

# **Hinckley & Bosworth Borough Council**

## **Audit and Risk Committee**

### **Internal Audit Annual Report 2024/25 - DRAFT**

Prepared by: Forvis Mazars

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## Disclaimer

This report ("Report") was prepared by Forvis Mazars LLP at the request of Hinckley & Bosworth Borough Council and terms for the preparation and scope of the Report have been agreed with them. The matters raised in this Report are only those which came to our attention during our internal audit work. Whilst every care has been taken to ensure that the information provided in this Report is as accurate as possible, Internal Audit have only been able to base findings on the information and documentation provided and consequently no complete guarantee can be given that this Report is necessarily a comprehensive statement of all the weaknesses that exist, or of all the improvements that may be required.

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# 01 Introduction

Forvis Mazars LLP are the appointed internal auditors to the Hinckley & Bosworth Borough Council. This report summarises the internal audit work undertaken by Forvis Mazars in 2024/25, the scope and outcome of work completed, and incorporates our annual statement on internal controls assurance.

The report should be considered confidential to the Hinckley & Bosworth Borough Council and not provided to any third party without prior written permission by Forvis Mazars.

## Scope and purpose of internal audit

The purpose of internal audit is to provide the Audit and Risk Committee, with an independent and objective opinion on governance, risk management and internal control and their effectiveness in achieving Hinckley & Bosworth Borough Council's agreed objectives. It also has an independent and objective advisory role to help line managers improve governance, risk management and internal control.

This opinion forms part of the framework of assurances that is received by Hinckley & Bosworth Borough Council. Internal Audit also has an independent and objective consultancy role to help line managers improve risk management, governance and control. Our professional responsibilities as internal auditors are set out within the Chartered Institute of Internal Auditors (CIIA) and the Internal Audit Charter.

Responsibility for a sound system of internal control rests with management and work performed by internal audit should not be relied upon to identify all weaknesses which exist or all improvements which may be made. Effective implementation of our recommendations makes an important contribution to the maintenance of reliable systems of internal control and governance.

Internal audit should not be relied upon to identify fraud or irregularity, although our procedures are designed so that any material irregularity has a reasonable probability of discovery. Even sound systems of internal control will not necessarily be an effective safeguard against collusive fraud.

The report summarises the internal audit activity and, therefore, does not include all matters which came to our attention during the year. Such matters have been included within our detailed reports to the Audit and Risk Committee during the course of the year.

## Performance against the Internal Audit Plan

The Internal Audit Plan for 2024/25 provided for 106 days of internal audit work. During the year, the Leisure Services review was carried forward from the 2023/24 plan. The updated plan provided for a total of 118 days. We completed all strategic audits however the report for the IT review remains in draft as we are awaiting management comments.

## Acknowledgements

We are grateful to the staff throughout Hinckley & Bosworth Borough Council for the assistance provided to us during the year.

## Sampling methodology

As part of our auditing methodology, we use a range of sampling techniques to provide a robust basis for our audit opinions. Where possible we favour conducting whole data set testing.

## 02 Audit Opinion

### Our opinion

On the basis of our audit work, our opinion on the framework of governance, risk management, and control is **Moderate** in its overall adequacy and effectiveness.

Whilst certain weaknesses and exceptions were highlighted by our audit work, none of our reviews concluded with unsatisfactory assurance.

Of the 9 reviews for which an assurance opinion was provided, 1 provided substantial assurance, 6 moderate assurance and 2 limited assurance. We have raised 1 high priority recommendation, 21 medium priority recommendations and 13 low priority recommendations during the period. These matters have been discussed with management, to whom we have made several recommendations. All of these have been, or are in the process of being addressed, as detailed in our individual reports.

### Scope of Opinion

In giving our internal audit opinion, it should be noted that assurance can never be absolute. The most that the internal audit service can provide to Hinckley & Bosworth Borough Council is a reasonable assurance that there are no major weaknesses in risk management and internal control processes.

The matters raised in this report are only those which came to our attention during our Internal Audit work and are not necessarily a comprehensive statement of all the weaknesses that exist, or of all the improvements that may be required.

In arriving at our opinion, we have taken the following matters into account:

- The results of all audits undertaken as part of the plan;
- Whether or not any 'Priority 1 - Fundamental' or 'Priority 2 - Significant' recommendations raised have not been accepted by Management and the consequent risks;
- The extent to which recommendations raised previously, and accepted, have been implemented;
- The effects of any material changes in Hinckley & Bosworth Borough Council's objectives or activities;
- Matters arising from previous reports to the Audit & Risk Committee ;
- Whether or not any limitations have been placed on the scope of internal audit;
- Whether there have been any resource constraints imposed upon us which may have impinged on our ability to meet the full internal audit needs of the Council; and
- The proportion of the Council's internal audit needs have been covered to date.

Further detail on the definitions of our opinions raised in our reports can be found in Appendix A1.

### Reliance Placed on Third Parties

Internal audit has not placed any reliance on third parties in order to assess the controls operated by Hinckley & Bosworth Borough Council. Our opinion solely relies on the work we have performed and the results of the controls testing we have undertaken.

### Follow Up

Follow up of recommendations raised was not carried out during 2024/25 and has been carried forward to 2025/26.

## 03 Internal Audit Work Undertaken in 2024/25

The audit findings in respect of each review, together with our recommendations for action and the management responses are set out in our detailed reports.

We undertook nine in-depth audit reviews covering a number of important control systems, processes, and risks. The results of this work are summarised below. The Follow up review of the implementation of recommendations has been carried into the 2025/2026 Plan. The IT Vulnerability Management review remains in draft.

Audit area	Assurance level	Recommendations				Accepted	Not accepted
		High (Priority 1)	Medium (Priority 2)	Low (Priority 3)	Total		
Council Tax & NNDR	Moderate	-	2	2	4	4	-
Sickness Management	Substantial	-	1	1	2	2	-
Treasury Management	Moderate	-	1	3	4	4	-
Waste Management	Moderate	-	2	-	2	2	-
Capital Programme	Limited	-	6	-	6	6	-
Homelessness	Moderate	-	1	4	5	5	-
Fire Safety	Moderate	-	4	1	5	5	-
Leisure Centre	Moderate	-	1	-	1	1	-
IT Audit – Vulnerability Management (Draft)	Limited	1	3	2	6		
Follow up*	N/A	N/A	N/A	N/A	N/A	N/A	N/A
<b>Total</b>		<b>1</b>	<b>21</b>	<b>13</b>	<b>35</b>	<b>29</b>	<b>0</b>

\*Carried forward into 2025/26 plan.

## 04 Internal Audit Plan 2024/25 vs Budget

The Internal Audit Plan for 2024/25 was for a total of 106 days. During the year, the Leisure Services review was carried forward from 2023/24 upon request of management taking it to 118 days. The Follow Up review was carried into the 2025/26 Plan. Additional days were agreed for the Capital Programme review due to delays in starting the audit.

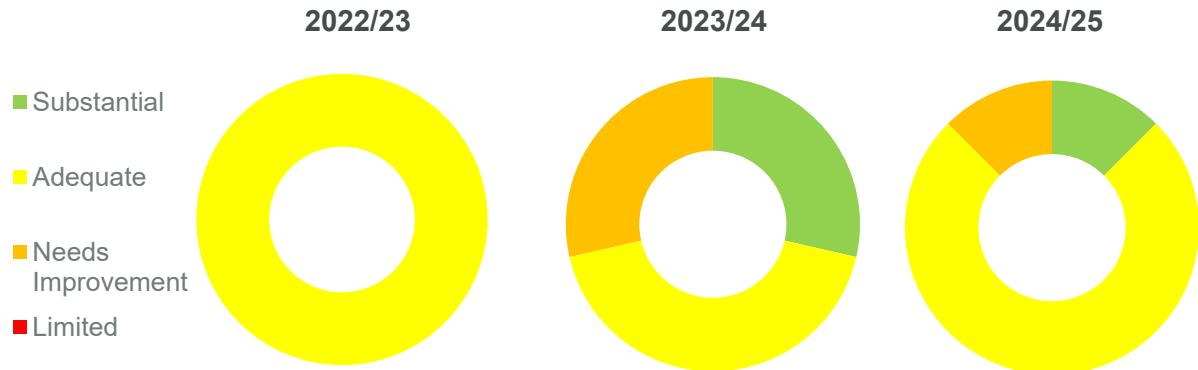
Audit area	Planned days	Actual Days	Difference	Status
Council Tax & NNDR	12	12	-	Final Report
Sickness Management	10	10	-	Final Report
Treasury Management	10	10	-	Final Report
Waste Management	10	10	-	Final Report
Capital Programme	12	15*	+3	Final Report
Homelessness	12	12	-	Final Report
Fire Safety	10	10	-	Final Report
Leisure Services	-	12	+12	Final Report
IT Audit – Vulnerability Management	10	10	-	In Draft
Follow up	5	-	-5	Carried forward into 2025/26 plan
Management and reporting	15	15	-	Fully Utilised
<b>Total</b>	<b>106</b>	<b>116</b>	<b>+10</b>	

\*Additional days due to delays in starting the audit.

## 05 Benchmarking

This section compares the Assurance Levels (where given) and categorisation of recommendations made at the CLIENT NAME.

Comparison of Assurance Levels



In 2022/23, there were five strategic audits completed. All five received 'Moderate' assurance opinion.

In 2023/24, there were seven strategic audits conducted, two received 'Substantial' assurance, three received a 'Moderate' opinion and two received a 'Limited' opinion.

Of the nine strategic audits conducted in 2024/25, one received 'Substantial' assurance, six received a 'Moderate' opinion and two received a 'Limited' opinion. One review, IT – Vulnerability Management remains in draft.

It should be noted though that the areas of review will not typically be the same given the risk-based nature of the Internal Audit Plan year on year and that caution should be exercised in comparing years.

The total number of recommendations made in 2022/23 was 25.

The total number of recommendations made in 2023/24 was 28.

In 2024/25, 35 recommendations were raised, representing a slight increase from 2023/24. One high priority recommendation was raised meaning an improvement from 2023/24 where three high priority recommendations were raised.

As noted above, the areas of review each year will not typically be the same.

Comparison of Recommendation Gradings



## 05 Performance of Internal Audit

We have provided some details below outlining our scorecard approach to our internal performance measures, which supports our overall annual opinion.

### Compliance with Professional Standards

We employed a risk-based approach to determining the audit needs of Hinckley & Bosworth Borough Council at the start of the year and use a risk-based methodology in planning and conducting our audit assignments.

In fulfilling our role, we abide by the three mandatory elements set out by the Institute of Internal Auditors. Namely, the Code of Ethics, the Definition of Internal Auditing and the Standards for the Professional Practice of Internal Auditing.

### Performance Measures

We have completed our audit work in accordance with the agreed Plan and each of our final reports has been reported to the Audit and Risk Committee. We have received positive feedback on our work from the Audit and Risk Committee and staff involved in the audits.

Regular planned discussions on progress against the Audit Plan have taken place with the Audit and Risk Committee.



### Conflicts of Interest

There have been no instances during the year which have impacted on our independence and/or lead us to declare any interest.

### Internal Audit Quality Assurance

In order to ensure the quality of the work we perform; we have a programme of quality measures which includes:

- Supervision of staff conducting audit work;
- Review of files of working papers and reports by Managers and Partners;
- Annual appraisal of audit staff and the development of personal development and training plans;
- Sector specific training for staff involved in the sector;
- Issuance of technical guidance to inform staff and provide instruction regarding technical issues; and
- The maintenance of the firm's Internal Audit Manual.
- External Quality Assessment (EQA) conducted in December 2024 confirmed we "generally conform" with professional standards. This rating is the highest rating that can be achieved.

# A

## Appendices

- A1 – Definitions of Assurance

# A1 Definitions of Assurance

## Assurance Gradings

We use categories to classify our assurance over the processes we examine, and these are defined as follows:

Level	Description
Substantial	Findings indicate that on the whole, controls are satisfactory, although some good practice enhancements may have been recommended. We may have made some recommendations to improve good practice.
Adequate	While the control framework has been found to be generally well designed, control issues and / or areas for improvement have been identified. Where action is in progress to address these findings and any other issues known to management, these actions will be at too early a stage to allow a 'substantial' assurance audit opinion to be given. The control framework is generally well designed.
Limited	Control weaknesses have been noted that require corrective action if the control framework is to be considered as operating effectively. Where such remedial action has already been identified by management, this will have not yet started at the time of the audit, or is not currently considered to be sufficient, or sufficiently progressing to address the severity of the control weaknesses identified. We found control weaknesses that need to be corrected in order for the control framework to operate effectively.
Unsatisfactory	Findings indicate serious weaknesses in the control framework which could threaten the ability of Hinckley & Bosworth Borough Council to achieve its objectives; or there is evidence that despite any corrective action already taken, key risks are crystallising in the area under review or have already crystallised. This assurance opinion may also cover the scenario where our audit work was obstructed such that we cannot conclude on the effectiveness of internal controls.

## Recommendation Gradings

To assist management in using our reports, we categorise our recommendations according to their level of priority, as follows:

Priority	Description
High (Priority 1)	Significant weakness in governance, risk management and control that if unresolved exposes the organisation to an unacceptable level of residual risk.
Medium (Priority 2)	Recommendations represent significant control weaknesses which expose the organisation to a moderate degree of unnecessary risk.
Low (Priority 3)	Recommendations show areas where we have highlighted opportunities to implement a good or better practice, to improve efficiency or further reduce exposure to risk.

## Annual Opinion

For annual opinions we use the following classifications within our audit reports:

Opinion	Definition
Substantial	The framework of governance, risk management and control are adequate and effective.
Moderate	Some improvements are required to enhance the adequacy and effectiveness of the framework of governance, risk management and control.
Limited	There are significant weaknesses in the framework of governance, risk management and control such that it could be or could become inadequate and ineffective.
Unsatisfactory	There are fundamental weaknesses in the framework of governance, risk management and control such that it is inadequate and ineffective or is likely to fail.

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We take responsibility to Hinckley & Bosworth Borough Council for this report which is prepared on the basis of the limitations set out below.

The responsibility for designing and maintaining a sound system of internal control and the prevention and detection of fraud and other irregularities rests with management, with internal audit providing a service to management to enable them to achieve this objective. Specifically, we assess the adequacy and effectiveness of the system of internal control arrangements implemented by management and perform sample testing on those controls in the period under review with a view to providing an opinion on the extent to which risks in this area are managed.

We plan our work in order to ensure that we have a reasonable expectation of detecting significant control weaknesses. However, our procedures alone should not be relied upon to identify all strengths and weaknesses in internal controls, nor relied upon to identify any circumstances of fraud or irregularity. Even sound systems of internal control can only provide reasonable and not absolute assurance and may not be proof against collusive fraud.

The matters raised in this report are only those which came to our attention during the course of our work and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. Recommendations for improvements should be assessed by you for their full impact before they are implemented. The performance of our work is not and should not be taken as a substitute for management's responsibilities for the application of sound management practices.

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