the effectiveness of services.

The KPI descriptions and targets are reviewed annually by managers to ensure they are still relevant, before being approved by the Senior Leadership Team (SLT). There is a performance manager who is responsible for making sure service managers and KPI owners update the InPhase system so the performance monitoring dashboard is up to date. A quarterly performance report is produced and reviewed by the SLT and is then presented to the Finance and Overview Scrutiny Committee.

Larger scale service effectiveness reviews are completed when performance monitoring identifies weaknesses in the delivery of existing services, or when the Council is considering the implementation of a new service.

The Council has a procurement strategy and has produced a sustainable procurement policy which was presented to the Executive committee in September 2024. The policy aims to incorporate environmental, social and economic concerns into all procurement activities. The council is also looking to implement an e-procurement system to help ensure compliance with central government's national procurement strategy.

The Council had previously undergone a procurement exercise for a supplier to build a new crematorium for the district. Due to increasing cost pressures this scheme has been cancelled; however, the Council is considering retendering for this project.

# Key recommendations

These recommendations relate to significant weaknesses we have identified during our audit. Progressing the actions agreed by management will support the Council in addressing the weaknesses.

Criteria	Recommendation	Observation and implication / impact	Management response
<b>Governance</b>  <span style="writing-mode: vertical-rl; transform: rotate(180deg);">Page 50</span>	<p>We recommend that the Audit Committee's Terms of Reference are reviewed to ensure they accurately reflect the role of the Committee in the Council's governance arrangements.</p> <p>Following this, an annual work plan should be created to ensure the committee receives appropriate and timely information and assurance from management and others to allow it to discharge its terms of reference effectively.</p> <p>The Audit Committee should also produce an annual report so the Council can receive assurances and monitor the committee's performance against its delegated responsibilities.</p> <p>The Audit Committee should seek to implement all actions identified following a self assessment of its effectiveness within timescales specified in the action plan.</p>	<p>From our review of the Audit Committee's terms of reference we identified the Committee has responsibility for:</p> <ul style="list-style-type: none"> <li>• providing independent assurance to Council of the adequacy of the risk management framework,</li> <li>• monitoring the effective development and operation of risk management in the council,</li> <li>• reviewing the assessment of fraud risks and potential harm to the council from fraud and corruption,</li> <li>• monitoring the counter-fraud strategy, actions and resources.</li> </ul> <p>The above points are prerequisites for good governance in a council.</p> <p>A review of papers presented at Audit Committee meetings since November 2022 highlighted that the committee has not been receiving information relating to the above responsibilities.</p> <p>There are not adequate compensating arrangements in place to gain assurance on the points above through other committees or oversight functions. As a result, oversight of risk management and counter fraud arrangements within the council is not effective.</p>	<p>The Council note the findings and recommendations that reflect the 2023/24 positions. These are already covered by an agreed action plan following an Audit Committee Self Assessment against CIPFA's current requirements. The Audit Committee had already recognised areas for improvement and proactively completed the self assessment before the completion of this external audit review. These recommendations are fully reflected in that action plan for 2024/25, which includes:</p> <ul style="list-style-type: none"> <li>• ensuring a review of the Audit Committee's Terms of Reference in relation to the Council's governance arrangements (Jan 25).</li> <li>• producing an annual work plan to allow them to discharge their duties effectively (Mar 25), and</li> <li>• producing an Audit Committee annual report so the Council can monitor the committee's performance against its delegated responsibilities (Feb 25).</li> </ul> <p>The Council's recent Peer Challenge concluded we have an overall sound system of Risk Governance but indicated that there was room for improvement in the role of members in the risk management process, which will be accomplished via implementation of the Audit Committee action plan already in place.</p>

# Other recommendations

These recommendations relate to less significant deficiencies or opportunities for improvement we have identified during the course of our work. Progressing the actions management has identified to address the recommendations made will support the Council in realising the improvement opportunities identified from our work.

Criteria	Recommendation	Observation and implication / impact	Management response
<p><b>Financial sustainability</b></p> <p>Page 51</p>	<p>The Council should consider whether savings need to be implemented ahead of 2027/28, and if the planned savings go far enough to help ensure resilience against any unexpected costs or unforeseen changes in funding announcements. The Council should also ensure that there are strong arrangements in place to monitor progress against savings plans.</p>	<p>Levels of general fund reserves went below the approved minimum of 15% of the budget requirement in 2023/24 and are forecast to do the same in 2024/25. The Council has historically been reliant on use of reserves to bridge funding gaps. The current MTFS for the period until 2027/28 outlines the impact the timing of a potential business rate reset would have on the levels of available reserves. Consequently, in two of the scenarios include in the MTFS the council will need to implement a savings programme to be able to balance its budget from 2027/28 onwards.</p>	<p>The current MTFS has savings or new income required from 2027/28. There are high levels of uncertainty in future years as the Government have only issued a one-year settlement for 2025/26. The position may change based on future funding provided by Government in their proposed multi-year settlement for next year. For 2025/26 and 2026/27 there are sufficient reserves to ensure a balanced position, without the need for savings. An initial review of high-level options for savings and new income has been developed and presented to the Executive of the council. This will be further developed and kept under review as needed.</p>

# Follow up of prior recommendations

The below recommendation was made by EY and included in their Value for Money Interim Reports for 2020/21, 2021/22 and 2022/23:

Issue	Recommendation
Governance - follow up of Internal Audit findings.	
It is not clear how the Council have been acting on recommendations made by internal audit or how the Audit Committee have been addressing the findings that have been raised from their work.	The Council should take actions to follow up and address internal audit findings in a timely manner. The Council should also ensure adequate records, of steps taken to address internal audit findings, are kept and made publicly available.
A number of internal audit meetings have been cancelled over the periods of our inspection.	The committee should consider whether the current schedule of 6 to 7 meetings a year is appropriate or if this needs to be reduced.

The Council have taken on board the recommendations made by previous auditors and have implemented changes as appropriate. We have no further follow up in relation to these recommendations.



# Appendix I: Financial statements significant risks

## Significant risks at the financial statement level

The table below summarises our work in relation to 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.

Significant risk	Fraud risk?	Planned approach to controls	Level of judgement / estimation uncertainty	Work completed
Prior year opinion on the financial statements	No	N/A	High	The work we completed is set out on the next page.
Management override of controls	Yes	Assess design & implementation	High	Due to the missing assurance for prior periods and the time constraints imposed by the statutory backstop we have been unable to complete all our planned procedures on the significant risks we identified.  As a result of the material and pervasive nature of missing assurance, and the imminent statutory backstop date of 28 February 2025 for the 2023/24 audit, we intend to issue a disclaimer of opinion.
Presumption of fraud in revenue recognition	Rebutted	Assess design & implementation	Low	
Expenditure recognition	Rebutted	Assess design & implementation	Low	
Valuation of land and buildings (including council dwellings)	Yes	Assess design & implementation	High	
Valuation of pension assets and liabilities (IAS19)	Yes	Assess design & implementation	High	

# Significant risks, response and outcome

Identified risk	Audit procedures completed	Outcome
<p><b>Prior year opinion on the financial statements</b></p> <p>In our audit plan we highlighted that we had not yet obtained a copy of the audit opinion from your predecessor auditor for the 2022/23, 2021/22 and 2020/21 financial years. We therefore reported that:</p> <ul style="list-style-type: none"> <li>• There was a risk that issues not yet identified in these audit years could impact the current audit year;</li> <li>• There was a further risk that an audit backstop may prevent the prior year audits from being completed, resulting in prior year audit opinions being qualified by a 'limitation of scope' or disclaimed in full.</li> </ul> <p>As a result, we reported the significant risk that:</p> <ul style="list-style-type: none"> <li>• there may be limited assurance available over the Council's opening balances, 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).</li> <li>• significant transactions, accounting treatment and management judgements may not have been subject to audit for one or more years – or at all. This may include management judgements and accounting treatment in respect of significant or complex schemes or transactions which came into effect during the qualified or disclaimed periods.</li> </ul>	<p>In response to this risk, we have:</p> <ul style="list-style-type: none"> <li>• considered the findings and outcomes of your prior year audits and their impact on our 2023/24 audit;</li> <li>• considered the impact on our 2023/24 audit of the prior year disclaimed audit opinions you have now received from your predecessor auditor, with particular regard to opening balances and 'unaudited' transactions and management judgements made in previous disclaimed years which continue into 2023/24; and</li> <li>• considered the impact of any changes in the CIPFA Code requirements for financial reporting in previous and current audit years.</li> </ul>	<p>The audit opinions in the Council's accounts for 2022/23, 2021/22 and 2020/21 were all disclaimed. This means we have no assurance over the comparators in the 2023/24 financial statements and no assurance over transactions occurring in those years which impact the figures reported in the financial statements for 2023/24.</p> <p>Statutory Instrument (2024) No. 907 - "The Accounts and Audit (Amendment) Regulations 2024" (the SI) imposes a backstop date of 28 February 2025. By this date we are required to issue our opinion on the financial statements.</p> <p>We have considered whether the time constraints imposed by the backstop date allow us to complete all necessary procedures to obtain sufficient, appropriate audit evidence to support the opinion and fulfil all the objectives of all relevant ISAs (UK).</p> <p>Taking the above into account, for the year ended 31 March 2024 we have determined that we cannot meet the objectives of the ISAs (UK) and we anticipate issuing a disclaimer of opinion.</p>

# Appendix II: Internal control recommendations

We set out here the recommendations we identified during the course of our financial statements audit.

Assessment	Issue	Recommendation	Management response
<p>Amber</p> <p>Page 55</p>	<p><b>Asset identification and ownership</b></p> <p>We tested a sample of 49 assets to gain assurance that they existed and were owned by the Council.</p> <p>For two samples it was not possible for the Council to confirm that they were the legal owners of the assets.</p> <p>For six samples we were unable to confirm that the assets existed. Four of these related to recycling containers which are entered into the fixed asset register as one asset in the year that they are purchased. This made it difficult to perform existence testing as there was no way of being able to match physical recycling containers to the assets included in the fixed asset register.</p>	<p>Management should consider how they can uniquely identify assets to be able to maintain accurate financial records.</p> <p>Management should ensure that they have appropriate documentation which proves they are the owners of the assets included in the fixed asset register.</p>	<p>The system for all types of waste container is based on purchase and hold, until provided to known locations. Each individual container is not given a unique identifies in the register but is controlled more like an inventory stock control system, only being issued as needed. The process will be reviewed to confirm that containers issued to set locations, have the location issued to retained in the system.</p>

Key: **High risk** of material misstatement **Medium risk** of material misstatement **Low risk** of material misstatement



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