



Hinckley and Bosworth Borough Council

Audit Progress Report

Year ended 31 March 2024

November 2024



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Statutory audit backstop

Impact on outstanding audits – disclaimed opinions

As at the time of writing, the Council’s predecessor auditor has been unable to complete the audits for 2020/21, 2021/22 and 2022/23. In our audit plan, we reported that we will not be able to complete our audit for 2023/24 until your predecessor auditor has completed their outstanding audits.

Since issuing our audit plan for 2023/24, the Government consulted on introducing a statutory “audit backstop” for public sector audits and the Accounts and Audit (Amendment) Regulations 2024 came into effect on 30 September 2024. This legislation provides the following backstop dates, which are effectively statutory audit deadlines:

- Audits from 2015/16 to 2022/23 13 December 2024
- 2023/24 audit 28 February 2025
- 2024/25 audit 28 February 2026
- 2025/26 audit 31 January 2027
- 2026/27 audit 30 November 2027
- 2027/28 audit 30 November 2028

There is a risk that there is now insufficient time before 13 December 2024 for your predecessor auditor to complete sufficient work to issue unqualified audit opinions on the financial statements for the last three years. Where an auditor is unable to gain enough evidence to issue an unqualified opinion or is unable to do so based on the evidence gathered, they are required to issue a modified opinion. Auditors will disclaim their opinion where they lack the evidence to support an opinion.

	Material <u>but not</u> pervasive	Material <u>and</u> pervasive
Financial statements <u>are</u> materially misstated	Qualified	Adverse
Auditor is unable to obtain sufficient evidence to conclude on whether the financial statements are materially misstated	Qualified	Disclaimer

Based on discussions with your predecessor auditor, we expect the audit opinions for 2020/21, 2021/22, and 2022/23 to be disclaimed by the 13 December backstop date. This means there is likely to be:

- limited or no assurance available over opening balances for 2023/24
- limited or no assurance available over income and expenditure comparatives
- significant transactions, accounting treatments and management judgements that have not been subject to audit for three years, or at all.

Once the outstanding audit reports have been issued, we will need to review the predecessor auditor’s audit files and consider the impact on our 2023/24 audit of their findings and conclusions.

We will also need to revisit our planning procedures and audit plan to assess whether any additional procedures are required over and above those we previously identified. Should additional procedures or changes to the plan be required, we will report these to you. The cost of additional work to revisit planning upon completion of the prior year audits will also be reported to you.

Impact on 2023/24 audit

In considering how to respond to inheriting three years of disclaimed opinions, we have taken account of the guidance for auditors published by the National Audit Office in the [Code of Audit Practice](#) and the [Local Audit Reset and Recovery Implementation Guidance](#) (LARRIG), numbers 1 to 5. The LARRIGs are endorsed by the Financial Reporting Council and are intended to support the reset and recovery of local audit in England.

In an audit following a disclaimer, the auditor will not have assurance over:

- The opening balances brought forward from the prior year (the prior year's audited closing balance); and
- The comparative figures.

For some balances, which are cumulative in nature, auditors may need assurance over the opening position to conclude on the closing position. An example is the usable reserves, where the closing position equals the opening balance plus the net movements in year. This means they may perform testing on income, expenditure, capital additions and other reserve movements (such as minimum revenue provision) from 2022/23 and other earlier years subject to a disclaimed audit opinion.

It is also unlikely that the auditor will be able to conclude they have reasonable assurance over the in-year income, expenditure, cash flow and reserves movements without assurance over the opening balances.

In normal circumstances, in the year after a disclaimer is issued, an auditor would have to perform work to assure all the opening balances and prior year comparatives, plus the closing balances and in-year movements, in a single year.

However, the recovery period has been designed to allow auditors to rebuild assurance over multiple audit cycles, reducing the risk of the backlog recurring. In addition, as auditors will need to make prioritisation decisions to issue audit opinions ahead of the backstop dates, they may not be able to obtain evidence to support all closing balances nor all in-year and comparative expenditure, income, cash flow and reserves movements.

Further disclaimed opinions are likely

Due to the limited time between the first backstop date of 13 December 2024 and the 2023/24 backstop date of 28 February 2025, we do not expect to have time to gain sufficient assurance over opening balances, closing balances and in year transactions within the 2023/24 accounts.

The knock-on impact of not having assurance over in-year transactions in 2023/24 means we will also not have assurance over those figures when they are shown as comparatives in 2024/25.

We anticipate that these missing assurances will be sufficiently pervasive that we will need to issue disclaimed opinions for 2023/24 and 2024/25.

Rebuilding assurance

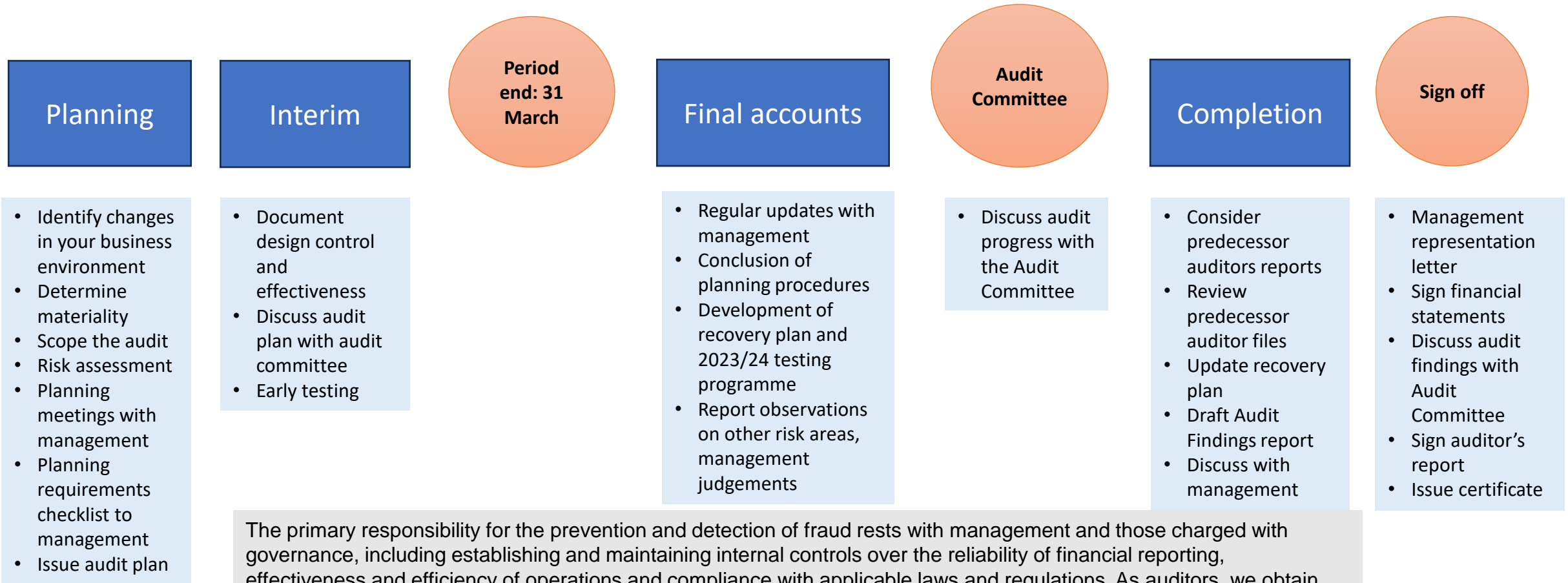
Our approach to rebuilding assurance will follow the guidance in the LARRIGs and the Financial Reporting Council's document [Local Audit Backlog Rebuilding Assurance](#). When designing approaches to rebuild assurance over multiple years, this guidance states that auditors will need to decide which balances to prioritise each year to deliver the optimal pathway to returning, as soon as possible, to a position where they are able to complete audits in full and the opinion is not influenced by backstop dates.

The FRC's guidance states: *“Recovery from the backlog is a shared endeavour between auditors and local bodies. Accounts preparers have a vital part to play, providing good quality draft financial statements supported by comprehensive working papers and supporting evidence to auditors. The success of these proposals relies on both auditors and accounts preparers working closely together to agree jointly-owned delivery plans for each year's audit. Chartered Institute of Public Finance and Accountancy (CIPFA) are responsible for the production of guidance to support accounts preparers. **Audit Committees should ensure that they are planning and able to play their full part in the process.**”*

One key objective of the 2023/24 audit is therefore to develop an audit recovery plan, in conjunction with management, that prioritises the work which allows us to remove disclaimers and qualifications from audit reports as quickly as possible.

We set out over the next few pages the work we anticipate being able to undertake ahead of the 28 February 2025 backstop date.

Financial statements audit timeline



The primary responsibility for the prevention and detection of fraud rests with management and those charged with governance, including establishing and maintaining internal controls over the reliability of financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulations. As auditors, we obtain reasonable, but not absolute, assurance that the financial statements as a whole are free from material misstatement, whether caused by fraud or error.

2023/24 audit: planned procedures

Audit area	Requirement	Progress	Issues, impact and actions	Status
Update of materiality for final accounts	Auditor to consider if the materiality applied at planning remains appropriate upon receipt of the draft financial statements and update accordingly.	We have considered but not changed our materiality levels on receipt of the revised financial statements.	None	Complete
Update of scoping document for audit	Auditor to review the draft accounts to understand if there are any additional significant risk areas that were not previously considered as part of planning procedures.	We have completed this and no new risks have been identified.	None	Complete
Agreement of financial statements to the general ledger / trial balance	We are required to ensure the accounts accurately reflect / can be reconciled to the general ledger and are fully mapped to the Trial Balance	We have confirmed closing balances reconcile to the general ledger and are fully mapped to the TB.	None	Complete
Agreement of opening balances to the prior year unaudited accounts	We are required to confirm the Council's opening position agrees to the previously reported closing position	We will agree the opening ledger position to the prior year unaudited accounts. However, in the event of a disclaimed opinion for the prior year, this will not provide assurance over the opening figures and will only confirm there is continuity between the two sets of unaudited accounts.	None at present	In progress

2023/24 audit: planned procedures

Audit area	Requirement	Progress	Issues, impact and actions	Status
Review of Annual Governance Statement and Narrative Report	We are required to consider whether the information published in this other information is inconsistent with our audit and other knowledge of the Council.	We are currently undertaking our review and will raise any concerns to management.	None at present	In progress
Receipt and review of draft financial statements 2023/24	Auditor to review the draft accounts for significant or unusual movements compared to prior year, and for any other large or unusual balances/transactions.	We have completed our review and are awaiting management responses.	None at present	In progress
IT General controls	We are required to consider the general controls in place regarding IT.	Work has been completed by our Technology Risk team. They have raised a number of findings which we will discuss with management to understand if there is an impact on the financial statements.	To be discussed with management and will be reported in the Audit Findings Report.	In Progress
Payroll	Audit of in-year payroll transactions, including deductions for pensions and employer's National Insurance.	We have selected our sample of items to test and are awaiting management responses.	None at present	In progress
Expenditure	Audit of other service expenditure, interest payments and precepts and levies.	We have selected our sample of items to test and are awaiting management responses.	None at present	In progress
Senior officers' remuneration and members' allowances	Agree disclosures in the accounts to supporting payroll and expenditure records. Ensure all appropriate officers have been included in the disclosure.	We have requested the required evidence and are working through management's responses.	None at present	In progress

2023/24 audit: planned procedures

Audit area	Requirement	Progress	Issues, impact and actions	Status
Cash and bank	Audit of the cash and bank balances on the balance sheet as at 31 March 2023 and 31 March 2024 as per the FRC's guidance.	We have received a number of bank confirmations and are awaiting a few more to complete our work.	None at present	In progress
Investments	Audit of the short-term investments held by the Council.	We have agreed most of our samples to supporting documentation but are awaiting a few more items.	None at present	In Progress
Borrowing	Audit of the short and long-term borrowing held by the Council.	We have agreed some of our samples to supporting documentation but are awaiting a few more items.	None at present	In Progress
Journals: response to significant risk of management override of control	Audit of the Council's journals throughout 2023/24 for evidence of management override of control.	We have selected our sample of journals to test and are awaiting management responses.	None at present	In progress
Income	Audit the income received from government grants, taxation income, fees and charges income, and the collection fund.	We have selected our sample of items to test and are awaiting management responses.	None at present	In progress
Review of predecessor audit file(s)	Review of work undertaken in prior year file(s).	We have requested access to the prior year files for after the predecessor auditor has issued their opinion for 2022/23, 2021/22 and 2020/21	TBC	Not started

Required procedures 2024/25 onwards

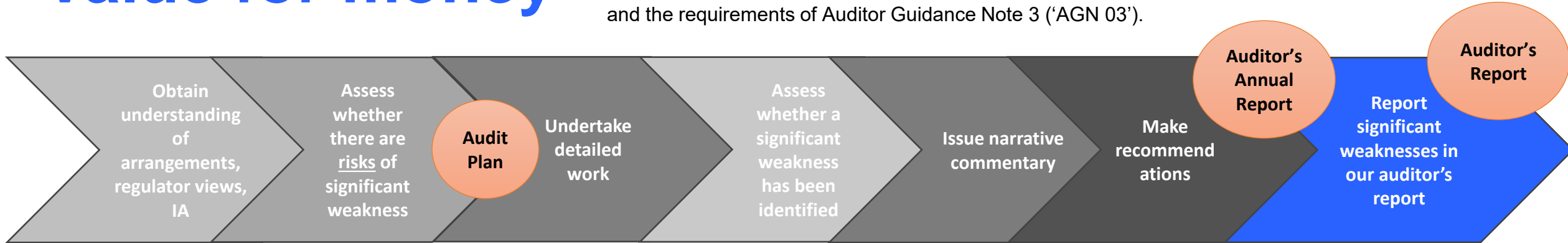
Audit area	Our understanding	Our approach
<p>Property, Plant and Equipment - operational land and buildings: response to significant risk of valuation of other land and buildings</p>	<p>The timing of the next full revaluation needs to be co-ordinated with the audit recovery plan.</p>	<p>As the Council has not received audit assurance over the valuation of PPE since 2019/20 we are unable to obtain sufficient assurance on the brought forward balances to which subsequent valuations have been applied. We have discussed with management the need to obtain a full valuation in a future year, at which point we will complete audit procedures on this.</p>
<p>HRA dwellings: response to significant risk of valuation of housing dwellings properties</p>	<p>The timing of the next revaluation needs to be co-ordinated with the audit recovery plan.</p>	<p>As the Council has not received audit assurance over the valuation of HRA dwellings since 2019/20 we are unable to obtain sufficient assurance on the brought forward balances to which subsequent valuations have been applied. We have discussed with management the need to obtain a full valuation in a future year, at which point we will complete audit procedures on this.</p>
<p>Pension liability: response to significant risk in the valuation of pension liabilities</p>	<p>The previous triennial valuation of the pension fund took place in 2022/23. The accounting entries made as a result of this have not been subject to audit.</p>	<p>As a number of figures in the 2023/24 accounts are based on prior year figures which have been rolled forward, we cannot place reliance on these values. We consider it unlikely we will be able to obtain assurance over this balance in 2023/24 and that it will not be possible to audit this closing balance until the next triennial valuation in 2025/26.</p>

Required procedures 2024/25 onwards

Audit area	Our understanding	Our approach
Payables and receivables	The payables and receivables figures included within the Council's accounts have not been subject to audit since 2019/20.	We will aim to complete audit testing on opening and closing receivables and payables balances as part of our work to rebuild assurance in future years.
Housing Revenue account	The HRA figures included within the Council's accounts have not been subject to audit since 2019/20.	We will aim to complete testing on HRA transactions for the years not subject to audit as part of our work to rebuild assurance in future years.
Reserves	The Council's reserve balances have not been subject to audit since 2019/20.	We are completing some testing on the in-year income and expenditure reserves movements as part of the 2023/24 audit. However, the process to rebuild assurance on opening and closing balances for all reserves is likely to take a number of years.

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 and the requirements of Auditor Guidance Note 3 ('AGN 03').



In our Audit Plan we highlighted a risk of significant weakness in the Council's governance arrangements. Our work on the Council's arrangements for securing value for money is ongoing and our conclusions and detailed narrative commentary will be contained in our Auditor's Annual Report which will be issued following completion of the audit in February 2025.

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

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