



Hinckley & Bosworth Borough Council

Forward timetable of consultation and decision making

Audit Committee 5 March 2025

Wards affected: All Wards

AUDIT COMMITTEE – ANNUAL AUDIT REPORT 2023/24

Report of Head of Finance (Section 151 Officer)

1. Purpose of report

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

2. Recommendation

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

3. Background to the report

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

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

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

Financial Statement

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

Value for Money

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

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

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

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

4.1 Report is taken in an open session.

5. Financial implications [IB]

5.1 None directly from this report

6. Legal implications

6.1 As noted in the Annual Audit Letter

7. Corporate Plan implications

7.1 Adoption of the proposal in this paper will contribute to the achievement of the following Corporate Aim of Empowering communities.

8. Consultation

8.1 None

9. Risk implications

9.1 It is the council's policy to proactively identify and manage significant risks which may prevent delivery of business objectives.

9.2 It is not possible to eliminate or manage all risks all the time and risks will remain which have not been identified. However, it is the officer's opinion based on the information available, that the significant risks associated with this decision / project have been identified, assessed and that controls are in place to manage them effectively.

9.3 There is no immediate risk to the Council.

10. Knowing your community – equality and rural implications

10.1 The Financial Statements and the audit process will allow local communities and groups to review the financial performance and stewardship of the Council.

11. Climate implications

11.1 None directly from this report.

12. Corporate implications

12.1 By submitting this report, the report author has taken the following into account:

- Community safety implications
- Environmental implications
- ICT implications
- Asset management implications
- Procurement implications
- Human resources implications
- Planning implications
- Data protection implications
- Voluntary sector

Background papers: None
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