



# Hinckley and Bosworth Borough Council

## Approach to Re-building Audit Assurance

March 2025



Hinckley and Bosworth Borough Council  
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Dear Audit Committee Members

### **Approach to rebuilding audit assurance**

External auditors have now disclaimed the audit opinion on HBBC's financial statements for the last four years and, across the sector, there is a backlog of around 1000 unaudited local authority accounts. The National Audit Office have published Local Audit Reset and Recovery Implementation Guidance (LARRIG) bulletins outlining illustrative timescales and processes for re-building assurance by auditors, following disclaimed audit opinions. The first, and overarching, principle of this guidance is that the public interest requires a return, as soon as possible, to a position where auditors have sufficient assurance to issue opinions on local authority financial statements. This letter sets out our intended approach to achieve this goal.

LARRIG 01 indicates that 2026-27 would be the first year for which it could be feasible for auditors to issue an unqualified opinion. However, this will require assurance over opening balances, closing balances, in-year movements and prior year comparatives. LARRIG 01 also highlights that all audit engagements are different, and local circumstances will influence the extent to which the aspiration can be met, for example where several years have been disclaimed. This means that, while rebuilding may happen faster in some cases if circumstances allow, it may also take longer.

We completed a range of audit testing on the 2023-24 accounts; however, we had insufficient time to recover the missing assurances on opening balances from the previous three years, and we therefore issued a disclaimed opinion. To re-build assurance, we need to perform work on the prior year financial statements which have not yet been subject to audit.

LARRIG 05 explains that the auditor's decision on the optimal pathway for the timeliest return to opinion-making will require the application of professional judgement within the specific context of the facts and circumstances of individual engagements. The auditor may, as appropriate, prioritise work on opening balances, closing balances, or in-year movements, to achieve this pathway.



We anticipate that the process of re-building assurance at HBBC will take place over several years, starting in 2025. Our planned approach is to perform a risk-based assessment of the financial control environment at the Council during the three years 2020-21 to 2022-23 as this will provide assurance on the strength and stability of internal controls over this period. We will also carry out targeted testing of Property, Plant and Equipment (PPE) additions, disposals and depreciation during those years, as this will provide assurance on the material capital transactions that make up these high value, long term assets on the balance sheet and provide evidence for the corresponding reserve movements. These two initial pieces of work will inform the nature and level of further testing required and allow us to develop a plan for re-building the remaining assurances, which we will present to the audit committee for review, approval and monitoring. Our estimated fee for this initial work is between £30,000 to £35,000. Any work completed in subsequent years to rebuild assurance over other balances within the financial statements would also be subject to additional fee.

The National Audit Office have also stated that “further guidance will be issued during the period of reset and recovery to respond to issues identified by the sector as work progresses”. This may include further guidance for auditors, providing information to stakeholders on the different forms of auditor opinion that may be required during this period, guidance on how auditors should approach the rebuilding of assurance and other matters that emerge during the implementation of the reset and recovery stages. We will incorporate such further guidance in our plan for re-building assurance, as appropriate.

Azets are taking a proactive approach to our programme of re-building assurance. By starting now, and phasing our work over future years, we can minimise the impact that additional work will have on the capacity of HBBC’s finance team and remove disclaimed audit opinions as quickly as possible, while also minimising the associated costs.

We appreciate that the announcement regarding local government reorganisation adds further complexity; however, we believe that our proposed approach supports local government reorganisation as this assurance will be needed as part of merging the financial statements of multiple bodies into one entity.

**Chris Brown**

**Key Audit Partner**

For and on behalf of Azets Audit Services



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