



## Hinckley & Bosworth Borough Council

Forward timetable of consultation and decision making

Audit Committee

1 October 2025

Wards affected:

All Wards

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### UNAUDITED STATEMENT OF ACCOUNTS 2024/25

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Report of Section 151 Officer

#### **1. Purpose of report**

- 1.1 To present to the Audit Committee the Financial Statements for 2024/25 and Annual Governance Statement for 2024/25 that are currently subject to external audit.

#### **2. Recommendation**

- 2.1 The draft Financial Statements and Annual Governance Statement for 2024/25 is approved.

#### **3. Background to the report**

- 3.1 In accordance with Accounts and Audit regulations, draft Financial Statements must be signed off by the Council's Responsible Finance Officer (S151 Officer) by the 31 July 2025. After publication there was a formal inspection period that allows for members of the public to review the financial statements and make objections to the External Auditor. No additional requests were received by the Council.

The Head of Finance as the Responsible Finance Officer is required, on behalf of the authority, to re-confirm that they are satisfied that the Statement of Accounts presents a 'true and fair' view. The authority must then consider the Statement of Accounts, which at HBBC is the responsibility of the Audit Committee on behalf of the Council. At that meeting the Audit Committee will need to approve the accounts by a resolution of that committee and ensure that they are signed and dated by the person presiding at the committee as

chair at which that approval is given. The Unaudited accounts are presented to help in the process.

The overall content of the financial statements is explained in Table 1 below.

Table 1	Information included within the financial statement
<b>Comprehensive Income and Expenditure Statement (CIES)</b>	<p>This covers the sources of all income received and the cost of providing services in the year based on International Financial Reporting Standards and guidance issued by the Chartered Institute of Public Finance and Accountancy (CIPFA), rather than the amount funded from Council Tax, and other Government grants.</p> <p>The amount funded from Council Tax and Government grants differ from the information in CIES by a series of amendments made in accordance with regulations, these amendments are reflected through the Movement in Reserves Statement.</p>
<b>Movement in Reserves Statement (MIRS)</b>	<p>The MIRS shows the movement in the year on the various reserves held by the Council. Reserves are classified into usable and unusable reserves. Usable Reserves are those that can be used to cover expenditure or reduce the level of local taxation required.</p> <p>They include the general fund, earmarked reserves and the capital receipts reserve.</p> <p>Unusable reserves tend to arise due to difference in the legal responsibilities that cover how transactions need to be accounted for and accounting requirements. These reserves cannot be used to cover expenditure, and include the pensions reserve, the revaluation reserve and the capital adjustment account.</p>
<b>Expenditure &amp; Funding Analysis</b>	<p>This is a reconciliation between management reporting segments and the CIES surplus and defect on the provision of services. The statement brings together local authority performance reported on the basis of expenditure measured under proper accounting practises with statutory defined charges to the General fund and HRA.</p>
<b>Balance Sheet</b>	<p>The Balance sheet gives the value of the Council's assets and liabilities at the financial year end, referred to as the Balance Sheet date. The net position of the total assets less total liabilities are matched by the overall level of reserves held.</p>
<b>Cash Flow Statement</b>	<p>The cash flow statement discloses movements in cash flows of the authority during the financial year. The cash flow statement shows movements in the authority's cash and cash equivalents. Cash equivalents include short term investments that are easily changeable into cash and only have an insignificant risk of changes in value.</p>
<b>Notes to the financial statements</b>	<p>These include a summary of significant accounting policies that guide our basis for the way items are accounted for, notes that give further information on items included in the main financial statements and other explanatory information.</p>

<b>Supplementary Statements: Housing Revenue Accounts, and Collection Fund</b>	These are the Housing Revenue Account (HRA) and Collection Fund. The HRA covers the income from housing activities and Council's expenditure on Council housing; this has to be shown separately and has its own set of notes giving more detailed information. The Collection Fund gives level of business rates and council tax that the Council has to collect, not only for itself, but also for Central Government, Leicestershire County Council, Leicestershire Police & Crime Commissioner, Leicester, Leicestershire and Rutland Combined Fire Authority and on behalf of Town & Parish Councils.
<b>Annual Governance Statement</b>	The Council has approved and adopted a code of corporate governance, which is consistent with the national requirements on good governance in local government. The Annual Governance Statement provide a summary of how the Council has reviewed compliance with this code, the role of the governance structures involved, such as the Audit Committee and other Committees as relevant to governance, and any issues, if any are identified and proposed action needed.
<b>Critical Judgment and Major Sources of Estimation Uncertainty</b>	Critical Judgment and Major Sources of Estimation Uncertainty are also used in the preparation of the accounts. More information is in appendix 1

- 3.2 The Audited final Statement must be approved by 28<sup>th</sup> February 2026. This is in line with the revised backstop regulations published by central government in August 2024 . Draft statements have been supplied to our External Auditor (Azets) for them to complete their audit. Azets will be giving a progress update at today's meeting.
- 3.3 Once audit work has been finalised and adjustments agreed, the Statements will require sign off by The Chair of the Audit Committee. To ensure that the agreed backstop date can be met, it is proposed that the committee approve that the Chair of the Audit Committee be given delegated authority to sign off the Accounts.

### **Audit Backlog**

- 3.4 As reported previously, there is 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, which have been highlighted by the Local Government Association, the Redmond Review, the NAO, PSAA Ltd, External Audit firms and Parliament Committee hearing. 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,

3.5 On 9 September 2024, the Government laid in Parliament a Statutory Instrument, 'The Accounts and Audit (Amendment) Regulations 2024', to introduce backstop dates by which point local bodies must publish audited accounts. To achieve this the backlog must be dealt with and processes put in place to avoid it reoccurring. The Government's approach to clear the backlog of local audits and embed timely audit consists of two parts:

- Reset measures involving clearing the backlog of historical audit opinions up to and including financial year 2022/23 by 13 December 2024, which led to our outgoing auditors (EY) issuing disclaimed opinions for 2020/21, 2021/22 and 2022/23.
- Recovery period after the Reset Measures that reduces the likelihood of the backlog re-emerging by using backstop dates to allow assurance to be rebuilt over one or more audit cycles.

3.6 Unfortunately due to the lack of assurance given by Ernst and Young (EY) over opening balances resulting from disclaimed opinions, Azets cannot place full assurance on opening balances. Therefore Azets are due to issue a disclaimed audit option for financial year 2024/25 and will continue to give a disclaimed option in 2025/26.

3.7 The following table gives the most best case scenario impact over the next two years created by the backlog position, although we will be working with Azets to develop a realistic and achievable recovery plan as part of the 2024/25 audit.

Audit Year	Opinion
<b>2024/25</b>	Disclaimer The auditor does not have assurance over brought forward balances that were deprioritised on the 2023/24 audit. This means they do not have assurance over all in-year movements. They also do not have assurance over the comparative prior year movements.
<b>2025/26</b>	Disclaimer The auditor does not have assurance over brought forward balances that were deprioritised on the 2023/24 audit. This means they do not have assurance over opening balances for 2024/25, and therefore in year movements in 20204/25
<b>2026/27</b>	Qualified (Except for) - The auditor does not have assurance over the comparative figures. The auditor judges that this means there could be material but not pervasive misstatement and will need to qualify their opinion for 2025/26 by limiting its scope to not provide assurance over the comparative figures.
<b>2027/28</b>	Unmodified

## **Review of the System of Internal Control**

- 3.8 Internal Audit is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. Its role is to provide independent assurance to the council that systems are in place and operating effectively. Their opinion will be included within the final AGS that will be presented to this committee for approval. The final Statement is signed by the Leader and Chief Executive and ultimately forms part of the Statement of Accounts. The Annual Governance Statement can be updated up to the date of the signing of the Statement of Accounts.

## **Annual Governance Statement**

- 3.9 The Council is responsible for ensuring that its business is conducted in accordance with legal requirements and proper standards, and that public money is safeguarded, properly accounted for, and used economically, efficiently and effectively. The Council has a duty under the Local Government Act 1999, to make arrangements to secure continuous improvement in the way its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- 3.10 The governance framework 'Delivering Good Governance in Local Government' was produced during 2016 by CIPFA/SOLACE (Society of Local Authority Chief Executives and Senior Managers). The framework defines the principles that should underpin the governance of each local government organisation. It provides a structure to help individual authorities with their approach to governance. To achieve good governance, each local authority should be able to demonstrate that its governance structures comply with the principles contained within the framework.
- 3.11 In 2023/34, there was a weakness declared in our Annual Governance Statement in relation to the risk overview function of the Audit Committee. During work has been work has taken place around risk management to strengthen the existing processes. This is stated in the draft Annual Governance report, which concluded there are no significant weaknesses. The draft Annual Governance report is subject to audit along with the financial statements.

These Statements are supported by accompanying notes.

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

- 4.1 This report can be taken in open session.

## **5. Financial implications [IB]**

- 5.1 Contained within the body of the report.

## **6. Legal implications [JS]**

- 6.1 Contained within the body of the report.

## **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 of 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, however, early consideration by the Council of its preferred approach will enable detailed planning to take place so as to achieve successful transition to the new arrangement in a timely and efficient manner.

## **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 The Financial statements can be used as a mechanism for the reporting of the council impact on climate change via sustainability reporting. The public sector as a whole currently lags well behind the private sector in such reporting. Action would be needed to introduce this non-financial element to the financial statements to report to members and local residents how the council was performing against its declared climate emergency targets.

## **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

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Background papers: Unaudited Statement of Accounts

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