



Hinckley and Bosworth Borough Council

Audit Completion Report
Year ended 31 March 2024

January 2025



Hinckley and Bosworth Borough Council
Hinckley Hub
Rugby Road
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December 2024

Dear Audit Committee Members

Hinckley and Bosworth Borough Council – Completion report for the year ended 31 March 2024

This Audit Completion Report summarises the approach and outcomes of our audit, as required by International Standard on Auditing (UK) 260, the National Audit Office Code of Audit Practice 2024 and associated Auditor Guidance Notes. The contents of this report relate only to those matters which came to our attention during our audit and have been discussed with management.

We were appointed to perform the audit in accordance with relevant auditing standards (International Standards on Auditing (UK)), which are directed towards forming and expressing an opinion on the financial statements that have been prepared by management on behalf of the Council.

The Accounts and Audit (Amendment) Regulations 2024 impose a statutory backstop date of 28 February 2025 for the publication by the Council of their final Statement of Account for 2023/24. The Code of Audit Practice (2024) issued by the National Audit Office specifies that 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 these statutory reporting timescales.

As auditors, we are required to consider whether the time constraints imposed by the backstop date allow us to complete all necessary procedures to obtain sufficient, appropriate audit evidence to support our opinion and complete our audit in line with auditing standards. For 2023/24, the time constraints are further increased by the fact that the backstop date of 13 December 2024 for outstanding audits to 31 March 2023 resulted in the issue of disclaimed audit opinions by the Council's predecessor auditor for the financial years ended 31 March 2021, 31 March 2022 and 31 March 2023. This means we have no assurance on the Council's opening balances as at 1 April 2024.

Taking the above into account, for the year ended 31 March 2024 we have determined that we cannot complete our audit in line with auditing standards and we anticipate issuing a disclaimer of opinion in our auditor's report.

Alongside our audit of the financial statements, we are also required to consider the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources and to report any significant weaknesses we identify.

Where we identify control weaknesses, we will also report these to you. However, our audit is not designed to test all internal controls or identify all areas of control weakness. As such, our work cannot be relied upon to disclose all defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify.

This report is intended solely for the information and use of the Council and is not intended to be and should not be used by anyone other than these specified parties.

We would like to take this opportunity to record our appreciation for the kind assistance provided by your team during our audit.

Yours sincerely

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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Executive summary

This section summarises the work we performed on the Council's financial statements, our findings on value for money arrangements and other matters arising from the statutory audit of Hinckley and Bosworth Borough Council for the year end 31 March 2024.

Under International Standards on Auditing (UK) and the National Audit Office (NAO) Code of Audit Practice 2024 we were appointed to report on whether, in our opinion:

- The Council's financial statements give a true and fair view of the financial position of the Council and its income and expenditure for the period; and*
- The Council's financial statements, have been properly prepared in accordance with the CIPFA/ LASAAC Code of Practice on Local Authority Accounting in the UK (the 'CIPFA Code') 2023/24 and the Local Audit and Accountability Act 2014.*

We are also required to report on other matters under the Code of Audit Practice 2024, including any significant weaknesses we have identified in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources.

Context for the audit

Timely, high-quality financial reporting and audit of local bodies supports good decision making and ensures transparency and accountability to local taxpayers. There is general agreement that the backlog in the publication of audited financial statements by local bodies has grown to an unacceptable level and that all stakeholders in the sector need to work together to address this. The factors which have led to this situation are widespread and varied, including:

- Increased complexity of financial and other reporting requirements within the sector
- Increased volume of complex capital and income generation transactions which require specialist accounting and auditing expertise and which take significantly more time to prepare and audit
- Lack of capacity within local authority financial reporting professionals and audit firms with specialist public sector experience
- Increased regulatory pressure on auditors, which in turn has increased the scope and extent of audit procedures performed.

The Ministry of Housing, Communities and Local Government (MHCLG), formerly the Department of Levelling Up, Housing & Communities (DLUHC), has worked collaboratively with the Financial Reporting Council, as incoming shadow system leader, and other system partners, including the National Audit Office, to develop and implement measures to clear the backlog.

In July 2024, the Minister for MHCLG issued a statement confirming the government's plans to:

- **Reset** and clear the backlog through the setting of a statutory backstop date of 13 December 2024 for any outstanding financial statements for financial years to 2022/23;
- **Recover** assurance over a five-year period to 2027/28 to avoid a recurrence of the backlog through the setting of further backstop dates for financial years 2023/24 to 2027/28; and
- **Reform** the local audit system to address the systemic challenges and embed timely financial reporting and audit.

Statutory Instrument (2024) No. 907 - "The Accounts and Audit (Amendment) Regulations 2024" (the SI), together with the updated NAO Code of Audit Practice 2024 and the Local Audit Reset and Recovery Implementation Guidance give effect to the ministerial statement and have all been developed to ensure auditor compliance with International Standards on Auditing (UK).

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Executive summary

Statutory backstop dates were published in The Accounts and Audit (Amendment) Regulations 2024, which were approved by Parliament and came into force on 30 September 2024. These regulations were subsequently incorporated into The Accounts and Audit Regulations 2015 (as amended).

Alongside this updated legislation, the NAO updated the Code of Audit Practice to reflect the statutory backstop requirements. The 2024 Code was approved by Parliament on 14 November 2024. At the same time the NAO issued the Local Audit Reset and Recovery Implementation Guidance to facilitate auditor compliance with International Standards on Auditing (UK), which were endorsed by the FRC.

The Council's 2020/21, 2021/22 and 2022/23 audits were concluded in December 2024. Disclaimers of opinions were issued by the predecessor auditor on all three years resulting in a lack of assurance on the Council's opening balances at 1 April 2024.

Financial statements – the 2023/24 audit

The statutory date for Councils to issue unaudited financial statements for 2023/24, as set out in the Accounts and Audit Regulations 2015 (as amended), was 31 May 2024. The Council issued their unaudited financial statements on 29 May 2024. The statutory public inspection period ran from 03 June 2024 to 12 July 2024.

The lack of assurance over opening balance resulting from the disclaimers of opinion issued in the prior years, together with the imminent statutory backstop date for 2023/24 of 28 February 2025, has impacted on the audit procedures that we had planned to undertake to gain assurance on the Council's 2023/24 financial statements. These planned procedures were first reported in our audit plan and updated in our progress report shared with the Audit Committee in November 2024. There is insufficient time and resource available to gain adequate assurance for the 2023/24 audit, including recovering the missing assurance from earlier years, before the next statutory backstop on 28 February 2025. We therefore anticipate issuing a disclaimer of opinion on the Council's 2023/24 accounts.

We have prioritised available resources in carrying out audit procedures which will provide us with audit information which we can accrete to future audit periods in line with the NAO guidance.

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Executive summary

We have undertaken the following planning tasks:

- Confirmed we remain independent with no conflicts of interest;
- Determined materiality levels at the planning stage and reconsidered upon receipt of the financial statements;
- Made relevant inquiries of management, Those Charged with Governance and internal audit;
- Updated our understanding of the Council, including through review of responses to inquiry letters, minute review, discussions in our internal planning meetings and through our review and documentation of business processes and walkthrough procedures, where possible, including our review of IT General Controls and additional procedures required under ISA (UK) 315.
- Identified significant risks of material misstatement to the financial statements;
- Considered any other matters that may require reporting to regulators, or which may result in a modification to the audit report, e.g. non-compliance with laws and regulations, objections, significant weaknesses in arrangements for value for money and any matters that may result in the use of the auditor's powers.

In order to issue our auditor's report, we require completion of the following matters:

- Resolution of enquiries relating to testing of journals, testing of expenditure, testing of Council tax and NDR income, testing of the existence of assets, review of the cashflow statement, and testing of related parties;
- Final engagement lead 'stand back' review of the file;
- Receipt and review of the management representation letter;
- Receipt and review of the final amended approved Statement of Accounts;
- Responses from management regarding subsequent events up to the date of the audit report and completion of subsequent events audit procedures.

We will continue to consider existing and new information which could influence our final audit report, a current draft of which will be provided at a later date.

The Council's Chief Financial Officer is responsible for ensuring that the Council has adequate internal controls in place to produce financial statements that give a true and fair view and for reconfirming the material accuracy of the financial statements before they are approved by the Audit Committee.

Where, from our procedures performed, we have identified errors or misstatements in the financial statements, disclosure errors, or inconsistencies with the prior year, we report these in this report. Any such matters reported are not exhaustive due to the lack of time available to complete our work. We have no other issues to report based on the work we have completed.

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Executive summary

We are required to consider whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

The Local Audit and Accountability Act 2014 (the Act) requires us to:

- report to you if we have applied any of the additional powers and duties available to us under the Act; and*
- certify the closure of the audit.*

Value for money

We have completed our value for money work and our detailed findings will be set out in our Auditor's Annual Report which will be issued at a later date.

We have concluded there are significant weaknesses in governance arrangements. Further detail is set out in the Value for Money section of this report. Our auditor's report refers to the significant weaknesses in arrangements we have identified and the recommendations we have made.

Statutory duties

We have a duty under the Local Audit and Accountability Act 2014 to consider whether to report on any matter that comes to our attention in the course of the audit, either for the Council to consider it, or to bring it to the attention of the public.

We have nothing to report in relation to these statutory powers and duties.

We expect to be able to certify the closure of the audit upon completion of any required work on whole of government accounts, as specified in the group instructions issued by the NAO.

Quality indicators

KEY:
RED: Significant improvement required
AMBER: Developing
GREEN: Mature

The following metrics are important in assessing the reliability of your financial reporting and response to the audit

Metric	Grading	Commentary
Quality and timeliness of draft financial statements	GREEN	The draft financial statements were received timeously. From the work we completed we have identified some disclosure changes and some minor presentation errors.
Quality of working papers provided and adherence to timetable	GREEN	The working papers we reviewed during the audit were provided on time and provided a clear audit trail to backing documentation. This meant the audit was able to start on time as planned.
Timing and quality of key accounting judgements	GREEN	Management presented their assessment of significant accounting estimates and key judgements to the Audit Committee on 29 May 2024. These are considered appropriate and in line with our expectations for the Council, however we have not completed detailed testing on key accounting estimates or judgements.
Access to finance team and other key personnel	GREEN	The finance team have been accessible to us throughout the course of our audit work. We experienced delays in receiving some items of information, however this has not had a significant impact on our planned procedures.
Quality and timeliness of Narrative Report and Annual Governance Statement	GREEN	We received the AGS and Narrative with the financial statements. We have suggested some amendments to provide additional information on the Council's performance to the reader of the accounts.
Volume and magnitude of identified errors	N/A	Due to the time constraints arising from the statutory backstop we have not been able to complete all our planned audit procedures. We have identified a number of disclosure amendments that have been documented later in this report.

Audit scope and general approach

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

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.

Scope and general approach

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

As part of our risk-based audit approach we:

- Perform risk assessment procedures including updating our understanding of the Council, including its environment, the financial reporting framework and its system of internal control;
- Review the design and implementation of key internal controls;
- Identify and assess the risks of material misstatement, whether due to fraud or error, at the financial statement level and the assertion level for classes of transaction, account balances and disclosures;
- Design and perform audit procedures responsive to those risks, to obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion; and
- Exercise professional judgment and maintain professional scepticism throughout the audit recognising that circumstances may exist that cause the financial statements to be materially misstated.

We reported significant audit risks in our audit plan. We provided an update in our progress report shared with the Audit Committee in November 2024.

Work undertaken in 2023/24

2023/24 is our first year of appointment as external auditors to the Council. Following the commencement of our appointment we have undertaken planning procedures and interim testing procedures, including additional work required under ISA (UK) 315. Subsequent to this, MHCLG introduced statutory backstop dates, including for the 2023/24 audit.

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.

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).

If an objective in a relevant ISA (UK) cannot be achieved, the auditor shall evaluate whether this prevents the auditor from achieving the overall objectives of the audit and thereby requires the auditor to modify the auditor's opinion.

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.

Materiality

Under ISA (UK) 260 'Communication with those charged with governance', we are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA (UK) 260 defines:

- **clearly trivial** as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria;
- **material** as an omission or misstatement that would reasonably influence the users of the financial statements.

The assessment of what is material is a matter of professional judgement and is affected by our assessment of the risk profile of the business and the needs of the users.

As set out in our audit plan, we determined materiality at the planning stage as £836k for the Council based on 1.5% of gross expenditure of the prior year unaudited financial statements. On production of the financial statements we reconsidered materiality but did not change the materiality assessment communicated in the Audit Plan. We have determined that no specific materiality levels need to be set for this audit

Materiality area	Planning £000	Final £000	Explanation
Overall materiality for the financial statements	836	836	This is the equivalent of 1.5% of gross revenue expenditure based on the 2022/23 draft financial statements. This is based on the risk profile of the Council and its primary objective to deliver public services. This is a common measure for calculating materiality for councils as the users of the Council's financial statements are considered to be most interested in where the Council has expended their income during the year.
Performance materiality	501	501	Performance materiality has been set at 60% of overall materiality. This is based on the internal control environment of the Council and reflects our risk assessed knowledge of the potential for errors occurring. It is intended to reduce, to an acceptably low level, the probability that cumulative undetected and uncorrected misstatements exceed materiality for the financial statements as a whole.
Trivial threshold	41	41	This is set at 5% of the headline materiality calculation. Individual errors above this threshold are communicated to Those Charged with Governance.

Significant risks of material misstatement

This section of our report includes a summary of the significant risk areas we identified during our audit planning that required special consideration. We set out our planned responses to each of these risks in our audit plan.

We have not amended the risks we reported in our audit plan presented to you on 17 January 2024.

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.
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	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.

Significant risks of material misstatement

Identified risk	Audit procedures completed	Outcome
<p>Prior year opinion on the financial statements</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"> • There was a risk that issues not yet identified in these audit years could impact the current audit year; • 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. <p>As a result, we reported the significant risk that:</p> <ul style="list-style-type: none"> • 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). • 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. 	<p>In response to this risk, we have:</p> <ul style="list-style-type: none"> • considered the findings and outcomes of your prior year audits and their impact on our 2023/24 audit; • 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 • considered the impact of any changes in the CIPFA Code requirements for financial reporting in previous and current audit years. 	<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>

2023/24 work and building back assurance

Following the start of our appointment as external auditors from 2023/24, we have worked closely with the Council by:

- Confirming and evidencing our independence to act as appointed external auditors;
- Confirming engagement acceptance and continuance arrangements;
- Establishing effective working arrangements with the Council's Section 151 Officer and finance team;
- Undertaking planning procedures in line with the requirements of relevant ISAs (UK) to develop our understanding of the Council, confirm the scope of our external audit and identify and assess risks of material misstatement in the financial statements;
- Issuing audit requests to the Council's finance team using our "Inflo" portal to ensure that both we and the finance team develop an understanding of audit requirements and expectations, and the nature of the information held by the Council to support the financial statements;
- Considering the implications of the statutory backstop legislation and the anticipated assurance likely to be available from the predecessor auditor and considering the impact of these matters on our approach.

As a firm we have invested considerable resources in developing our overall response to the issuing of disclaimers of opinion for 2022/23 and prior years, and the impact that this has on our audit responsibilities and audit approach for 2023/24 and future years.

Due to the audit complexities caused by the issue of previous disclaimers of opinion, our work has required greater involvement from senior members of the audit team than would normally be the case.

Specific procedures we have undertaken in 2023/24 include the following:

- Responding to any actual or suspected non-compliance with laws and regulations of which we have become aware;
- Reviewing minutes of meetings of full Council, Audit Committee, Finance and Performance Scrutiny, and the Executive Committee.
- Agreeing opening balances and comparative figures to prior year financial statements;
- Checking financial statements for internal consistency and arithmetic accuracy;
- Undertaking a high-level Audit Manager and Engagement Lead review of the 2023/24 financial statements;
- Confirming that the accounts have been issued and approved in line with The Accounts and Audit Regulations 2015;
- Evaluating any misstatements identified; and
- Drafting an Audit Plan and Audit Completion Report and presenting these to the Audit Committee.

In line with guidance issued by the NAO, there is a recognition that the process of rebuilding assurance following a previous modified or disclaimed audit opinion will take a number of years, as it will be necessary to rebuild assurance on all balance sheet and CIES areas. Where balances are inherently tied to transactions which occurred during disclaimed periods, particularly reserves, we will need to obtain assurance over these historical transactions.

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2023/24 work and building back assurance

As part of our work in 2023/24, we have begun assessing what work, carried out in 2023/24, can be used to inform the process of rebuilding assurance in future years. We reported in our progress report in November the areas in which we aimed to focus our audit efforts.

Where work was able to be completed in these areas, we intend to accrete this work into future audit periods to inform the future building back of assurance. We are committed to working with the Council over the term of our appointment towards a position of being able to issue an unmodified opinion. This will require us to apply a process of rebuilding assurance over all financial years for which disclaimers of opinion have been issued.

As a result of the approach adopted, we have developed our understanding of the Council's systems, process, controls and arrangements for the preparation of the financial statements and have gathered information which may inform the process of rebuilding assurance in future years.

Specific areas in which we have undertaken work in 2023/24 to obtain information for use as part of the rebuilding assurance process for the Council include the following:

- Management override of control through testing journals
- Income from government grants, fees and charges, interest and investments; council tax and non-domestic rates
- Investments, cash and cash equivalents
- Long and short term borrowing
- Employee benefits expenditure
- Other services expenditure (excluding housing benefits)
- Compliance with laws and regulations
- Assurance over the existence and ownership of fixed assets
- Officers' Remuneration
- Related parties
- Consistency check on the Movement in Reserves Statement and the Cashflow statement

Audit differences

In the financial statements published at the time of our work we identified the differences summarised here:

- The Council has altered how it reports management information in 2023/24 and as a result income and expenditure is split out differently in the Comprehensive Income and Expenditure Statement, and the Expenditure Funding Analysis. Therefore, the 2022/23 comparative figures do not agree to the 2022/23 published draft accounts.
- Management have made some amendments to 22/23 comparative information on the balance sheet and the cashflow statement. In addition, supporting disclosure notes have also been updated to reflect the changes. The net impact of these changes on the balance sheet and the cashflow statement is nil. These changes were identified by management and not as a result of audit testing.

Significant matters

As required by the ISAs, we must notify you of the significant findings from the audit. Due to the time constraints arising from the statutory backstop we have not been able to complete all our planned audit procedures. We have therefore summarised any significant matters we identified from the procedures we completed in the table below.

<p>Significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures, including concerns identified in the following:</p> <ul style="list-style-type: none"> • Consultation by management with other accountants on accounting or auditing matters; • Matters significant to the oversight of the financial reporting process; • Adjustments / transactions identified as having been made to meet an agreed budget. 	<p>Due to the time constraints arising from the statutory backstop we have not been able to complete all our planned audit procedures. We have no further matters to report in respect of this beyond those set out elsewhere in this report.</p>
<p>Any significant difficulties encountered during the audit.</p>	<p>Due to the time constraints arising from the statutory backstop we have not been able to complete all our planned audit procedures. We have no further matters to report in respect of this beyond those set out elsewhere in this report</p>
<p>Any significant matters arising from the audit that were discussed with management, including:</p> <ul style="list-style-type: none"> • Significant management judgements where there was disagreement over the judgement; • Consistency of opening balances with prior year financial statements; • Inconsistencies between the financial statements and trial balance; • Findings and issues around the material accuracy of opening balances; • Any other matters significant to your oversight of the financial reporting process. 	<p>Due to the time constraints arising from the statutory backstop we have not been able to complete all our planned audit procedures. We have no further matters to report in respect of this beyond those set out elsewhere in this report</p>
<p>Other significant matters - If an objective in a relevant auditing standard cannot be achieved, we are required to evaluate whether this prevents us from achieving the overall objectives of the audit and therefore requires us to modify our auditor's opinion. Due to the statutory backstop date, we are unable to meet the objectives of the ISAs (UK) in full and will therefore disclaim our opinion.</p>	<p>Due to the time constraints arising from the statutory backstop we have not been able to complete all our planned audit procedures. We are reporting this significant matter to you as we consider it to be a matter requiring documentation in accordance with ISA (UK) 230.</p>

Financial statements: other responsibilities

As required by the ISAs, we must notify you of other matters if they are significant to your oversight of the Council's financial reporting process. Due to the time constraints arising from the statutory backstop we have not been able to complete all our planned audit procedures. We have therefore summarised any significant matters we identified from the procedures we completed in the table below.

Matter	Commentary	Outcome
Matters in relation to fraud	We have previously discussed the risk of fraud with management and the Audit Committee and reflected this in our audit plan. We have not subsequently been made aware of any other incidents.	Due to the time constraints arising from the statutory backstop we have not been able to complete all our planned audit procedures. We have no further matters to report in respect of this beyond those set out elsewhere in this report.
Matters in relation to related parties	ISA 550 requires that the audit process starts with the audited body providing a list of related parties to the auditor, including any entities under common control. During our audit planning you have informed us of the individuals and entities that you consider to be related parties.	Due to the time constraints arising from the statutory backstop we have not been able to complete all our planned audit procedures. We have no further matters to report in respect of this beyond those set out elsewhere in this report.
Matters in relation to compliance with laws and regulations	You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations.	Due to the time constraints arising from the statutory backstop we have not been able to complete all our planned audit procedures. We have no further matters to report in respect of this beyond those set out elsewhere in this report.
Written representations	A letter of management representations has been requested from the Council.	We will provide a draft letter of representation at a later date.

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Financial statements: other responsibilities

Matter	Commentary	Outcome
<p>Confirmation requests from third parties</p>	<p>We requested permission from the Council to send confirmation requests to organisations with whom the council holds cash, investment or borrowings. All requested confirmations have been received.</p> <p>We also requested management to send letters to those solicitors who worked with the Council during the period. We are awaiting responses to a number of our enquiries.</p>	<p>Due to the time constraints arising from the statutory backstop we have not been able to complete all our planned audit procedures. We have no further matters to report in respect of this beyond those set out elsewhere in this report.</p>
<p>Going concern</p>	<p>Management is required to make and document an assessment of whether the Council is a going concern when preparing the financial statements. The review period should cover at least 12 months from the date of approval of the financial statements. Management are also required to make balanced, proportionate and clear disclosures about going concern within the financial statements where material uncertainties exist in order to give a true and fair view.</p> <p>As auditors, we are required to “obtain sufficient appropriate audit evidence about the appropriateness of management’s use of the going concern assumption in the preparation and presentation of the financial statements during our audit and to conclude whether there is a material uncertainty about the entity’s ability to continue as a going concern” (ISA (UK) 570).</p>	<p>Management prepared the financial statements on a going concern basis applying the continuation of services provision set out in the ‘CIPFA Code’ and Practice Note 10. We concur with this assessment.</p> <p>As we will be issuing a disclaimer of opinion, we have not considered whether there are any material uncertainties that would need to be disclosed in the financial statements.</p>

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Financial statements: other responsibilities

Matter	Commentary	Outcome
<p>Other information included in the Financial Statements: Narrative Report and Annual Governance Statement</p>	<p>Under the Code of Audit Practice we are required to read and report on whether 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. We are required to report by exception if the annual governance statement does not comply 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>Audit Guidance Note 07, issued by the National Audit Office, confirms that where a disclaimer of opinion is issued we may report that we have not completed this work.</p>	<p>We have reviewed the information presented in the Annual Governance Statement for consistency with our knowledge of the Council.</p>
<p>Other matters on which we report by exception</p>	<p>We are also required to report by exception:</p> <ul style="list-style-type: none"> • If we have applied any of our statutory powers or duties • Where we are not satisfied in respect of arrangements to secure value for money and have reported a significant weakness 	<p>We have concluded there are significant weaknesses in governance arrangements. Further detail is set out in the Value for Money section of this report.</p>
<p>Specified procedures for the Whole of Government Accounts (WGA)</p>	<p>We are required to carry out specified procedures on behalf of the NAO on the WGA consolidation pack under WGA group audit instructions. Group instructions were issued in July 2024 which set out the procedures that the NAO require from component auditors.</p> <p>The Council does not exceed the audit threshold for detailed testing set out in the group instructions. Submission of a partial assurance statement is therefore required. However, the instructions state that the NAO may direct auditors of components below the audit threshold to undertake additional work.</p>	<p>We will submit our partial assurance statement to the NAO after the issue of our auditor's report and await further guidance on whether or not any additional testing is required.</p>
<p>Certification of closure of the audit</p>	<p>We are required to certify the closure of the audit on completion of all audit work for the financial year required under the Code.</p>	<p>We cannot issue our certificate of closure until the NAO have confirmed whether any additional testing is required for Whole of Government Accounts.</p>

Audit adjustments

Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit.

Disclosure change	Auditor recommendation	Adjustment agreed Y/N?
Officers' remuneration We identified that the bandings of officers earning over £50k were not consistent with underlying records.	Management should update the bandings to reflect payroll records	Y
Audit fees The audit fee disclosure did not accurately reflect which financial year's and which audit firms fees had been paid to.	The disclosure should be amended by management to reflect the relevant years and audit firms that payments relate to.	Y
Exit packages The number of exit packages disclosed in the draft accounts was not consistent with the number of special payments made to staff who departed in year.	Management should update the disclosure in note 33 to reflect all special payments.	Y
Annual Governance Statement This needs to reflect the significant weakness in governance arrangements identified as part of our VFM work.	Management should update the AGS to reflect the outcomes of our VFM work.	Y
Narrative report We have suggested the Council provide further disclosure in the narrative report around it's key risks and opportunities.	Management should update the Narrative Report to provide more detail on its risks and opportunities.	Y
Minor presentational, formatting and disclosure issues We proposed a number of minor changes and narrative amendments to improve the presentation of the accounts.	Management should consider adjusting the financial statements for the minor presentational, formatting and disclosure issues identified by the audit team.	Y

Other adjustments

We are required to report all non-trivial adjustments to the approved draft accounts. Management have made a number of adjustments to the 2022/23 comparative figures included in the prime statements and supporting notes which were not identified as part of our audit work.

Impact of adjusted misstatements

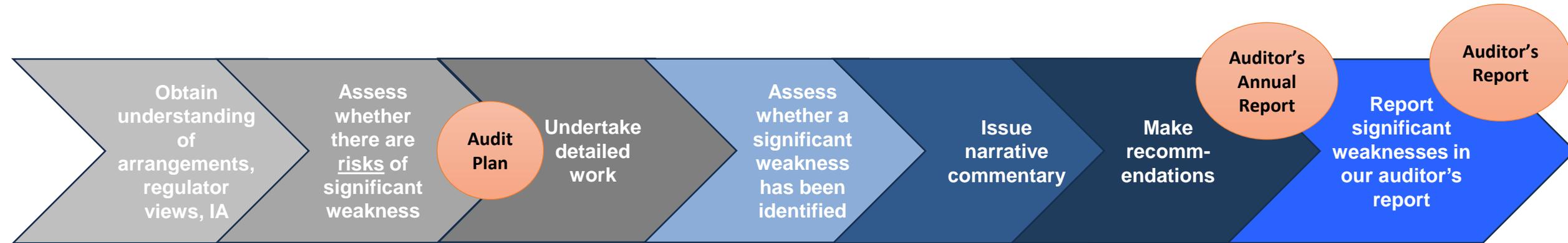
Details of items corrected following discussions with management are as below.

Detail	Comprehensive Income and Expenditure statement (£000)	Balance Sheet £000	Impact on general fund £000
DR Receivables £845	0	845	0
CR Payables £845	0	(845)	0
These adjustments are related to classification of collection fund debtors and creditors.			
Overall impact	0	0	0

The changes in the table above will also be reflected in the 2022/23 comparative figures in the Cashflow Statement, notes 18 (Short Term Receivables) and 19 (Short Term Payables), and the disclosures included in note 37 (Financial Instruments).

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'). Where significant weaknesses are identified we report by exception in the auditor's opinion on the financial statements. In addition, auditors provide an annual commentary on arrangements published as part of the Auditor's Annual Report.



In undertaking our procedures to understand the body's arrangements against the specified reporting criteria, as set out in AGN 03), we identify whether there are risks of significant weakness which require us to complete additional risk-based procedures. We undertook our planning risk assessment procedures earlier in the year and reported these were subject to the work to be undertaken by the predecessor auditor for the 2020/21, 2021/22, and 2022/23 years. In completing our risk assessment procedures we identified one risk of significant weakness, as set out in the tables on the next two pages.

The predecessor auditor has now reported their work for 2020/21, 2021/22 and 2022/23 and has not reported any significant weaknesses. We have not yet reviewed the predecessor's audit files in relation to their VFM work, however in undertaking our work we have identified a significant weakness in arrangements as set out in the table on the next page. We have made key recommendations in respect of this weakness.

Value for money 2023/24 outcome

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	No	No	TBC in AAR
Governance How the body ensures it makes informed decisions and properly manages risk	Yes	Yes	Yes	No
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	No	No	TBC in AAR

Value for money

The significant weaknesses we identified, and our associated key recommendations, are set out in the table below.

Reporting criteria	Significant weakness identified	Key recommendations made	Management Response
<p>Governance How the body ensures it makes informed decisions and properly manages risk</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"> • providing independent assurance to Council of the adequacy of the risk management framework, • monitoring the effective development and operation of risk management in the council, • reviewing the assessment of fraud risks and potential harm to the council from fraud and corruption, • monitoring the counter-fraud strategy, actions and resources. <p>The above points are prerequisites for good governance in a council.</p> <p>A review of papers presented at Audit Committee meetings from November 2022 to present highlighted that the committee had not been receiving information relating to the above responsibilities.</p> <p>There are not adequate compensating arrangements in place to ensure that assurance is being gained on the points above through other committees or oversight functions. As a result, oversight of risk management or counter fraud arrangements within the council is not effective.</p>	<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 committee members are receiving appropriate and timely information from management, and other key stakeholders, to allow them to effectively discharge their duties as Those Charged With Governance.</p> <p>The Audit Committee should also produce an annual report so the Council can 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>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"> • ensuring a review of the Audit Committee's Terms of Reference in relation to the Council's governance arrangements (Jan 25). • producing an annual work plan to allow them to effectively discharge their duties as Those Charged With Governance (Mar 25), and • producing an Audit Committee annual report so the Council can monitor the committee's performance against its delegated responsibilities (Feb 25). <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>

Independence and ethics

The Ethical Standards and ISA (UK) 260 require us to give you full and fair disclosure of matters relating to our independence. In accordance with our profession’s ethical requirements and further to our audit plan issued confirming audit arrangements we confirm that there are no further facts or matters that impact on our integrity, objectivity and independence as auditors that we are required or wish to draw to your attention. We consider an objective, reasonable and informed third party would take the same view.

We confirm that Azets Audit Services and the engagement team complied with the FRC’s Ethical Standard. We confirm that all threats to our independence have been properly addressed through appropriate safeguards and that we are independent and able to express an objective opinion on the financial statements. In addition, we have complied with the National Audit Office’s Auditor Guidance Note 01, which sets out supplementary guidance on ethical requirements for auditors of public sector bodies.

In particular:

- **Non-audit services:** We provide assurance services as set out below
- **Contingent fees:** No contingent fee arrangements are in place for any services provided
- **Gifts and hospitality:** We have not identified any gifts or hospitality provided to, or received from, any member of the Council, senior management or staff
- **Relationships:** We have no other relationships with the Council, its directors, senior managers and affiliates, and we are not aware of any former partners or staff being employed, or holding discussions in anticipation of employment, as a director, or in a senior management role covering financial, accounting or control related areas.

Assurance service fees

Service	Fee £	Threats identified	Safeguards
Housing Benefit HBAP	£36,500	Self-interest (recurring fee)	The level of this recurring fee in and of itself is not considered a significant threat to independence, given the low level of the fee compared to the total fee for the audit and in particular compared to Azets’ UK turnover as a whole. The fee is fixed based on the volume of work required, with no contingent element. These factors, in our view, mitigate the perceived self-interest threat to an acceptable level.
Pooling of Housing Capital Receipts- 2022/23 and 2023/24 returns	£20,000	Self-interest (recurring fee)	The level of this recurring fee in and of itself is not considered a significant threat to independence, given the low level of the fee compared to the total fee for the audit and in particular compared to Azets’ UK turnover as a whole. The fee is fixed based on the volume of work required, with no contingent element. These factors, in our view, mitigate the perceived self-interest threat to an acceptable level.

Appendices

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Appendix I: Fees

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

The proposed fee reported in our audit plan was based upon the following assumptions:

- Draft financial statements to be produced to a good quality by the agreed deadlines. These should be complete including all notes, the Narrative Report and the Annual Governance Statement;
- The provision of good quality working papers at the same time as the draft financial statements;
- The provision of agreed data reports at the start of the audit, fully reconciled to the values in the accounts, to facilitate our selection of samples for testing;
- Ensuring staff are available and on site (as agreed) during the period of the audit;
- Prompt and sufficient responses to audit queries within two working days (unless otherwise agreed) to minimise delays;
- Our accounts opinion being unqualified and there being no significant weaknesses identified in your arrangements to secure value for money;
- The auditor's report from the prior year being unmodified (clean opinion);
- An effective control environment is in place at the Council;
- The Council complies with PSAA's Statement of Responsibilities of auditors and audited bodies. See [Statement of responsibilities of auditors and audited bodies from 2023/24 audits – PSAA](#). In particular the Council should have regard to paragraphs 26 - 28 of the Statement of Responsibilities which clearly sets out what is expected of audited bodies in preparing their financial statements. These are set out in full in Appendix III.

Due to the disclaimed opinions from the prior years and the imposition of the statutory backstop for 2023/24, the above assumptions are unable to be met. This has resulted in additional costs, which we have set out in the fee table on the next page. As set out in the joint statement on proposals to clear the backlog and embed timely audit issued by MHCLG (formerly DLUHC), PSAA will use its fee variation process to determine the final fee the Council have to pay for the 2023/24 audit.

Appendix I: Fees

Audit fee	Audit plan 2023/24 £	Proposed final 2023/24 £
Scale fee for the audit of the Council's financial statements (as set out in the fee scales issued by PSAA)	144,029	144,029
New auditing standards: ISA315 and ISA240	21,604	21,604
Total before impact of disclaimed opinions	165,633	165,633
Additional work arising from current and prior year disclaimers of opinion	0	0
Additional work in respect of future 'build back' activity	0	0
Total audit fee	165,633	165,633
Certification of the HBAP claim. Our final fee will be dependent on the number of additional workbooks completed, these are £2,000 each.	36,500	TBC
Certification of Pooling of Housing Capital Receipts returns for 2022/23 and 2023/24. This work has been agreed during the course of the year and therefore was not included in the audit plan. Our fee is £10,000 per return.	N/A	20,000
Total fees	202,133	185,633

Appendix I: Fees

At time of writing we were unable to reconcile the audit fees disclosed in the draft accounts to the fees charged in year. We have noted this as a disclosure error and will review the council's revised disclosure once received.

Appendix II: PSAA Statement of Responsibilities

Our fee is based on the assumption that the Council complies with PSAA's Statement of Responsibilities of auditors and audited bodies from 2023/24 audits. In particular the Council should have regard to paragraphs 26-28 of the Statement of Responsibilities which clearly set out what is expected of audited bodies in preparing their financial statements. We set out these paragraphs in full below:

Preparation of the statement of accounts

26. Audited bodies are expected to follow Good Industry Practice and applicable recommendations and guidance from CIPFA and, as applicable, other relevant organisations as to proper accounting procedures and controls, including in the preparation and review of working papers and financial statements.

27. In preparing their statement of accounts, audited bodies are expected to:

- prepare realistic plans that include clear targets and achievable timetables for the production of the financial statements;*
- ensure that finance staff have access to appropriate resources to enable compliance with the requirements of the applicable financial framework, including having access to the current copy of the CIPFA/LASAAC Code, applicable disclosure checklists, and any other relevant CIPFA Codes.*
- assign responsibilities clearly to staff with the appropriate expertise and experience;*
- provide necessary resources to enable delivery of the plan;*
- maintain adequate documentation in support of the financial statements and, at the start of the audit, providing a complete set of working papers that provide an adequate explanation of the entries in those financial statements including the appropriateness of the accounting policies used and the judgements and estimates made by management;*
- ensure that senior management monitors, supervises and reviews work to meet agreed standards and deadlines;*
- ensure that a senior individual at top management level personally reviews and approves the financial statements before presentation to the auditor; and*
- during the course of the audit provide responses to auditor queries on a timely basis.*

28. If draft financial statements and supporting working papers of appropriate quality are not available at the agreed start date of the audit, the auditor may be unable to meet the planned audit timetable and the start date of the audit will be delayed.

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