



Hinckley & Bosworth Borough Council

Forward timetable of consultation and decision making

Audit Committee 4 February 2026

Wards affected: ALL WARDS

AUDIT COMMITTEE – EXTERNAL AUDIT ANNUAL COMPLETION REPORT 2024/25

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 2025, the report is attached at Appendix 1.
- 1.2 This report will cover the following elements:
 - Opinion on the financial statements including key findings, and significant risk testing.
 - Value for Money commentary on:
 - Financial sustainability
 - Governance
 - Improving economy, efficiency, and effectiveness
 - Recommendations raised in 2024/25.
 - 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.
 - the positive movement since the last report which had found a significant weakness in our Value for Money assessment. The work undertaken by management and the Audit Committee over the last year has addressed that issue and no weakness has been found.

3. Background to the report

- 3.1 Azets were appointed via the agreement we have with Public Sector Audit Appointments (PSAA), and in that role they have two main responsibilities under the 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 As the Audit Committee are aware there is nationally an extensive opinion backlog with a need for extensive build back work to be done. For us this covers the period since our last normal audit opinion issued in 2019/20. Azets took over HBBC audit in 2023/24 and have had considerable work to do as our outgoing auditors had disclaimed the previous three years audits and reported very little in terms of any issues to address.
- 3.3 In addition, there are significant challenges to both council staff and the external auditors in the undertaking an audit where the previous four years have been disclaimed leading to a backlog. Due to this and the national local authority backstop date, it has not been possible for the external auditors to do sufficient testing on all areas of the accounts, such as income and expenditure, in order to regain full assurance to support an unmodified audit opinion ahead of the backstop date of 27 February 2026. It is important to note that Azets had previously notified Audit Committee that their 2024/2025 would be likely to be disclaimed.

Financial Statement

- 3.4 Due to the national pressure on the public sector audit process, Azets have been clear that the build back work would take several years, notified the Audit Committee in their Audit Plan at the June 2025 that “we do not expect to be able to build back all the missing assurances from previous years during 2024/25. Our 2024/25 audit opinion is therefore likely to be disclaimed.” Testing was going to be aimed at building back assurance on the balance sheet, particularly fixed asset, and would not be able to cover build back work on income and expenditure to support the reserves position.
- 3.5 This means 2024/25, due to the restriction on resources available, was always going to be a disclaimed opinion, which is what has been reported in the 2024/25 Audit Completion report. Azets have noted in their report that they “did not complete any detailed testing on expenditure transactions, with the exception of depreciation. Which affects many of the conclusions reported. The 3 backstop deadline also meant that some requests could not be completed before the backlog deadline needed to be met.

- 3.6 The report also covers finding on significant risks as per the table below, some of which are due to further evidence being needed, but unfortunately the time pressure of the backstop date prevented all the evidence being possible to prepare before the backstop deadline.

Significant risk	Audit conclusion	Comment
Management override of controls	Our work has not identified any significant issues in respect of this risk.	The audit team cannot yet give a final view because some key tests, especially on management's accounting estimates like property valuations, are incomplete. Time constraints prevented a full review
Presumption of fraud in revenue and expenditure recognition	We are unable to reach a conclusion in this area. Along with other factors explained in this report, we plan to disclaim the opinion for 2024/25.	As part of the back log action plan resources have been focused on testing balance sheet items in the 2024/25 financial statements. Therefore, Audit did not complete any testing on income and expenditure transactions. Therefore this cannot be concluded on.
Valuation of council dwellings and other land and buildings	We are unable to reach a conclusion in this area. Along with other factors explained in this report, we plan to disclaim the opinion for 2024/25.	It was noted that there was some small non-material HRA land not included in the fixed asset register. This has led to a review going back to 2019/20 to build back a complete picture. See para 3.5 below
Completeness of HRA Land	We are unable to reach a conclusion in this area. Along with other factors explained in this report, we plan to disclaim the opinion for 2024/25.	It was noted that there was some small non-material HRA land not included in the asset register. This has led to a review going back to 2019/20 to build back a complete picture. See para 3.5 below
Valuation of pension assets and liabilities (IAS19)	We are unable to reach a conclusion in this area. Along with other factors explained in this report, we plan to disclaim the opinion for 2024/25.	Audit have not been able to gain any assurance over year-on-year movements due to the prior year balances being disclaimed, meaning Audit have no assurance over opening balances.
IFRS 16 for lease accounting	We have started but not been able to conclude our work as management did not provide appropriate and sufficient audit evidence in time to allow us to test the disclosures within the accounts.	Audit have not been provided with assurance by the pension fund auditor over membership of the pension fund back to the last triennial valuation. This is completely outside of our control.

- 3.5 The HRA land issue was a significant pressure on terms of resources for the council as it had to create a new audit trail going back to 2019/20 from the mapping systems used, ensuring all land was included on the fixed asset register going back to 2019/20. This work is now largely complete however there is still some work to do to reconcile this to the previous financial statements and ensure valuations are agreed with our valuer. It will be complete and ready but it will be ready for the next audit in for the 2025/26 year.

Value for Money

- 3.6 Members will notice that for 2024/25 there are no significant weaknesses declared in our Annual Governance Statement as there was in 2023/24 due to improvement in relation to the risk overview function of the Audit Committee. This is due to the action plan improvements instigated by the Audit Committee in their action plan. The Audit Committee are committed to an on-going self-assessment process that will continue to make improvements as required.

- 3.7 Azets have reported this in their VFM conclusion that:

“We have not identified any significant weaknesses in the Council’s arrangements and so are satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.”

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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