

Hinckley and Bosworth Borough Council Audit Committee Internal Audit Annual Report 2023/24

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Internal Audit Annual Report 2023/24

Contents

- 01** Introduction
- 02** Audit Opinion
- 03** Internal Audit Work Undertaken in 2023/24
- 04** Internal Audit Plan 2023/24 vs Budget
- 05** Benchmarking
- 06** Performance of Internal Audit

- A1** Appendix 1 – Definitions of Assurance

Disclaimer

This report (“Report”) was prepared by Forvis Mazars LLP at the request of the 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 the 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 Introduction

Forvis Mazars LLP are the appointed internal auditors to Hinckley and Bosworth Borough Council (Hinckley). This report summarises the internal audit work undertaken by Forvis Mazars in 2023/24, the scope and outcome of work completed, and incorporates our annual statement on internal controls assurance.

The report should be considered confidential to Hinckley and not provided to any third party without prior written permission by Forvis Mazars.

Scope and purpose of internal audit

The purpose of internal audit is to provide the Audit Committee, with an independent and objective opinion on governance, risk management and internal control and their effectiveness in achieving Hinckley's agreed objectives. It also has an independent and objective advisory role to help line managers improve governance, risk management and internal control.

This opinion forms part of the framework of assurances that is received by Hinckley. Internal Audit also has an independent and objective consultancy role to help line managers improve risk management, governance and control. Our professional responsibilities as internal auditors are set out within the Chartered Institute of Internal Auditors (CIIA) and the Internal Audit Charter.

Responsibility for a sound system of internal control rests with the Board and work performed by internal audit should not be relied upon to identify all weaknesses which exist or all improvements which may be made. Effective implementation of our recommendations makes an important contribution to the maintenance of reliable systems of internal control and governance.

Internal audit should not be relied upon to identify fraud or irregularity, although our procedures are designed so that any material irregularity has a reasonable probability of discovery. Even sound systems of internal control will not necessarily be an effective safeguard against collusive fraud.

The report summarises the internal audit activity and, therefore, does not include all matters which came to our attention during the year. Such matters have been included within our detailed reports to the Audit Committee during the course of the year.

Performance against the Internal Audit Plan

The Internal Audit Plan for 2023/24 provided for 90 days of internal audit work. During the year, the Leisure Centre audit was deferred at the request of management due to an ongoing project within the service.

Acknowledgements

We are grateful to the staff throughout Hinckley for the assistance provided to us during the year.

Sampling methodology

As part of our auditing methodology we use a range of sampling techniques to provide a robust basis for our audit opinions. Where possible we favour conducting whole data set testing using the analytics software IDEA.

Where this is not possible or practical, we look to conduct sampling through use of random number generators, stratified or systematic sampling as appropriate to ensure that our findings are both representative and relevant. Sample sizes are driven by the level of assurance being provided and where not dictated as part of the audit scope are at the discretion of the internal auditor in conjunction with the Engagement Manager.

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.

Certain weaknesses and exceptions were highlighted by our audit work. Three 'High' priority findings have been raised. These matters have been discussed with management. These have been, or are in the process of being addressed, as detailed in our individual reports.

A 'Substantial' assurance opinion was provided for two internal audits; Budget Control, and Main Accounting. Moderate opinions were given for Recording of Electric and Gas Usage, Health and Safety, and Housing Benefit and Local Council Tax Support.

A follow up of Internal Audit recommendations is currently ongoing.

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 is a reasonable assurance that there are no major weaknesses in 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 audits undertaken as part of the plan;
- Whether or not any 'Priority 1 - High' or 'Priority 2 – Medium' recommendations raised have not been accepted by Management and the consequent risks;
- The extent to which recommendations raised previously, and accepted, have been implemented;
- The effects of any material changes in Hinckley's objectives or activities;
- Matters arising from previous reports to Hinckley;
- 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 Hinckley; and
- The proportion of Hinckley's internal audit needs have been covered to date.

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

Reliance Placed on Third Parties

Internal audit has not placed any reliance on third parties in order to assess the controls operated by Hinckley. 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. This follow up is currently ongoing.

03 Internal Audit Work Undertaken in 2023/24

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 seven in-depth audit reviews covering a number of important control systems, processes, and risks. The results of this work are summarised below. We also completed a follow up review of implementation of recommendations. The Risk Management and IT Asset Management audits remain at draft stage, awaiting management response.

Audit area	Assurance level	Recommendations				Accepted	Not accepted
		High (Priority 1)	Medium (Priority 2)	Low (Priority 3)	Total		
Budget Control	Substantial	-	-	3	3	3	-
Main Accounting	Substantial	-	-	3	3	3	-
Recording of Electric and Gas Usage (Climate Change Target)	Moderate	-	4	-	4	4	-
Health and Safety	Moderate	-	2	-	2	2	-
Housing Benefit and Local Council Tax Support	Moderate	1	1	1	3	3	-
IT Asset Management (Draft)	Limited	2	4	1	7	-	-
Risk Management (Draft)	Limited	-	6	-	6	-	-
Leisure Centre	Deferred	-	-	-	-	-	-
Total		3	17	8	28	15	-

04 Internal Audit Plan 2023/24 vs Budget

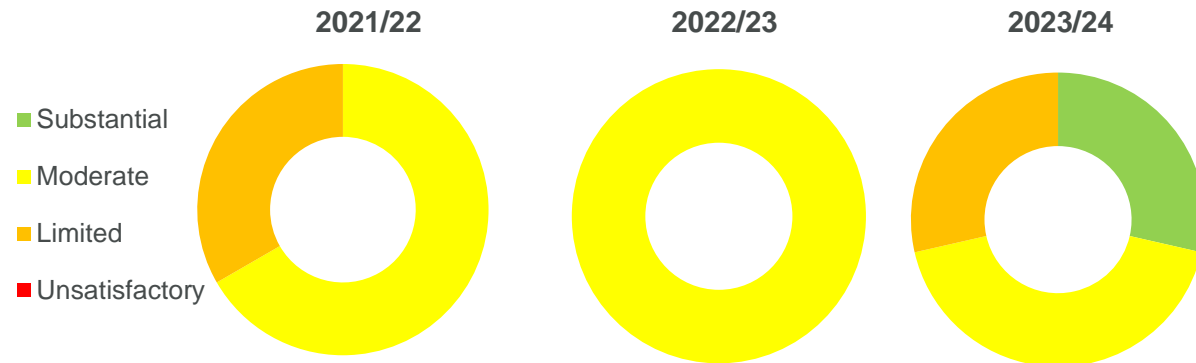
The Internal Audit Plan for 2023/24 was for a total of 90 days. During the year, the Leisure Centre audit was deferred at the request of management due to an ongoing project within the service. This will be carried out in 2024/25. We carried out an additional two days on the Budget Control audit due to information not being provided in preparation for the audit, resulting in the audit being delayed.

Audit area	Planned days	Actual Days	Difference	Status
Budget Control	8	10	+2	Final Report
Main Accounting	10	10	-	Final Report
Risk Management	10	10	-	Draft Report
Recording of Electric and Gas Usage (Climate Change Target)	10	10	-	Final Report
Health and Safety	10	10	-	Final Report
Leisure Centre	12	-	-12	Audit Deferred
IT Asset Management	10	10	-	Draft Report
Housing Benefit and Local Council Tax Support	10	10	-	Final Report
Follow Up	5	5	-	Ongoing
Management and Control	15	15	-	Fully Utilised
Total	100	90	-10	

05 Benchmarking

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

Comparison of Assurance Levels



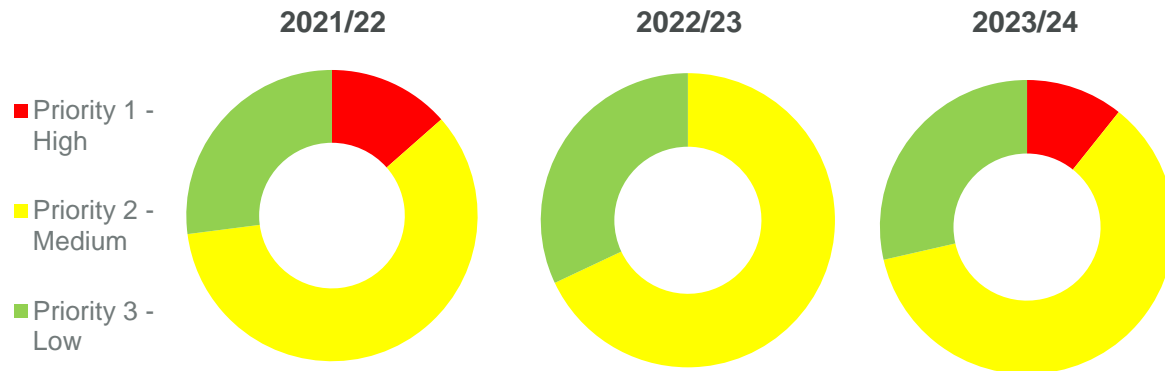
In 2021/2022, there were six strategic audits completed. Four received 'Moderate' assurance and two received 'Limited' assurance.

In 2022/23, there were five strategic audits completed. All five received 'Moderate' assurance opinion.

Of the seven strategic audits conducted in 2023/24, two received 'Substantial' assurance, three received a 'Moderate' opinion and two received a 'Limited' opinion. Two audits, Risk Management and IT Asset Management remain at draft stage.

It should be noted though that the areas of review will not typically be the same given the risk based nature of the Internal Audit Plan year on year and that caution should be exercised in comparing years.

Comparison of Recommendation Gradings



The total number of recommendations made in 2022/23 was 25, which was a reduction in recommendations from 2021/22 where 37 recommendations were raised.

The total number of recommendations made in 2023/24 was 28. There have been three High priority recommendations raised this year, which is a slight increase from 2022/23 where no High priority recommendations were raised.

As noted above, the areas of review each year will not typically be the same, and two audits remain to be finalised.

05 Benchmarking

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 at the start of the year and use a risk-based methodology in planning and conducting our audit assignments.

In fulfilling our role, we abide by the three mandatory elements set out by the Institute of Internal Auditors. Namely, the Code of Ethics, the Definition of Internal Auditing and the Standards for the Professional Practice of Internal Auditing.

Performance Measures

We have completed our audit work in accordance with the agreed Plan and each of our final reports has been reported to the Audit Committee. We have received positive feedback on our work from the Audit Committee and staff involved in the audits.

Regular planned discussions on progress against the Audit Plan have taken place with the Audit Committee.



Conflicts of Interest

There have been no instances during the year which have impacted on our independence and/or lead us to declare any interest.

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:

Level	Description
Substantial	Findings indicate that on the whole, controls are satisfactory, although some good practice enhancements may have been recommended. We may have made some recommendations to improve good practice.
Moderate	While the control framework has been found to be generally well designed, control issues and / or areas for improvement have been identified. Where action is in progress to address these findings and any other issues known to management, these actions will be at too early a stage to allow a 'substantial' assurance audit opinion to be given. The control framework is generally well designed.
Limited	Control weaknesses have been noted that require corrective action if the control framework is to be considered as operating effectively. Where such remedial action has already been identified by management, this will have not yet started at the time of the audit, or is not currently considered to be sufficient, or sufficiently progressing to address the severity of the control weaknesses identified. We found control weaknesses that need to be corrected in order for the control framework to operate effectively.
Unsatisfactory	Findings indicate serious weaknesses in the control framework which could threaten the ability of CLIENT NAME to achieve its objectives; or, there is evidence that despite any corrective action already taken, key risks are crystallising in the area under review or have already crystallised. This assurance opinion may also cover the scenario where our audit work was obstructed such that we cannot conclude on the effectiveness of internal controls.

Recommendation Gradings

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

Priority	Description
High (Priority 1)	Significant weakness in governance, risk management and control that if unresolved exposes the organisation to an unacceptable level of residual risk.
Medium (Priority 2)	Recommendations represent significant control weaknesses which expose the organisation to a moderate degree of unnecessary risk.
Low (Priority 3)	Recommendations show areas where we have highlighted opportunities to implement a good or better practice, to improve efficiency or further reduce exposure to risk.

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 the 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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