

# Hinckley and Bosworth Borough Council

## Auditor's Annual Report

*Year ended 31 March 2024*

**February 2025**

 **AZETS**



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Detailed findings from our audit of the financial statements are communicated in the following reports:

- Independent Auditor’s Report on the financial statements
- Audit completion Report to Audit Committee

We performed our audit in accordance with International Standards on Auditing (UK). This report has been prepared in line with the National Audit Office’s Code of Audit Practice (the “Code”) and is required to be published by the Council alongside the annual report and accounts. Our reports are prepared in accordance with ISAs (UK), the Code, all associated Audit Guidance Notes issued by the National Audit Office and relevant requirements of the Local Audit and Accountability Act 2014.

# Key messages

The purpose of the Auditor's Annual Report is to bring together all the auditor's work over the year. This includes our audit work on the Council's financial statements and our audit work on value for money (VFM) arrangements.

A key element of this report is our commentary on VFM arrangements, which aims to draw to the attention of the members of the Council and the wider public relevant issues, recommendations arising from the auditor's work and the auditor's view on whether previous recommendations have been implemented satisfactorily.

Area of work	Our responsibilities	Conclusions
<b>Financial statements</b>	<p>We were appointed as auditors to perform an audit of the financial statements of the Council in accordance with International Standards on Auditing (UK) (ISAs (UK)), which are directed towards forming and expressing an opinion on the financial statements.</p> <p>However, <a href="#">The Accounts and Audit Regulations 2015</a>, as amended by the <a href="#">Accounts and Audit (Amendment) Regulations 2024</a>, impose a statutory backstop date of 28 February 2025 for the publication by the Council of their final Statement of Accounts for 2023/24. The Code specifies that (except in a few exceptional circumstances) 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 this statutory reporting deadline.</p> <p>We have therefore considered whether the time constraints imposed by the backstop date mean that we cannot complete all necessary procedures to obtain sufficient, appropriate audit evidence to support our audit opinion in compliance with the ISAs (UK). These time constraints were further restricted by the earlier statutory backstop date of 13 December 2024, which led to the financial statements for 2020/21, 2021/22 and 2022/23 being disclaimed by the predecessor auditor.</p>	<ul style="list-style-type: none"><li>• The disclaimed audit opinions issued on each of the last three years' financial statements by the predecessor auditor resulted in a lack of assurance on the Council's opening balances at 1 April 2024. The lack of assurance over opening balances, together with the statutory backstop date for 2023/24 impacted on the audit procedures that we had planned to undertake to gain assurance on the 2023/24 financial statements. There was insufficient time and resource available for us to gain sufficient assurance during the 2023/24 audit, including recovering missing assurance from earlier years, before the statutory backstop date.</li><li>• We have therefore disclaimed our opinion on the Council's 2023/24 accounts.</li><li>• The responsibilities of the Council, the Audit Committee and management remain unchanged. The Council's Responsible Finance Officer has a responsibility under <a href="#">The Accounts and Audit Regulations 2015</a> to confirm that the Accountability Statements included in the Statement of Accounts give a true and fair view. The Audit Committee have an essential role in ensuring that they have assurance over the quality and accuracy of the financial statements prepared by management and the Council's wider arrangements to support the delivery of a timely and efficient audit.</li><li>• As part of our 2024/25 audit, we will work with management to develop a recovery plan setting out the work required to return to unmodified audit opinions in the coming years.</li></ul>

# Key messages

Area of work	Our responsibilities	Conclusions
<b>Value for money</b>	<p>We are required under Section 20(1)c of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code requires us to report to you our commentary relating to proper arrangements under specified criteria: Financial sustainability, Governance and Improving economy, efficiency and effectiveness.</p> <p>We have summarised our findings in the commentary later in this report. We are also required to report if we have identified any significant weaknesses from this work.</p>	<p>We have identified a significant weakness against the governance criteria of the VFM arrangements. This is in relation to the Audit Committee's oversight of risk management processes and fraud risk at the Council.</p> <p>We have made "other" recommendations to support the Council's ongoing improvement.</p>
<b>Key recommendations</b>	<p>The Code requires that where auditors identify significant weaknesses as part of their review of the Council's arrangements to secure value for money, they should make recommendations setting out the actions that should be taken by the Council. We consider these to be key, or essential, recommendations.</p>	<p>We have made a recommendation in relation to the significant weakness identified above. Details can be found on page 12.</p>
<b>Narrative report and annual governance statement</b>	<p>We are required to read and report if 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.</p> <p>We are also required to assess whether the Annual Governance Statement complies 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>We have reviewed the information presented in the Annual Governance Statement for consistency with our knowledge of the Council. We have nothing to report in this regard.</p>

# Key messages

Area of work	Our responsibilities	Conclusions
<b>Public interest report</b>	Under Section 24, Schedule 7(1)(1) of the Local Audit and Accountability Act 2014 the auditor of the Council must consider whether to make a report in the public interest if they consider a matter is sufficiently important to be brought to the attention of the audited body or the public.	<ul style="list-style-type: none"> <li>We did not identify any matters for which we considered a public interest report to be required as part of our external audit for 2023/24.</li> </ul>
<b>Statutory recommendations</b>	Under Section 24, Schedule 7(2) of the Local Audit and Accountability Act 2014 the auditor of a Council can make written recommendations to the Council which need to be considered by the Council and responded to publicly.	<ul style="list-style-type: none"> <li>We did not identify any matters for which we considered statutory recommendations are required as part of our external audit for 2023/24.</li> </ul>
<b>Application to the court</b>	Under Section 28 of the Local Audit and Accountability Act 2014, if auditors think than an item of account is contrary to law, they may apply to the court for a declaration to that effect.	<ul style="list-style-type: none"> <li>We did not make an application to the court.</li> </ul>
<b>Advisory notice</b>	Under Section 29, Schedule 8 of the Local Audit and Accountability Act 2014, auditors may issue an advisory notice if they think that the Council, or an officer of the Council, is about to make, or has made, a decision which involves or would involve the Council incurring unlawful expenditure, is about to take or has begun to take a course of action which, if followed to its conclusion, would be unlawful and likely to cause a loss or deficiency, or is about to enter an item of account, the entry of which is unlawful.	<ul style="list-style-type: none"> <li>We did not issue any advisory notices.</li> </ul>
<b>Judicial review</b>	Under Section 31, Schedule 8 of the Local Audit and Accountability Act 2014, auditors may make an application for judicial review of a decision of an authority, or of a failure to act by an authority, which it is reasonable to believe would have an effect on the accounts of that body.	<ul style="list-style-type: none"> <li>We did not make an application for judicial review.</li> </ul>

# Financial statements

*The Statement of Accounts and financial statements included therein are an important tool for the Council to show how it has used public money and how it can demonstrate its financial health.*

*We were appointed as auditors to perform the audit in accordance with International Standards on Auditing (UK) (ISAs (UK)).*

*We are independent of the Council in accordance with applicable ethical requirements, including the Financial Reporting Council's Ethical Standard.*

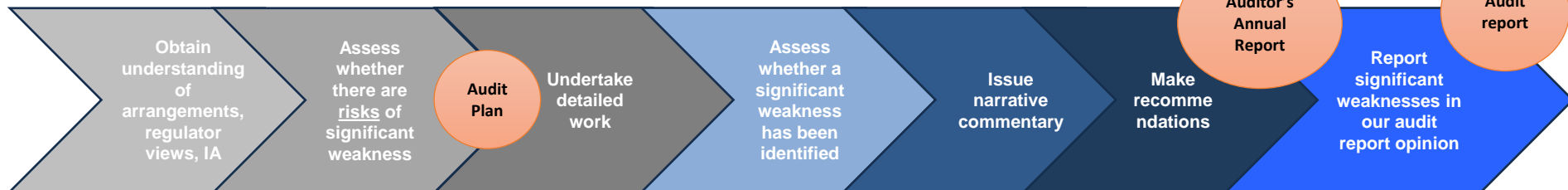
Area of work	Conclusions
<b>Audit opinion on the financial statements</b>	We issued a disclaimer of opinion on the Council's financial statements for 2023/24.
<b>Whole of Government Accounts (WGA)</b>	<p>We are required to carry out specified procedures on behalf of the NAO on the WGA consolidation pack under WGA group audit instructions.</p> <p>The Council does not exceed the threshold for detailed testing however we are required to issue an assurance statement to the NAO (even if we have issued a disclaimer of opinion on the financial statements).</p> <p>We will submit our assurance statement to the NAO after issue of our auditor's report.</p>
<b>Preparation of the accounts</b>	Under <a href="#">The Accounts and Audit Regulations 2015</a> , the deadline for the production and approval for the draft financial statements was 31 May 2024. The Council prepared its draft accounts in line with this deadline.

The findings from the audit procedures we completed on the Council's 2023/24 financial statements are set out in our Audit Completion Report to the Council's Audit Committee on 15 January 2025. Requests for this report should be directed to the Council. This report summarises the significant risks we identified for the 2023/24 financial statements audit and the work we completed. No significant adjustments were made to the 2023/24 financial statements submitted for audit.

The significant risks we identified as part of our audit are set out in Appendix 1.

# 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')



In undertaking our work we have identified significant weaknesses in arrangements as set out in the table below. We have made key recommendations in respect of these weaknesses. We are not required to consider, nor have we considered, whether all aspects of the Council's arrangements are operating effectively.

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

# Value for money

In addition to our financial statements work we performed a range of procedures to inform our value for money commentary, including:

- Meeting with management and regular meetings with senior officers
- Interviews as appropriate with other executive officers and management
- Review of Council and committee reports and attendance at audit committee meetings
- Discussions with the predecessor auditor and reviews of their findings and reports
- Reviewing reports from third parties
- Considering the findings from our audit work on the financial statements
- Review of the Council's Annual Governance Statement and Narrative Report and other publications
- Considering the work of internal audit and the counter fraud function

Councils are responsible for putting in place proper arrangements for securing economy, efficiency and effectiveness in their use of resources. This includes managing key operational and financial risks and taking properly informed decisions so that they can deliver their objectives and safeguard public money.

As auditors, we are required to consider whether the Council has established proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

We performed risk assessment procedures at the audit planning stage to identify any potential areas of significant weakness which could result in value for money not being achieved. This included considering the findings from the predecessor auditor, regulators and internal auditors, reviewing records at the Council and performing procedures to gain an understanding of the high-level arrangements in place. The resulting risk areas we identified were set out in our audit plan.

For each identified risk area, we performed further procedures during our audit to consider whether there were significant weaknesses in the processes in place at the Council to achieve value for money.

The Code requires us to structure our commentary on VFM arrangements under three reporting criteria: financial sustainability, governance and improving economy, efficiency and effectiveness.

We have set out on the following pages our commentary and findings on the arrangements at the Council in each area.

## Summary of findings

Based on the audit work performed, we identified a significant weakness in the Council's governance arrangements and have therefore raised a key recommendation. We have raised other recommendations for financial sustainability regarding the Council's future savings plans.



# Financial sustainability

This relates to how the Council plans and manages its resources to ensure it can continue to deliver its services.

We considered the following areas:

- how the Council identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into the plans;
- how the Council plans to bridge its funding gaps and identifies achievable savings;
- how the Council plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities;
- how the Council ensures that its financial plan is consistent with workforce, capital, investment, and other operational plans, which may include working with other local public bodies as part of a wider system; and
- how the Council identifies and manages risks to financial resilience, such as unplanned changes in demand and assumptions underlying its plans.

The Council has in place a Medium-Term Financial Strategy (MTFS) which covers a rolling four-year period up until 2027/28. The MTFS has been developed amongst ongoing uncertainty of future funding relating to Non-Domestic Rates and New Homes Bonus.

The Council uses external consultants to aid with identifying pressures and assumptions that are factored into the MTFS. Assumptions include those for pay awards, inflation and interest rates.

The minimum approved level of general fund reserves is 15% of the budget requirement, however in 2023/24 the level of reserves has gone below the approved minimum level to 8% due to the need to fund shortfalls relating to the cancelled build of a new crematorium. Forecasting for 2024/25 also shows that the general reserves balance will be 13% of the budget requirement due to unexpected costs.

The Council has historically experienced good growth in Non-Domestic Rates income. The MTFS for the period presented to the Executive Committee in February 2025 therefore includes three scenarios based on whether there is a business rate refresh outside of the MTFS period, a reset in 2027/28, or a reset in 2026/27 (expected scenario).

The MTFS highlights that in two of the scenarios the Council will be required to make savings from 2027/28 to bridge funding gaps, however the timing of a business rate reset impacts the extent to which savings will be needed.

The Council has started to consider options for savings and additional income generation as a method of bridging funding gaps. The council has not had to implement material levels of savings in recent years as reserves have been used to balance any budget shortfalls. However, continued use of reserves to fund shortfalls is not sustainable in the longer term and reduces the Council's ability to absorb unexpected cost pressures, or reductions in income.

# Financial sustainability (continued)

Given the level of dependencies on reserves the Council should consider whether savings need to be implemented ahead of 2027/28, and if the planned savings go far enough to help ensure resilience against any unexpected costs or unforeseen changes in funding announcements. The Council should also ensure that there are strong arrangements in place to monitor progress against savings plans.

Use of capital resources supports the achievement of the Council's strategic priorities. The Council has an approved capital programme and has not used sales of assets to fund revenue pressures. The full year capital programme for 2023/24 totalled nearly £10 million and whilst there was some slippage against the plan, reasons for this have been adequately provided to Finance Overview and Scrutiny and the funding has been included in the budget for 2024/25.

# Governance

This relates to the arrangements in place for overseeing the Council's performance, identifying risks to achievement of its objectives and taking key decisions.

We considered the following areas as part of assessing whether sufficient arrangements were in place:

- how the Council monitors and assesses risk and gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud;
- how the Council approaches and carries out its annual budget setting process;
- how the Council ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information (including non-financial information where appropriate); supports its statutory financial reporting requirements; and ensures corrective action is taken where needed, including in relation to significant partnerships;
- how the Council ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency. This includes arrangements for effective challenge from those charged with governance/audit committee; and
- how the Council monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of officer or member behaviour (such as gifts and hospitality or declarations/conflicts of interests).

The Annual Governance Statement adequately describes the arrangements that the Council intends to have in place to monitor risks and assess the effectiveness of internal controls, including the prevention and detection of fraud.

The Head of Internal Audit's opinion for 2023/24 concluded that the Council's framework of governance, risk management and internal control is moderate in its overall adequacy and effectiveness. We have reviewed the internal audit reports issued throughout the year and have not identified any indications of significant weaknesses in governance arrangements.

As disclosed in the Annual Governance Statement, the council's financial management arrangements have one element that does not fully conform to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010). The Head of Finance is the Section 151 officer for the Council and has the associated statutory responsibilities. However, they are not a formal member of the Strategic Leadership Team (SLT) of the Council.

The Council has in place arrangements which allow the Head of Finance to have direct access to the Chief Executive, the Monitoring Officer, and other Directors as well as the Leader of the Council, and to regularly attend SLT meetings, thereby allowing them to effectively discharge their responsibilities.

Financial outturn reports are taken to the Finance and Performance Scrutiny Committee on a quarterly basis. These provide an update on the Council's performance against forecast year to date and full year budget outturn, and explanations for any variances. The outturn report also gives an update on capital spend against forecast and final outturn.

Treasury management reports are presented to the Finance and Performance Scrutiny Committee on a quarterly basis. They provide an update on the levels of borrowing and investments held by the council, and the risk implications.

# Governance (continued)

Heads of service and budget holders are engaged in the budget setting process so that the Council's key priorities, along with expected levels of growth or pressures, can be incorporated into financial plans.

Our VFM work identified significant weaknesses in the arrangements for overseeing and monitoring risk management and fraud risk by the Audit Committee. The arrangements in place do not reflect the responsibilities of the Audit Committee as set out in its terms of reference. Neither are there adequate compensating arrangements in place to gain assurance through other committees or oversight functions. As a result, oversight of risk management and counter fraud arrangements within the council is not effective.

Further detail is included on page 12 of this report.

# Improving economy, efficiency and effectiveness

This relates to how the Council seeks to improve its systems so that it can deliver more for the resources that are available to it.

We considered the following areas as part of assessing whether sufficient arrangements were in place:

- how financial and performance information has been used to assess performance and identify areas for improvement;
- how the Council evaluates service quality to assess performance and identify areas for improvement;
- how the Council ensures it delivers its role within significant partnerships, engages with stakeholders it has identified, monitors performance against expectations, and ensures action is taken where necessary to improve; and
- where the Council commissions or procures services, how it ensures that this is done in accordance with relevant legislation, professional standards and internal policies, and how it assesses whether it is realising the expected benefits.

The Council is involved in a number of partnership arrangements with other local authorities for the provision of a variety of services including Revenues and Benefits and ICT services. The governance and oversight arrangements in place to monitor the performance of these services varies by service.

The Council uses InPhase to record and monitor performance against a suite of Key Performance Indicators (KPIs) designed to cover a comprehensive range of the Council's activities. These are used to help monitor both the cost and the effectiveness of services.

The KPI descriptions and targets are reviewed annually by managers to ensure they are still relevant, before being approved by the Senior Leadership Team (SLT). There is a performance manager who is responsible for making sure service managers and KPI owners update the InPhase system so the performance monitoring dashboard is up to date. A quarterly performance report is produced and reviewed by the SLT and is then presented to the Finance and Overview Scrutiny Committee.

Larger scale service effectiveness reviews are completed when performance monitoring identifies weaknesses in the delivery of existing services, or when the Council is considering the implementation of a new service.

The Council has a procurement strategy and has produced a sustainable procurement policy which was presented to the Executive committee in September 2024. The policy aims to incorporate environmental, social and economic concerns into all procurement activities. The council is also looking to implement an e-procurement system to help ensure compliance with central government's national procurement strategy.

The Council had previously undergone a procurement exercise for a supplier to build a new crematorium for the district. Due to increasing cost pressures this scheme has been cancelled; however, the Council is considering retendering for this project.

# Key recommendations

These recommendations relate to significant weaknesses we have identified during our audit. Progressing the actions agreed by management will support the Council in addressing the weaknesses.

Criteria	Recommendation	Observation and implication / impact	Management response
<b>Governance</b>	<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 the committee receives appropriate and timely information and assurance from management and others to allow it to discharge its terms of reference effectively.</p> <p>The Audit Committee should also produce an annual report so the Council can receive assurances and 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>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"> <li>• providing independent assurance to Council of the adequacy of the risk management framework,</li> <li>• monitoring the effective development and operation of risk management in the council,</li> <li>• reviewing the assessment of fraud risks and potential harm to the council from fraud and corruption,</li> <li>• monitoring the counter-fraud strategy, actions and resources.</li> </ul> <p>The above points are prerequisites for good governance in a council.</p> <p>A review of papers presented at Audit Committee meetings since November 2022 highlighted that the committee has not been receiving information relating to the above responsibilities.</p> <p>There are not adequate compensating arrangements in place to gain assurance on the points above through other committees or oversight functions. As a result, oversight of risk management and counter fraud arrangements within the council is not effective.</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"> <li>• ensuring a review of the Audit Committee's Terms of Reference in relation to the Council's governance arrangements (Jan 25).</li> <li>• producing an annual work plan to allow them to discharge their duties effectively (Mar 25), and</li> <li>• producing an Audit Committee annual report so the Council can monitor the committee's performance against its delegated responsibilities (Feb 25).</li> </ul> <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>

# Other recommendations

These recommendations relate to less significant deficiencies or opportunities for improvement we have identified during the course of our work. Progressing the actions management has identified to address the recommendations made will support the Council in realising the improvement opportunities identified from our work.

Criteria	Recommendation	Observation and implication / impact	Management response
<b>Financial sustainability</b>	The Council should consider whether savings need to be implemented ahead of 2027/28, and if the planned savings go far enough to help ensure resilience against any unexpected costs or unforeseen changes in funding announcements. The Council should also ensure that there are strong arrangements in place to monitor progress against savings plans.	Levels of general fund reserves went below the approved minimum of 15% of the budget requirement in 2023/24 and are forecast to do the same in 2024/25. The Council has historically been reliant on use of reserves to bridge funding gaps. The current MTFS for the period until 2027/28 outlines the impact the timing of a potential business rate reset would have on the levels of available reserves. Consequently, in two of the scenarios include in the MTFS the council will need to implement a savings programme to be able to balance its budget from 2027/28 onwards.	The current MTFS has savings or new income required from 2027/28. There are high levels of uncertainty in future years as the Government have only issued a one-year settlement for 2025/26. The position may change based on future funding provided by Government in their proposed multi-year settlement for next year. For 2025/26 and 2026/27 there are sufficient reserves to ensure a balanced position, without the need for savings. An initial review of high-level options for savings and new income has been developed and presented to the Executive of the council. This will be further developed and kept under review as needed.

# Follow up of prior recommendations

The below recommendation was made by EY and included in their Value for Money Interim Reports for 2020/21, 2021/22 and 2022/23:

Issue	Recommendation
<p data-bbox="59 328 556 383">Governance - follow up of Internal Audit findings.</p> <p data-bbox="59 421 556 558">It is not clear how the Council have been acting on recommendations made by internal audit or how the Audit Committee have been addressing the findings that have been raised from their work.</p>	<p data-bbox="562 426 1246 536">The Council should take actions to follow up and address internal audit findings in a timely manner. The Council should also ensure adequate records, of steps taken to address internal audit findings, are kept and made publicly available.</p>
<p data-bbox="59 596 556 685">A number of internal audit meetings have been cancelled over the periods of our inspection.</p>	<p data-bbox="562 596 1246 685">The committee should consider whether the current schedule of 6 to 7 meetings a year is appropriate or if this needs to be reduced.</p>

The Council have taken on board the recommendations made by previous auditors and have implemented changes as appropriate. We have no further follow up in relation to these recommendations.



# Appendix I: Financial statements significant risks

## Significant risks at the financial statement level

The table below summarises our work in relation to significant risks of material misstatement identified at the financial statement level. These risks are considered to have a pervasive impact on the financial statements as a whole and potentially affect many assertions for classes of transaction, account balances and disclosures.

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.  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.
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	

# Significant risks, response and outcome

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

# Appendix II: Internal control recommendations

We set out here the recommendations we identified during the course of our financial statements audit.

Assessment	Issue	Recommendation	Management response
Amber	<p><b>Asset identification and ownership</b></p> <p>We tested a sample of 49 assets to gain assurance that they existed and were owned by the Council.</p> <p>For two samples it was not possible for the Council to confirm that they were the legal owners of the assets.</p> <p>For six samples we were unable to confirm that the assets existed. Four of these related to recycling containers which are entered into the fixed asset register as one asset in the year that they are purchased. This made it difficult to perform existence testing as there was no way of being able to match physical recycling containers to the assets included in the fixed asset register.</p>	<p>Management should consider how they can uniquely identify assets to be able to maintain accurate financial records.</p> <p>Management should ensure that they have appropriate documentation which proves they are the owners of the assets included in the fixed asset register.</p>	<p>The system for all types of waste container is based on purchase and hold, until provided to known locations. Each individual container is not given a unique identifies in the register but is controlled more like an inventory stock control system, only being issued as needed. The process will be reviewed to confirm that containers issued to set locations, have the location issued to retained in the system.</p>

Key: **High risk** of material misstatement **Medium risk** of material misstatement **Low risk** of material misstatement



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