

Hinckley & Bosworth Borough Council

Internal Audit Annual Report 2022/23

Prepared by: Mazars LLP

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Disclaimer

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

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

Appendices

A1

Definitions of Assurance

01 Introduction

This Annual Report incorporating our Internal Audit Opinion (Section 02) covers the work we have undertaken in respect of the Internal Audit Plan (Plan) for 2022/23.

Scope and purpose of internal audit

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

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

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

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

This report covers the internal audit activity covering controls in place during the 1st April 2022 to 31st March 2023 period and summarises matters which came to our attention during the work carried out. Such matters have been included within our detailed reports which are presented to the Audit Committee during the course of the year.

Performance against the Internal Audit Plan

Our Internal Audit Plan for 2022/23 was considered and approved by the Audit Committee at its meeting on 11 May 2022. The Plan was for a total of 82 days including 3 days Follow Up, 9 days Management and planning and 10 days IT work.

During the course of the year of our work, suggested amendments were made to the programme of work to improve the benefit to the Council. This included the IT work being carried forward into the 2023/24 plan for completion by June 2024. An audit covering Risk Management was also deferred.



The audit findings in respect of each review, together with our recommendations for action and the management response were set out in our detailed reports. A summary of the reports we have issued is included at Section 03, and comparison with the prior year is included in Section 04. Appendix A1 describes the levels of assurance we have used in assessing the control environment and effectiveness of controls and the classification of our recommendations.

Acknowledgements

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

02 Audit Opinion

Our opinion

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

Of the five reviews for which an assurance opinion was provided, all provided moderate assurance. We have raised no high priority recommendations, 17 medium priority recommendations and 8 low priority recommendations during the period. These matters have been discussed with management, to whom we have made several recommendations. Action plans have been put in place for all and are in the process of being addressed, as detailed in our individual reports.

We will follow up on all recommendations throughout the year, to determine the progress made in relation to their implementation. The status of recommendations will be reported within the Progress Reports presented at each Audit Committee meeting.

Scope of Opinion

In giving our internal audit opinion, it should be noted that assurance can never be absolute. The most that the internal audit service can provide to Hinckley & Bosworth Council is a reasonable assurance that there are no major weaknesses in Governance, risk management and internal control processes.

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

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

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

Further detail on the definitions of our opinions raised in our reports can be found in Appendix A1.

Reliance Placed on Third Parties

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

Follow Up

We follow up on all IA recommendations to ensure Management have addressed and implemented appropriate actions to address those recommendations. Further detail on the number of open and closed actions will be reported throughout the year.

03 Internal Audit Work Undertaken in 2022/23

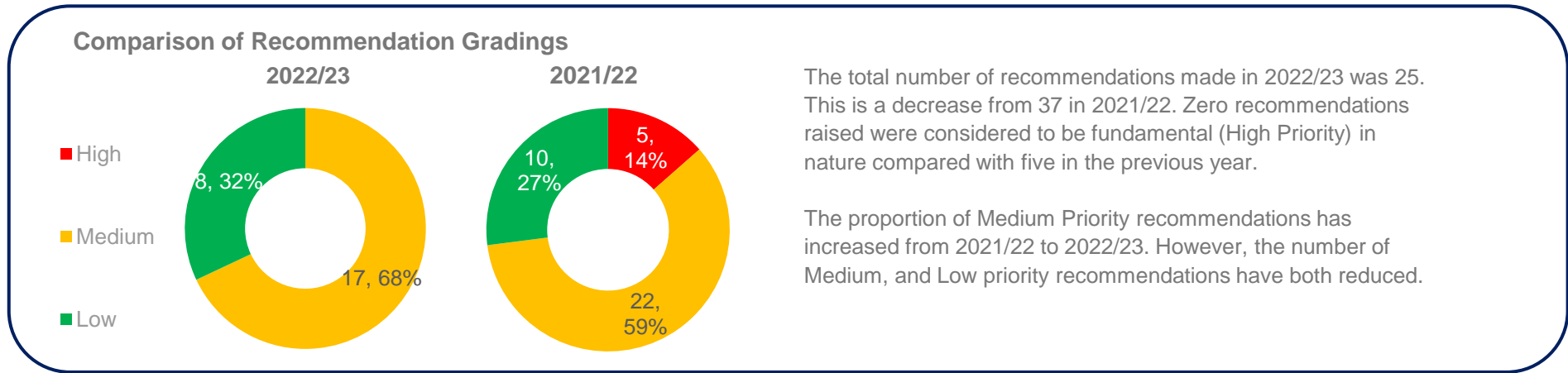
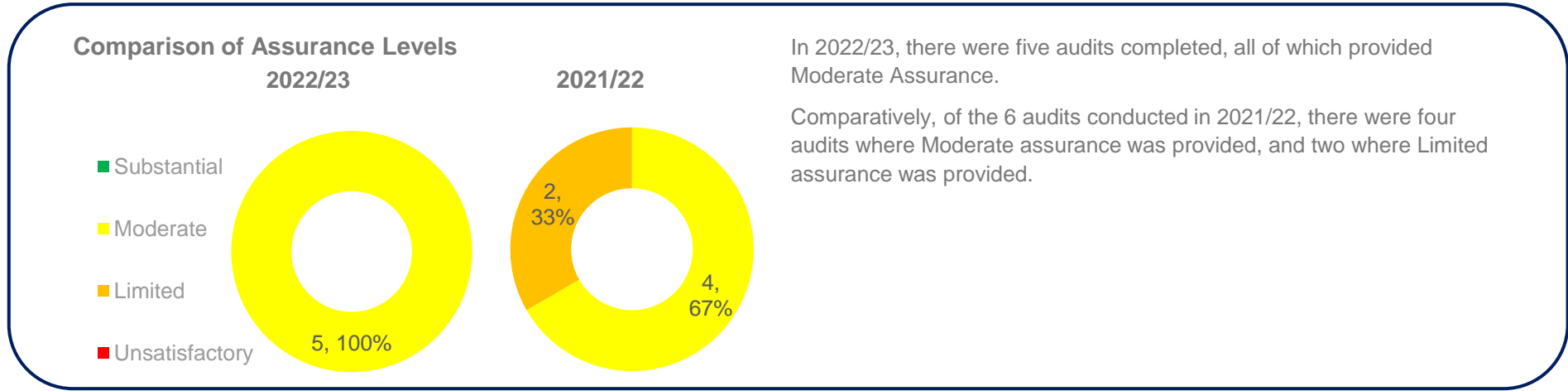
The audit findings in respect of each review, together with our recommendations for action and the management responses are set out in our detailed reports.

We undertook five audit reviews in which an assurance rating was provided, covering a number of important control systems, processes, and risks. The results of this work are summarised below:

Audit area	Assurance level	Recommendations				Total Agreed by Management
		High Priority	Medium Priority	Low Priority	Total	
Accounts Receivable	Moderate	-	1	1	2	2
Procurement	Moderate	-	4	2	6	6
IT Audit	NA	-	-	-	-	-
Commercial Asset Management	Moderate	-	3	3	6	6
Statutory Property Compliance	Moderate	-	7	-	7	7
Section 106 Planning	Moderate	-	2	2	4	4
		-	17	8	25	25

04 Benchmarking

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



05 Performance of Internal Audit

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

Compliance with Professional Standards

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

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

Performance Measures

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

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



Independence and Objectivity

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

Internal Audit Quality Assurance

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

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

Appendices

A1 Definitions of Assurance



A1 Definitions of Assurance

Assurance Gradings

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

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

Recommendation Gradings

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

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

A1 Definitions of Assurance

Annual Opinion

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

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

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We take responsibility to Hinckley & Bosworth Borough Council or 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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