



Agenda

MUNICIPAL YEAR 2023-2024

Audit Committee

Monday, 18 September 2023 at 5.00 pm,
Scaitcliffe House, Ormerod Street, Accrington

Membership

Chair: Councillor Susan Hayes

Vice-Chair: Councillor Peter Edwards

Councillors Dominik Allen, Noordad Aziz, Bernard Dawson MBE and Jodi Clements

A G E N D A

1. Apologies for Absence, Declarations of Interest, Dispensations and Substitutions

2. Minutes of the Last Meeting (Pages 3 - 14)

The Minutes of the meetings of the Audit Committee held on the 6th March 2023 and 26th June 2023 were submitted for approval as a correct record.

Recommended – That the minutes be received and approved as a correct record.

3. Audit Reports & Key Issues - Progress Report for June 2023 - August 2023 (Pages 15 - 20)

To inform Members of the Audit Committee the reports issued during the period June 2023 – August 2023 and bring to the attention of the Committee what the key issues were.



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Published on Friday, 8 September 2023

Page 1 of 2

Recommendation – That the report be noted for informational purposes.

4. Audit Follow Up Report - June 2023 - August 2023 (Pages 21 - 26)

To inform Members of the Committee the outcome of routine follow –ups during June 2023 – August 2023 following the previously agreed action plans for completed audit reports.

Recommended - That the report be noted for informational purposes.

5. Annual Audit Report/Letter - 2020/21 (Pages 27 - 48)

The report summarises the work the External Auditors have undertaken as the auditor for Hyndburn Borough Council ('the Council') for the year ended 31 March 2021.

Recommended – That the report be noted for informational purposes.

AUDIT COMMITTEE

Monday, 6th March, 2023

Present: Councillor Dominik Allen (in the Chair), Councillors Bernard Dawson MBE, Peter Edwards (Vice Chair), Carole Haythornthwaite and Jodi Clements

Apologies Councillor Noordad Aziz and Martin Dyson

307 Apologies for Absence, Declarations of Interest, Dispensations and Substitutions

Apologies for absence were submitted from Councillor Noordad Aziz.

Councillor Jodi Clements substituted for Councillor Noordad Aziz.

There were no Declarations of Interest, Dispensations or Substitutions notified.

308 Minutes of the Last Meeting

The minutes of the last meeting of the Audit Committee held on the 28th November 2022 were submitted for approval as a correct record.

Resolved – That the minutes be received and approved as a correct record.

309 Audit Plan 2022/23 Progress Update

Mark Beard, Head of Audit & Investigations, presented a routine report to inform Members of the reports issued during the period November 2022 – January 2023 and to bring to the attention of the Committee what the key issues were.

A summary of which is provided below:

Homelessness - Comprehensive assurance

- No issues arising.

Transfer of Assets - Substantial assurance

- The audit found that there was a lack of clear defined process / policy for the transfer of assets. Whilst each case is treated in its own right and is subject to scrutiny by Cabinet approval and signed off by the appropriate Directors and Head of Service, the terms and conditions applied are not necessarily consistent in each case.
- It was agreed with Management that consideration is given to the development of a Transfer of Assets Policy. This would include the principles and process the Authority will use to manage applications for the transfer of

assets, and will take into account the relevant legislations surrounding market value and disposal of assets.

Townscape Heritage Initiative - Comprehensive assurance

- No issues arising.

Cash-flow Management - Comprehensive assurance

- No issues arising.

General Data Protection Regulations (GDPR) - Substantial assurance

- As there has been staff turnover in many areas across the Council, the audit found examples where staff had not received formal training on GDPR. It was agreed with Management that refresher training would be carried out for all staff and ensure all new staff were included in this.
- The audit found that the Human Resources Team had requested details of any employee accident documentation so that it could be retained on the employee's file in case of any future insurance claims. This had not been actioned and the audit recommended that this be done.

Early Retirement / Voluntary Redundancy (ER/VR) - Comprehensive assurance

- No issues arising.

The position as at the end of January 2023 is 73.61% of completed audits for 2022/23.

Resolved – That the report be noted by the Audit Committee.

310 Follow Ups Update

Mark Beard, Head of Audit & Investigations, presented a routine report to inform Members of the outcome of routine follow-ups following the previously agreed action plans for completed Audit Reports.

The report covered the period July 2022 – February 2023 and details of the follow-ups carried out and actions implemented.

The Committee went through the follows ups carried out detailed in Appendix 1.

- Civil Contingencies
- Asset of Community Value

- Property Management Rent Income – 1 outstanding action, which is being looked into as it, requires compliance with GDPR.
- Safeguarding

Resolved – That the report be noted by the Audit Committee.

311 Annual Internal Audit Plan 2023/24

Mark Beard, Head of Audit & Investigations, presented the report to Audit Committee to inform them of the Internal Audit Plan for the financial year 2023/24.

The Internal Audit Plan is set annually and monitored monthly and forms the work plan of the Internal Audit Team for the year.

There has been 9 audit area amendments made to the plan and 1 audit area added to the plan. Each area goes through a scoring matrix and there is 25 audit areas on the plan for 2023/24.

The committee talked through the Internal Audit Plan and the areas set detailed as appendix 1.

Resolved – That the Audit Committee approved the Internal Audit Plan for the financial year 2023/24.

- **That the Audit Committee granted delegated authority to the Head of Audit & Investigations to make any minor amendments to the Internal Audit Plan if proposed by Corporate Management Team on the 15th March 2023.**

312 External Peer Review of Internal Audit

Mark Beard, Head of Audit & Investigations, informed the Audit Committee of the outcome of the mandatory external inspection of Hyndburn's Internal Audit Team against the requirements of the Public Sector Internal Audit Standards.

Mark Beard presented the final report of the external inspection team.

The summary findings on the area of focus were as follows:

Purpose & Positioning – Conforms
 Structure & Resources – Conforms
 Audit Execution – Conforms

Overall Judgement – Conforms

The Peer Review was an extremely positive exercise, good feedback from all the interviewees and the Internal Audit Team have been delighted with the results.

There were 5 points identified for consideration, which were, classed as minor observations as set out in Appendix C.

It was requested that Audit Committee meet at least four times per year, rather than three as per our scheduled timetable. The consideration of two independent members to join the Audit Committee in the future, although this is only best practice not mandatory.

The Chair thanked Mark and his team for the brilliant results.

Resolved – That the report be noted by Audit Committee.

- That Democratic Services revise the meeting timetable to add an additional Audit Committee into the schedule.**

313 Audit Committee Training Needs

Mark Beard, Head of Audit & Investigations talked through the report to discuss the training needs of the Audit Committee following the self-assessment that had been completed in 2022.

The Committee talked through the 6 questions listed in item 3.5 as key points to consider.

Councillor Clements suggested all Councillors should complete a skill set audit to evaluate which committees they would sit best on.

Resolved - That the Head of Audit & Investigations to look at previous training carried out to use as refresher training.

- That Democratic Services collate the answers from Audit Committee Members from item 3.5 to move forward to the next meeting.**

314 External Audit Progress Report

Daniel Watson, External Auditors of Mazars attended the meeting to present the Audit Progress Report.

The audit for the 2020/21 financial statement is substantially complete and the results will be produced to Audit Committee in the follow up letter at the conclusion of the audit.

They are due to complete the fieldwork on the arrangements for the 2020/21 to report the findings on the Authority's value for money arrangements in the Auditors annual report.

Councillor Jodi Clements raised a question on the value for money work when the financial statement is not complete. Daniel Watson responded that the audit is virtually complete, there will be a separate report on value for money and 2021/22 will come in due course.

External Audit emphasised how it's not been an easy task taking over from the previous External Auditors and playing catch up, they are at a point now where they want to go forward and catch up on this year's work.

The audit of the Authority's 2021/22 financial statements has progressed, due to some information not being available from the Council, the work is programmed to commence in September 2023.

The 2022/23 Audit is scheduled to be completed by March 2024.

Resolved – That the report to be noted for informational purposes.

Signed:.....

Date:

Chair of the meeting
At which the minutes were confirmed

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AUDIT COMMITTEE

Monday, 26th June, 2023

Present: Councillor Peter Edwards (in the Chair), Councillors Noordad Aziz, Bernard Dawson MBE and Jodi Clements

Apologies Councillor Susan Hayes

46 Apologies for Absence, Declarations of Interest, Dispensations and Substitutions

Apologies for absence were submitted from Councillor Susan Hayes.

There were no Declarations of Interest or Dispensations notified.

47 Minutes of the Last Meeting

The minutes were not considered as previously approved.

48 Risk Management Monitoring Report

Stuart Sambrook, Policy Manager presented the report to Members to inform them of the outcome of the Strategic, Generic and Operational Risk Registers.

The Policy Manager discussed the background and the processes of Risk Management to the Committee.

The Council currently has 19 Strategic risks, 66 Operational risks and 17 Generic risks.

Audit Committee was requested to review the amendments of the risk registers since the submission of the last risk management report.

There had been 6 major changes made to the Strategic register detailed below;

Area	Change	Risk Rating With Controls
DELETED RISK		
Customer / Citizen	<u>Risk</u> Pandemic can cause harm to the health and wellbeing of the local Hyndburn community <u>Risk Owner</u> Chief Executive	Medium
Economic / Reputational	<u>Risk</u> Pandemic effect on Council's financial services, staffing arrangements and service delivery <u>Risk Owner</u> Chief Executive	Medium

Area	Change	Risk Rating With Controls
Political / Leader	<p>Risk Pandemic impact on local democracy, decision making process, accountable procedures, transparency and local elections</p> <p>Risk Owner Executive Director Legal and Democratic Services</p>	Medium
Environmental	<p>Risk Warranted environmental / asbestos problems in land / properties following the 2006 LSVT</p> <p>Risk Owner Executive Director Resources</p>	Medium
NEW RISK		
Customer / Economic	<p>Risk A future pandemic can impact council services and cause harm to the health and wellbeing of the Hyndburn community</p> <p>Risk Owner Chief Executive</p>	Low
MOVED RISK		
Professional	<p>Risk Failure to recruit and retain suitably qualified staff</p> <p>Risk Owner Head of OD & Policy</p>	High

There had been 2 major changes made to the Operational risk register detailed below;

Area	Change	Risk Rating With Controls
DELETED RISK		
Financial	Cost implications of legal challenge of Selective Landlord Licensing	Low
<p>Risk Owner Head of Regeneration and Housing</p>		
MOVED RISK		
Professional	<p>Risk Failure to recruit and retain suitably qualified staff</p> <p>Risk Owner Head of OD & Policy</p>	High

A summary list of all the risks was reported in Appendix 4.

The committee discussed some of the risks with Mr Sambrook and clarified some points from the register.

External Audit confirmed they were happy that no financial issues were arising from Risk Management and happy with the Council Governance arrangements.

Resolved – That the report was noted for informational purposes.

Mr Sambrook to come back to the Committee on the following points raised:

- **To update the Committee on the Huncoat Garden Village risk.**
- **To update the Committee on the Leisure Transformation risk.**
- **To request further information on weekend burials and to check if this would go on the Risk Register.**

49 Annual Internal Audit Report & Audit Opinion

Mark Beard, Head of Audit & Investigations informed and updated Members on the report, gave details on the performance of the internal audit team and the final outturn position for 2022/23.

The Head of Audit & Investigations talked through Appendix 1.

The key issues were:

- The Head of Audit & Investigations is able to issue a positive opinion on the systems of Internal Control based on the work carried out in 2022/23 as detailed below. The opinion score very slightly improved from 1.40 in 2021/22 to 1.39 in 2022/23. The number of recommendations increased from 13 in 2021/22 to 14 in 2022/23.
- Internal Audit did not identify any issues in 2022/23 during the course of their audit work that would have a material effect on the Council's Financial Statements.
- Internal Audit achieved audit plan coverage of 90.01% in 2021/22. This was 7.99% below the annual target of 98%.
- Production and publication of this report is a requirement of the Public Sector Internal Audit Standards. This report satisfies the requirements for those charged with governance and forms a supplementary piece of evidence to the Annual Governance Statement.

The satisfactory and quality questionnaires sent out to the auditee's following an audit taking place came back with very good results, which is a great reflection of the team and the work they conduct.

Resolved – That the report was noted for informational purposes.

50 Audit Plan 2023/24 - Progress Report

Mark Beard, Head of Audit & Investigations informed Members of the Audit reports issued during the period February 2023 – May 2023 and discussed the key issues.

The position of audit plans completed by the end of March 2023 was 90.01% for 2022/23 with a target of 98%. Key factors contributing to the shortfall were additional bank holidays, sickness and bereavement leave.

The Head of Audit & Investigations talked through Appendix 1.

Below is a summary of audits carried out between February – May 2023:

- Internet/Email – Substantial assurance
- Officers Imprests – Comprehensive assurance
- Construction (Design & Management) – Substantial assurance
- Lyndon Park Development – Comprehensive assurance
- Commercial Rents & Leases – Comprehensive assurance
- Bank Reconciliation – Substantial assurance
- Energy Bills Rebate Scheme – Comprehensive assurance
- Asset Management – Substantial assurance

Mr Beard clarified some points around cheques that are still processed, there are very few residents who receive cheques, and businesses that are paid via cheque is usually under exceptional circumstances. Over the past 12 months, cheques have decreased dramatically. Hyndburn Borough Council offer many ways of electronic payment however if a cheque is the chosen preferred method of a customer we will issue one to process the payment.

There is a rigorous control method in place for processing cheques and taken very seriously when issuing.

Resolved – That the report was noted for informational purposes.

51 Follow-Ups Report

The Committee considered a report from the Head of Audit & Investigations, which informed Members of the outcome of routine follow-ups, following the previously agreed action plans for completed Audit Reports.

This report covers the period February 2023 – May 2023. The audit areas followed up and any key issues were detailed within an Appendix to the main report and included the following areas:

- Markets
- Mobile Telephony
- GDPR

- Transferred Assets

All actions have been implemented and there are no issues.

Resolved – That the report was noted for informational purposes.

52 Audit Committee Training

Mark Beard, Head of Audit & Investigations brought the report to the Committee to continue discussions on the Members training needs for 2023/24.

At the previous meeting on 6th March 2023, it was agreed that the training for the Chair and Vice-Chair would be mandatory.

Cllr Peter Edwards has booked on the CIPFA Training this year - Introduction to the Knowledge and Skills of the Audit Committee.

The Committee had a discussion around previous training that had been carried out and the examples of that training. They also discussed when would be the best time to conduct the training, before Audit Committee or before Council meeting so the majority of Councillors attend.

Resolved – That the Audit Committee agreed for officers to take forward planning the training schedule, dates and invite all Members.

- That any bulletins from the LGA or External Audit deemed useful to Audit Committee to be circulated as and when.

53 External Audit update

Daniel Watson, Director at Mazars attended the Committee to give a verbal update on behalf of External Audit.

The 2020/21 Accounts are set to be ready for sign off before the September 2023 Committee, apologies were given on the delay.

Regarding the 2021/22 Accounts, the financial statements have been published in draft, there has been some national issues and the Council's pension liability figures are now out of date and the more relevant information will need to be added into the accounts by the finance team.

Councillor Aziz raised his concerns on the delay of the accounts and felt concerned that the 2022/23 draft accounts will be due soon also.

Daniel Watson gave some background on the delays and reassured Members there was nothing significant other than government legislation changes, and adopting new external audit policies after appointing Mazars as the Council's external auditors. This has then affected the 2021/22 accounts.

Martin Dyson, Executive Director – Resources also added there has been staff changes within the Council, worked well with Mazar's and welcomed the fresh set of eyes on their work. The Finance team have reassessed working procedures, made use of toolkits available and have followed CIPFA guidance.

The 2020/21 accounts just have the value for money comments outstanding, once completed they will be sent to Members via email to sign off, no additional Audit Committee is required as they were presented at the November 2022 Committee.

The External Audit fieldwork will start in September for the 2021/22 accounts.

Resolved – That the Audit Committee has a regular item on the agenda to cover internal reports and action plans.

- That the Audit Committee receive a report from Mazar's External auditors with recommendations to take forward.**

54 Change of Meeting Date

It was proposed to move the next meeting date to Monday 18th September 2023.

Resolved – The Committee agreed and approved the date change.

Signed:.....

Date:

Chair of the meeting
At which the minutes were confirmed

Agenda Item 3.

REPORT TO:	Audit Committee		
DATE:	18 September 2023		
PORTFOLIO:	Councillor Peter Britcliffe - Deputy Leader of the Council, Resources		
REPORT AUTHOR:	Mark Beard – Head of Audit & Investigations		
TITLE OF REPORT:	AUDIT REPORTS & KEY ISSUES – PROGRESS REPORT FOR THE PERIOD JUNE 2023 – AUGUST 2023		
EXEMPT REPORT (Local Government Act 1972, Schedule 12A)	Options	Not applicable	
KEY DECISION:	Options	If yes, date of publication:	n/a

1. Purpose of Report

1.1 To inform members of the Audit Reports issued during the period June 2023 – August 2023 and bring to the attention of the Committee what the key issues were.

2. Recommendations

2.1 I recommend that Audit Committee:

- note the content of this report for informational purposes.

3. Reasons for Recommendations and Background

3.1 This report covers the period of June 2023 to August 2023. The audit areas and any key issues detailed at Appendix 1.

3.2 Members should be aware that the number of audit reports that are issued between each Committee meeting is subject to variation dependent on the size of the audit and any non-routine audit work, such as investigations, that the Team may be involved in. Therefore, for the purpose of reporting, only the audit reports fully completed, issued and agreed will be included.

3.3 Any investigations that may be carried out will not be included as a matter of routine in this report, particularly if they relate to a specific individual or individuals.

3.4 There is a target of 98% of the audit plan to be completed by the end of the current financial year in terms of audit days completed. As the audit team complete timesheets which then feed into the audit plan, it is possible to state the progress to date and the projected end of year position if that data is extrapolated. Therefore:-

Position as at end of August 2023	=	39.42% of the plan completed
Projected out-turn position for 2023/24	=	94.61% of the plan completed

3.8 The position at the end of August 2023 can be broken down as follows:-

Month	% of the Plan Completed that Month
April 2023	5.61%
May 2023	7.30%
June 2023	8.86%
July 2023	8.15%
August 2023	9.50%

4. Alternative Options considered and Reasons for Rejection

4.1 Not applicable as the report is for informational purposes only.

5. Consultations

5.1 No consultations required as this report is based on data and information held by the audit team based on the work completed.

6. Implications

Financial implications (including any future financial commitments for the Council)	There are no financial implications arising from this report
Legal and human rights implications	There are no legal or human rights implications arising from this report.
Assessment of risk	Risks are taken into consideration during the audit process itself, there is no direct risk implication from this report.
Equality and diversity implications A <i>Customer First Analysis</i> should be completed in relation to policy decisions and should be attached as an appendix to the report.	This report is produced for information awareness of the progress of the Audit Team against the annual Internal Audit Plan. The Audit Planning process has had an equality impact assessment which remains valid and it is not necessary to

	update this with a Customer First Analysis at this time. The individual audit assignments may, in some cases, feed into the needs of equality and diversity issues within individual service areas of the Council
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**7. Local Government (Access to Information) Act 1985:
List of Background Papers**

7.1 No background papers were necessary for the preparation of this report.

8. Freedom of Information

8.1 The report does not contain exempt information under the Local Government Act 1972, Schedule 12A and all information can be disclosed under the Freedom of Information Act 2000.

APPENDIX 1

AUDIT COMMITTEE – 18 September 2023

Summary of the main issues arising from audits carried out June 2023 – August 2023

Empty Properties:-

Audit Assurance Opinion Issued:- Substantial assurance

The work undertaken showed there is generally a sound system of internal control designed to meet service objectives, and controls are generally being applied consistently. However, some weaknesses in the design and / or inconsistent application of controls put the achievement of particular objectives at risk.

- As some larger authorities offer assistance to owners in bringing properties back into use in the form of an Empty Home grant. Management agreed to explore the possibility of exploring whether there are any external grant funding schemes that could be used to assist owners bringing properties back into use.
- Management agreed to explore the possibility of a programme of joint working between Council Tax and Environmental Health to allow better flow of information and aid in ensuring empty property status is regularly reviewed.
- Management agreed that when an empty post had been filled, consideration would be given to Council tax data training to ensure the use of accurate up to date information in monitoring empty properties.

Sports Pitches:-

Audit Assurance Opinion Issued:- Substantial assurance

The work undertaken showed there is generally a sound system of internal control designed to meet service objectives, and controls are generally being applied consistently. However, some weaknesses in the design and / or inconsistent application of controls put the achievement of particular objectives at risk.

- The audit found that not all insurance agreements had been obtained in all cases before matches had been played. Whilst the clubs had insurance this had not been obtained in all cases prior to matches taking place. It was agreed that steps be taken to ensure that all insurance documents have been obtained before teams can use the facilities. This is in accordance with the agreements signed by the various clubs using the facilities.

General Ledger:-

Audit Assurance Opinion Issued:- Comprehensive assurance

The work undertaken showed a sound system of internal control which is designed to meet the service objectives, in addition the work carried out showed controls are consistently being applied.

- No issues arising.

Cemeteries and Crematorium:-

Audit Assurance Opinion Issued:- Comprehensive assurance

The work undertaken showed a sound system of internal control which is designed to meet the service objectives, in addition the work carried out showed controls are consistently being applied.

- No issues arising.

Data Security & Storage:-

Audit Assurance Opinion Issued:- Substantial assurance

The work undertaken showed there is generally a sound system of internal control designed to meet service objectives, and controls are generally being applied consistently. However, some weaknesses in the design and / or inconsistent application of controls put the achievement of particular objectives at risk.

- The audit found that whilst quarterly training induction training is carried out for all new Council Employees lasting approximately 30 minutes, the volume of complexity of the issues discussed makes the timeframe unrealistic due to more areas being covered. It was agreed with Management that steps would be taken to ensure more time is allocated for the training going forwards.

Smart Working Strategy (Including Hybrid Working Arrangements:-

Audit Assurance Opinion Issued:- Substantial assurance

The work undertaken showed there is generally a sound system of internal control designed to meet service objectives, and controls are generally being applied consistently. However, some weaknesses in the design and / or inconsistent application of controls put the achievement of particular objectives at risk.

- An update to the Teams system has enabled staff to record their status e.g. working from home as an overall status for the day. Management agreed that this will be promoted to assist in identifying whereabouts when staff are available but working remotely.

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Agenda Item 4.

REPORT TO:	Audit Committee	
DATE:	18 September 2023	
PORTFOLIO:	Councillor Peter Britcliffe - Deputy Leader of the Council, Resources	
REPORT AUTHOR:	Mark Beard – Head of Audit & Investigations	
TITLE OF REPORT:	AUDIT FOLLOW-UP REPORT FOR THE PERIOD June 2023 to August 2023	
EXEMPT REPORT (Local Government Act 1972, Schedule 12A)	Options	Not applicable
KEY DECISION:	Options	If yes, date of publication:

1. Purpose of Report

1.1 To inform members of the outcome of routine follow-ups following the previously agreed action plans for completed audit reports. The follow-ups detailed within this report are those carried out during the period June 2023 to August 2023.

2. Recommendations

2.1 I recommend that Audit Committee:

- Notes the content of this report for informational purposes

3. Reasons for Recommendations and Background

3.1 This report covers the period June 2023 to August 2023 and provides the details of the follow-ups carried out shown at Appendix 1.

3.2 After the agreement of the recommendations between Management and Internal Audit following the completion of the audit assignment, Internal Audit revisits the area and the recommendations are reviewed to ensure they have been implemented as agreed. This process is known as the 'Follow-Up'

3.3 Internal Audit assesses the current position to what was agreed at the end of the audit assignment. Where the Service Area has taken no action, then Internal Audit will question why and issue a revised action plan. Part of the control within this process is

consideration by Audit Committee of any issues that arise. The Committee has the ability to ask questions of Management in the relative service areas why they have not acted upon the agreed action plan. The Committee can also express what its expectations would be with regard to such a problem occurring.

3.4 Internal Audit aim to carry out a follow-up for each completed audit area within 6 months of completion. However, there are a number of expectations to that aim:-

- Follow-up in 6 months would be pointless if the recommendations are low enough priority to allow a longer time frame.
- Work of the Audit Team does not allow a follow-up to be carried out. Although Follow-Ups are an important part of the process, the Head of Audit & Investigations must always weigh this against the need for achieving the audit plan and auditing the risks the Council faces.
- There were no recommendations arising from the original audit assignment

4. Alternative Options considered and Reasons for Rejection

4.1 Not applicable as the report is for information only

5. Consultations

5.1 No consultations required as this report is based on data and information held by the audit team based on the work completed.

6. Implications

Financial implications (including any future financial commitments for the Council)	There are no financial implications arising from this report.
Legal and human rights implications	There are no legal or human rights implications arising from this report.
Assessment of risk	Risks are taken into consideration during the audit process itself; there is no direct risk implication from this report.
Equality and diversity implications A <u>Customer First Analysis</u> should be completed in relation to policy decisions and should be attached as an appendix to the report.	This report is produced for information awareness of the progress of the Audit Team in terms of following up on previously agreed recommendations at the end of an audit assignment. Whilst individual actions may occasionally have equality or diversity requirements, this report does not as it is presenting facts from other sources.

7. **Local Government (Access to Information) Act 1985:**
List of Background Papers

7.1 No background papers were necessary for the preparation of this report

8. **Freedom of Information**

8.1 The report does not contain exempt information under the Local Government Act 1972, Schedule 12A and all information can be disclosed under the Freedom of Information Act 2000.

APPENDIX 1

AUDIT COMMITTEE – 18th September 2023

Follow-Ups June 2023 to August 2023

- The table below shows an analysis of the results of the above follow-up having taken place during the follow-up period as above.

Audit Area	Number of Actions Agreed	Number of Actions Agreed Implemented	Comments
Internet & E-mail	4	4	<p>Implemented – The induction checklist has been amended to include the E-mail Policy and to make reference to the Cyber Security module that is covered within the ICT induction. The frequency and length of the ICT induction has also been discussed with HR</p> <p>Implemented – To ensure all staff have completed the Cyber Security training module on the Hyve, an E-mail reminder was issued in February 23 and other notifications are sent to all staff when intel is received from other agencies.</p> <p>Implemented – The Communications Policy is to include Microsoft Teams Chat and state that it is subject to the same monitoring and code of conduct as Outlook and HBC provided mobile telephony. The desktop message on all pc's and laptops has been updated to reflect the use of Teams and mobile telephony.</p> <p>Implemented – Enquiries have been made to neighbouring authorities in relation to the effectiveness of a 'phishing' exercise to raise awareness of cyber-attacks.</p>
Bank Reconciliation	3	3	<p>Implemented – The receipts account has now been balanced to the ledger for 2022/23 and is now being reconciled on a monthly basis.</p> <p>Implemented – The monthly bank</p>

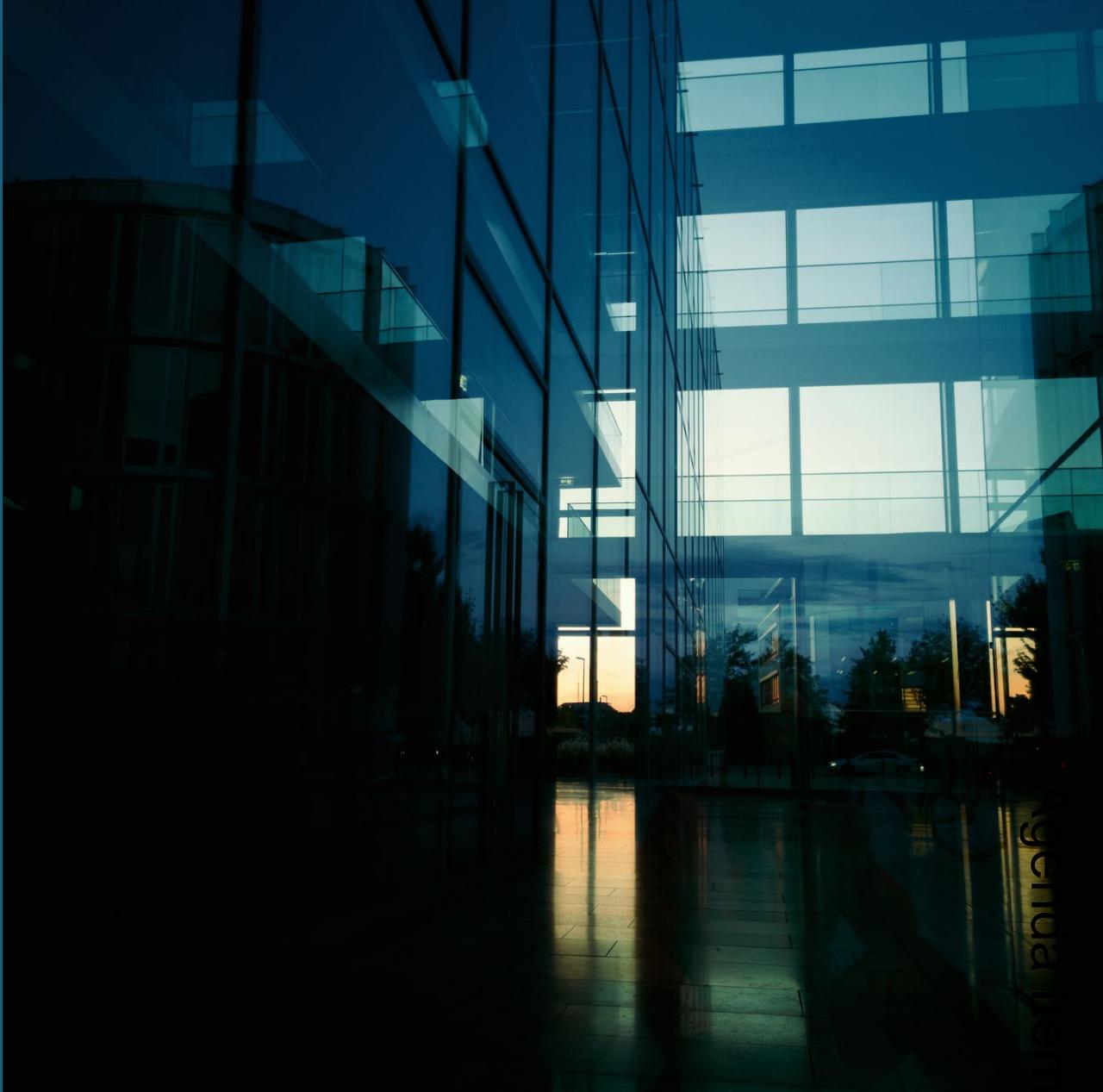
			<p>reconciliations are now being signed off monthly by a Principal Accountant and backdated to the beginning of the year.</p> <p>Implemented – The procedures in relation to the receipts account are in the process of being finalised to reflect the Civicapay bank reconciliation module – these will be completed by the 30 September 2023.</p>

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Auditor's Annual Report

Hyndburn Borough Council – year ended
31 March 2021

August 2023



Contents

- 01** Introduction
- 02** Audit of the financial statements
- 03** Commentary on VFM arrangements
- 04** Other reporting responsibilities

01

Section 01: Introduction

1. Introduction

Purpose of the Auditor's Annual Report

Our Auditor's Annual Report (AAR) summarises the work we have undertaken as the auditor for Hyndburn Borough Council ('the Council') for the year ended 31 March 2021. Although this report is addressed to the Council, it is designed to be read by a wider audience including members of the public and other external stakeholders.

Our responsibilities are defined by the Local Audit and Accountability Act 2014 and the Code of Audit Practice ('the Code') issued by the National Audit Office ('the NAO'). The remaining sections of the AAR outline how we have discharged these responsibilities and the findings from our work. These are summarised below.



Opinion on the financial statements

We issued our audit report on 3 August 2023. Our opinion on the financial statements was unqualified.



Wider reporting responsibilities

In line with communications from the National Audit Office, we were not required to complete work on the Council's Whole of Government Accounts Return. We did not receive any questions or objections in relation to the Council's 2020/21 audit.



Value for Money arrangements

In our audit report issued we reported that we had not completed our work on the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources and had issued recommendations in relation to identified significant weaknesses in those arrangements at the time of reporting. Section 3 confirms that we have now completed this work and provides our commentary on the Council's arrangements and a summary of our recommendation.

Following the completion of our work we have issued our audit certificate which formally closes the audit for the 2020/21 financial year.

02

Section 02: **Audit of the financial statements**

2. Audit of the financial statements

The scope of our audit and the results of our opinion

Our audit was conducted in accordance with the requirements of the Code, and International Standards on Auditing (ISAs).

The purpose of our audit is to provide reasonable assurance to users that the financial statements are free from material error. We do this by expressing an opinion on whether the statements are prepared, in all material respects, in line with the financial reporting framework applicable to the Council and whether they give a true and fair view of the Council's financial position as at 31 March 2021 and of its financial performance for the year then ended. Our audit report, issued on 3 August 2023 gave an unqualified opinion on the financial statements for the year ended 31 March 2021.

Qualitative aspects of the Council's accounting practices

We reviewed the Council's accounting policies and disclosures and concluded they complied with the 2020/21 Code of Practice on Local Authority Accounting, appropriately tailored to the Council's circumstances.

Draft accounts were prepared prior to our appointment as the Council's external auditor. A number of adjustments were identified due to errors and inconsistencies within the financial statements. Working papers were provided alongside the draft financial statements, however these often lacked sufficient information to allow the audit to progress smoothly and required additional queries in order to understand how the information had been compiled and supported disclosures in the financial statements. These issues to delays in finalising the audit process for 2020/21 and contributed to the significant weakness in value for money arrangements identified in section 3 of this report.

The Council's finance team were helpful in responding to our queries, and are committed to reviewing the accounts closedown procedures in order to improve the audit procedures in future years.

Internal control recommendations

As part of our audit we considered the internal controls in place that are relevant to the preparation of the financial statements. We did this to design audit procedures that allow us to express our opinion on the financial statements, but this did not extend to us expressing an opinion on the effectiveness of internal controls.

We identified a number of opportunities to improve internal control as part of our audit and raised nine internal control recommendations. We categorised two recommendations as high priority. These related to the asset valuation process and controls over the posting of journal entries. The remaining recommendations were assigned lower priority levels and related to the Council's financial systems and accounts preparation process. These link closely to our value for money recommendation set out in section 3 of this report.

Our Audit Completion Report, presented to the Council's Audit Committee on the 28 November 2022, provides further details of the findings of our audit of the Council's financial statements. This includes our conclusions on the identified audit risks and areas of management judgement, internal control recommendations and audit misstatements identified during the course of the audit. There are no additional matters raised in our Audit Completion Report 2021/22 that we need to repeat in this report.

03

Section 03: **Commentary on VFM arrangements**

3. VFM arrangements – Overall summary

Approach to Value for Money arrangements work

We are required to consider whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The NAO issues guidance to auditors that underpins the work we are required to carry out and sets out the reporting criteria that we are required to consider. The reporting criteria are:

- **Financial sustainability** - How the Council plans and manages its resources to ensure it can continue to deliver its services
- **Governance** - How the Council ensures that it makes informed decisions and properly manages its risks
- **Improving economy, efficiency and effectiveness** - How the Council uses information about its costs and performance to improve the way it manages and delivers its services

At the planning stage of the audit, we undertake work so we can understand the arrangements that the Council has in place under each of the reporting criteria; as part of this work we may identify risks of significant weaknesses in those arrangements. Where we identify significant risks, we design a programme of work (risk-based procedures) to enable us to decide whether there is a significant weakness in arrangements. Although we describe this work as planning work, we keep our understanding of arrangements under review and update our risk assessment throughout the audit to reflect emerging issues that may suggest there are further risks of significant weaknesses. We outline the risk that we have identified and the work we have done to address this risk on page 11.

Where our risk-based procedures identify actual significant weaknesses in arrangements, we are required to report these and make recommendations for improvement. We outline the identified significant weakness and our associated recommendation on pages 12-13.

The table below summarises the outcomes of our work against each reporting criteria. On the following page we outline further detail of the work we have undertaken against each reporting criteria, including the judgements we have applied.

Reporting criteria	Commentary page reference	Risks of significant weaknesses in arrangements identified?	Actual significant weaknesses in arrangements identified?
Financial sustainability	9	No	No
Governance	11	Yes – see risk on page 11	Yes – see recommendation on page 12
Improving economy, efficiency and effectiveness	15	No	No

3. VFM arrangements – Financial Sustainability

Overall commentary on the Financial Sustainability reporting criteria

Background to the Council's operating environment in 2020/21

The Council entered 2020/21 at the start of the national lockdown, and faced a significant operational impact from the effects of the pandemic. In response to the Covid-19 pandemic, central government made a series of policy announcements, a number of which have impacted on local authorities such as Hyndburn District Council. During the 2020/21 year the Council dealt with a wide range of issues to support local residents and businesses.

Some of the Government's initiatives in response to the Covid-19 pandemic have been backed by additional funding, and the Council received a range of government grants during 2020/21 to either support local businesses/individuals or meet the Council's own costs. The Council received around 4.9m of Covid-19 Response grant funding to cover the Council's extra costs and lost income.

2020/21 Financial statement performance

We have carried out a high level analysis of the audited financial statements, including the Comprehensive Income and Expenditure Statement, Movement in Reserves Statement and the Balance Sheet.

The Council's financial position as reported in the balance sheet does not give us cause for concern relating to financial stability. Investment balances have increased from £23.3m to £25.0m whilst borrowing levels have remained stable at £9.8m. Increases in both cash and creditors, of £30.6m and £12.9m respectively, are largely due to the impacts of the Covid-19 funding arrangements.

One of the most significant changes in the balance sheet relates to movements in the Council's share of the pension fund net liability (being a deficit position) of £40.2m, up from £31.9m in the prior year. It is not unusual to see material movements in the net pension liability and this is consistent with our experience at other local authorities. The deficit position is not unusual and is a recognised area of financial challenge for local authorities.

The Council's useable reserves have increased from £19.1m to £26.3m in 2020/21, with:

- General Fund Reserves of £2.4m, remaining consistent with 2019/20 levels;
- Earmarked Reserves of £14.4m, up from £10.4m, which includes £3.3m of additional Section 31 Grant; and
- Capital reserves of £9.5m, up from £6.3m in 2019/20.

These reserves provide some mitigation against future financial challenges, and will assist in addressing future volatility and support savings and efficiencies plans and the capital programme. The Council will need to continue to ensure that any use of reserves to smooth the financial position over the next few years is properly planned and the use of reserves cannot be relied on to provide a long term solution to funding gaps. Notwithstanding this, our work has not highlighted a risk of significant weakness in the Council's arrangements for ensuring financial sustainability.

Financial planning and monitoring arrangements

In February 2020 the Council set a balanced budget for the 2020/21 financial year. During the year, the Council updated the budget to reflect the emerging position regarding Covid-19 and reported its financial position through regular financial update reports. We reviewed a sample of finance update reports issued to Cabinet during the year as well as performing audit work over the going concern assertion as part of our work on the financial statements.

The year end position is presented in the financial statements, which showed a £0.2m underspend against the budget position. The outturn position was not reported to the Council outside of the financial statements. This is a requirement of the CIPFA Financial Management Code. Compliance with the Code was not mandatory until 2021/22, however for 2020/21 it represented best practice. As the financial statements are reported through the Audit Committee, there is a risk the wider membership of the Council would be unable to review and challenge management on the outturn position without a formal report. We have included reference to this in our recommendation in respect of the significant weakness identified.

3. VFM arrangements – Financial Sustainability

Overall commentary on the Financial Sustainability reporting criteria (continued)

Arrangements for the identification, management and monitoring of funding gaps and savings

The Medium Term Financial Strategy (MTFS) is a three year plan which sets out the Council's commitment to provide quality services that meet the needs of people locally and that represent good value for money within the overall resources available to it.

A key part of the strategy is to highlight the budget issues that will need to be addressed by the Council over the coming financial years, by forecasting the level of available resources from all sources and budget pressures relating to both capital and revenue spending as well as assessing whether sufficient reserves and provisions are held for past and unknown events which may impact on the Council's resources. The MTFS is closely interlinked to other Council plans and strategies (for example the Corporate Strategy, Capital Programme and Annual Revenue Budget).

The Council has in place an embedded budget setting process in place, with input from Service Managers throughout the year to update Service Plans. These are used as a part of the determination of the overall budget position. Cost pressures and new developments are initially dealt with within the service area, with Service Managers following guidance set out in the Corporate Strategy and discussions with Cabinet Members to prioritise competing demands.

Unfunded pressures are considered as part of the annual budget setting process. For 2020/21 these included a £0.1m pressure for expected reductions in income related to the Market Hall. The budget shortfall of £0.1m was matched by a corporate savings target of £0.1m.

Arrangements and approach to 2021/22 financial planning

The arrangements for the 2021/22 budget setting process have largely followed the arrangements in place for 2020/21 but with a better understanding based on the experiences during the year of the impact of Covid-19 on the Council's services.

Due to the impact of Covid-19, the Council rolled forward plans from 2020/21 to provide stability and protect services from reductions.

A balanced budget for 2021/22 was approved at the February 2021 Council meeting alongside the updated MTFS. The budget included required savings of £0.1m confidently expected to be covered by actions in hand, with no draw down from reserves anticipated. The 2021/22 budget highlighted a number of risks to achieving a balanced outturn, including assumptions regarding the level of additional Covid-19 costs and subsequent funding from central government.

Whilst a balanced revenue budget for 2021/22 was approved savings requirements in future years are evident, of approximately £2m in the first year falling to some £0.1m thereafter. The Capital Programme detailed that £2.3m would be spent during 2021/22, delivering a number of schemes to improve the district.

Cabinet reviewed the budget position regularly during the latter half of 2021/22 as part of its Q2 budget monitoring process. Cabinet also received in-year updates on the Council's capital programme, and received a final outturn in June 2022. We will include further detail on this in our 2021/22 commentary, however the outturn report provides assurance the reporting gap in 2020/21 has been addressed.

We have reviewed the MTFS and supporting reports to Council in February and are satisfied that it adequately explained the financial risks and that the main financial assumptions were not unreasonable.

Based on the above considerations we are satisfied there is not a significant weakness in the Council's arrangements in relation to financial sustainability.

3. VFM arrangements – Governance

Risks of significant weaknesses in arrangements

We have outlined below the risks of significant weaknesses in arrangements that we have identified as part of our continuous planning procedures, and the work undertaken to respond to each of those risks.

Risk of significant weakness in arrangements	Work undertaken and the results of our work
1 Financial Reporting The prior year value for money conclusion was qualified due to delays in the Council producing draft accounts, and those accounts containing a material error. These matters indicate a risk of weaknesses in proper arrangements for reliable and timely financial reporting that supports the delivery of strategic priorities.	<p>Work undertaken To address this risk we have:</p> <ul style="list-style-type: none">Reviewed the Council's arrangements to produce its financial statements;Reviewed how management engages with, and challenges the information provided by its experts; andDrawn on conclusions from the accounts audit to determine whether these highlight any actual weaknesses in arrangements. <p>Results of our work The audit of the Council's financial statements identified a number of issues relating to the quality of both the draft accounts submitted for audit and the underlying supporting working papers. This led to difficulties in completing our 2020/21 audit, and subsequently caused significant delays in signing the 2020/21 audit report.</p> <p>In our view, the totality of the issues identified indicate a significant weakness in relation to the governance reporting criteria, in particular how the Council ensures effective processes and systems are in place to communicate relevant, accurate and timely management information; support its statutory financial reporting requirements; and to ensure corrective action is taken where needed. The issues identified in the 2020/21 audit are also indicative of a lack of progress in addressing the weaknesses identified in the 2019/20 audit.</p> <p>A summary of the significant weaknesses in arrangements identified and the associated recommendations for improvement is provided on page 12.</p>

3. VFM arrangements – Governance

Identified significant weaknesses in arrangements and recommendations for improvement

As a result of our work we have identified a significant weakness in the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources. The identified weakness has been outlined in the table below.

Identified significant weakness in arrangements	Financial sustainability	Governance	Improving the 3Es	Recommendation for improvement
<p>1 Weaknesses in Financial Reporting</p> <p>The Council's 2019/20 auditor's report included a qualified value for money conclusion due to delays in the production of the draft financial statements, difficulties in dealing with audit queries and the identified (and correction) of a material error. The Audit Findings Report for 2019/20 included an associated recommendation for the Council to examine the root cause of the delays and errors underlying the final accounts preparation process.</p> <p>The Council placed the draft 2020/21 financial statements on deposit for public inspection on 13 February 2022, seven months beyond the statutory deadline.</p> <p>Our 2020/21 Audit Completion Report highlighted several issues including the poor quality of the draft financial statements submitted for audit and the significant difficulties encountered during the audit process because of problems with the associated working papers and underlying records. The issues identified affected significant balances within the draft financial statements published by the Council, such as Property, Plant and Equipment where management failed to provide sufficient oversight and challenge over the valuations process, leading to misstatements being identified during the audit process.</p>		●		<p>The Council should:</p> <ul style="list-style-type: none">• Produce a detailed action plan setting out how it intends to bring its accounts production process in line with the national timescales;• Review the capacity within the Council's finance team to build resilience into the accounts production and financial reporting processes;• Consider the issues raised as part of the 2020/21 audit in order to strengthen the overall control environment surrounding the preparation of the financial statements; and• Ensure the final outturn financial position is reported through the Council's committee structure each year end. This should include a detailed analysis of movements against budget and the associated impact on the Council's financial strategy, in order to allow sufficient scrutiny and challenge by the Council's elected Members and ensure effective public reporting.

(continued overleaf)

3. Identified significant weaknesses and our recommendations

Identified significant weaknesses in arrangements and recommendations for improvement (continued)

Identified significant weakness in arrangements	Financial sustainability	Governance	Improving the 3Es	Recommendation for improvement
1 Weaknesses in Financial Reporting (continued) <p>Additionally, our review of committee papers for 2020/21 confirmed the final financial outturn against budget had not been reported to Members. This is one of the seventeen standards set out in the CIPFA Financial Management Code.</p> <p>The financial statements and outturn reports are key to ensuring the Council, its members, its leadership and the wider public understand how effectively its resources have been utilised during the year.</p> <p>In our view, the totality of the issues identified indicate a significant weakness in relation to the governance reporting criteria, in particular how the Council ensures effective processes and systems are in place to communicate relevant, accurate and timely management information; support its statutory financial reporting requirements; and to ensure corrective action is taken where needed. The issues identified in the 2020/21 audit are also indicative of a lack of progress in addressing the weaknesses identified in the 2019/20 audit.</p>		●		

3. VFM arrangements – Governance

Overall commentary on the Governance reporting criteria

Risk management and monitoring arrangements

The Council has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of effectiveness, economy and efficiency. In doing this it is responsible for putting in place proper arrangements for the governance of its affairs, effective exercise of its functions and arrangements for the management of risk.

The Council has an established risk management framework and systems in place which are built into the governance structure of the organisation. The Council's Constitution details that the Council is responsible for approving the Council's risk management strategy, the Audit Committee is responsible for reviewing and monitoring those arrangements, and the Head of Paid Service is responsible for developing risk management controls.

The Council has adopted a Risk Management Strategy which sets out the Authority's approach to managing risk. To identify and manage strategic, operational and project risks the Council utilises a risk assessment approach with details recorded in a risk register. Risk registers are reviewed quarterly but can be updated at any time to reflect identified risks. We have reviewed the Strategic Risk Register and determined it is adequate for the Authority's purposes and consistent with sector norms.

The Audit and Governance Committee receives regular reports on the Council's Strategic Risks and provides oversight on the risk management arrangements in place and the adequacy of the controls and proposed actions. These arrangements are consistent with what we would expect at a local authority and are adequate for the Council's purposes. From our attendance at these meetings, we have seen Members challenge the scores and key risk management activities to gain assurance about the effectiveness of the arrangements in place.

Internal Audit

The annual Internal Audit plan is developed by the Head of Internal Audit, agreed with management at the start of the financial year and is reviewed by the Audit Committee prior to final approval. The audit plan is based on an assessment of risks the Council faces and is designed to ensure there is assurance on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control. The planned work can be supplemented if necessary by ad hoc reviews in respect of suspected irregularities and other work commissioned by Officers and Members of the Council where relevant to respond to emerging risks and issues. We have reviewed the Internal Audit plans for 2020/21 and 2021/22 and confirmed they are consistent with the risk based approach.

Internal Audit progress reports are presented to Audit Committee meetings including follow up reporting on recommendations from previous Internal Audit reports. From our attendance at meetings, we are satisfied this allows the Committee to effectively hold management to account. At the end of each financial year the Head of Internal Audit provides an Annual Report including an opinion on the Council's governance, risk and control framework based on the work completed during the year.

The Head of Internal Audit Annual Report was presented to Audit and Governance Committee in July 2021. We have read the annual report, where, based upon the work undertaken by Internal Audit during 2020/21, the Head of Internal Audit's overall opinion on the Council's control environment was "Substantial Assurance" based on the work completed, noting emerging risks arising from the Covid-19 pandemic.

During 2020/21, Internal Audit issued 11 audit reports, 7 of which were a Comprehensive Assurance opinion and the remaining 4 were a Substantial Assurance opinion. There were no Limited or No Assurance Opinions.

3. VFM arrangements – Governance

Overall commentary on the Governance reporting criteria (continued)

Decision making arrangements and control framework

The Council has an established governance structure in place which is set out within its Annual Governance Statement (AGS).

The Annual Governance Statement is a critical component of the Council's governance arrangements. It is an evidenced self-assessment by the Council on the Council's governance, assurance and internal control frameworks for the financial year. As such, those who are responsible for those arrangements must approve it. The Annual Governance Statement formally signed by the Chief Executive and the Leader of the Council. This emphasises that the document is about all corporate controls and is not just financial controls. We reviewed the Annual Governance Statements as part of our work on the financial statements with no significant issues arising.

The governance structure, as described in the AGS includes amongst other things the Constitution including Procedure Rules and Codes of Conduct which set out the rules on how the Council conducts its business. The AGS sets out the governance principles which the Council are committed to and within which the Council conducts its business and affairs. The AGS identifies the arrangements in place to enable the Council to meet the good governance principles identified.

We reviewed the AGS and observed the Audit and Governance Committee's review of the AGS and monitoring of actions throughout the year in relation to any significant governance issues.

The Constitution is kept under review and updated as required. The Constitution sets out how the Council operates, how decisions are made and the procedures to support the Council's aims of being transparent and accountable. The Constitution includes the Scheme of Delegation, Financial Procedure Rules, Budget Policy Framework Rules, Contract Procedure Rules and Codes of Conduct for both Members and employees.

There are scrutiny arrangements in place to support the work of the Council. The Communities and Wellbeing Overview and Scrutiny Committee and Resources Overview and Scrutiny Committee have a work programme in place to steer their coverage of services and policy decisions taken. The Constitution includes the Overview and Scrutiny procedure rules, which cover the arrangements for call in of decisions. We have reviewed the Overview Committee's minutes throughout the year and not identified any concerns.

Financial Statements

The Council's previous auditor highlighted weaknesses in the Council's financial statements processes in their Value for Money conclusion as part of the 2019/20 audit. In their opinion, the auditor cited the lateness of publishing the draft accounts, difficulties in responding to audit queries and a material error in the valuation of property, plant and equipment as reasons behind the qualified conclusion. Given the findings of the previous auditor, we identified a risk of significant weakness in the Council's arrangements, as set out on page 11.

Our 2020/21 Audit Completion Report highlighted several issues including the poor quality of the draft financial statements submitted for audit and the significant difficulties encountered during the audit process because of problems with the associated working papers and underlying records. The issues identified affected significant balances within the draft financial statements published by the Council, such as Property, Plant and Equipment where management failed to provide sufficient oversight and challenge over the valuations process, leading to misstatements being identified during the audit. As a result, we have identified a significant weakness in the Council's arrangements as set out on pages 12-13.

Based on the above considerations we have identified a significant weakness in the Council's arrangements in relation to governance, in particular the processes the Council has in place to produce its financial statements with supporting working papers on a timely basis. We include details of the significant weakness on page 12.

3. VFM arrangements – Improving Economy, Efficiency and Effectiveness

Overall commentary on the Improving Economy, Efficiency and Effectiveness reporting criteria

Performance Management

The Council's objectives are set out in its Corporate Strategy. The Corporate Strategy 2018-2023 outlines the Council's vision for creating a Borough where all residents have the best opportunity to prosper. The strategy is structured around three main themes:

- Growth – focussed on housing, business and economic growth;
- Efficiency – focussed on service redesign, making use of technology and making efficient use of land and property assets; and
- Quality – focussed on enhancing the quality of life of the Council's residents.

The Council's Medium Term Financial Strategy builds on the Corporate Strategy to ensure funding is targeted towards its priorities. The Council's budget endeavours to ensure the provision of the appropriate resources required to deliver the Corporate Strategy, and the types of action necessary to enable them to be affordable, to allow balanced budgets to be delivered.

The Council developed a set of KPIs for each service in 2018 and revisited these in 2019. Each service has a responsible officer assigned. Service Managers were asked to submit updated performance indicators every six months, however the impact of Covid-19 meant this was not always possible in 2020/21.

The Council reported its annual performance against its KPIs to the Resources Overview and Scrutiny Committee in September 2021. We have reviewed the annual report which shows it is sufficiently detailed to enable scrutiny and challenge of the Council's performance.

Partnerships

The Council is open to considering all options to deliver services. This means it commissions from other organisations where it is appropriate to do so and where it can achieve the same or better outcomes at reduced cost. This includes working closely with the voluntary and private sector where appropriate.

An exercise was carried out by Member Services Officers during 2020 to ascertain the status of all outside bodies to which Members may be appointed and to obtain copies of their key governance documents, so that Members could better understand their responsibilities and prepare for their role.

Examples of partnership working in 2020/21 include the development of Huncoat Garden Village, where the Council is working in partnership with Lancashire County Council, Homes England and other stakeholders to deliver 2,000 new homes over the next 10-15 years.

Procurement

Financial regulations and procedures apply to all Members and employees in the work they do for the Council and the Council has arrangements for financial instructions and purchase order controls.

The Council's Contract Procedure Rules sets out procurement routes for new contracts, tailored to the values involved. The Council makes use of standard terms and conditions in its contracts on routine procurements to ensure suppliers meet the standards expected by the Council.

Based on the above considerations we are satisfied there is not a significant weakness in the Council's arrangements in relation to improving economy, efficiency and effectiveness.

04

Section 04:

Other reporting responsibilities and our fees

4. Other reporting responsibilities and our fees

Matters we report by exception

The Local Audit and Accountability Act 2014 provides auditors with specific powers where matters come to our attention that, in their judgement, require specific reporting action to be taken. Auditors have the power to:

- issue a report in the public interest;
- make statutory recommendations that must be considered and responded to publicly;
- apply to the court for a declaration that an item of account is contrary to the law; and
- issue an advisory notice.

We have not exercised any of these statutory reporting.

The 2014 Act also gives rights to local electors and other parties, such as the right to ask questions of the auditor and the right to make an objection to an item of account. We did not receive any such objections or questions.

Reporting to the NAO in respect of Whole of Government Accounts consolidation data

The NAO, as group auditor, issues Group Audit Instructions to us in respect of its consolidation data. In July 2023 the NAO confirmed no further work is required on the Council's Whole of Government Accounts consolidation data.

4. Other reporting responsibilities and our fees

Fees for work as the Council's auditor

We reported our proposed fees for the delivery of our work under the Code of Audit Practice in our Audit Strategy Memorandum presented to the Audit Committee in March 2022. Having completed our work for the 2020/21 financial year, our final proposed fees are set out below. These have been agreed with management but are subject to final approval by PSAA.

Area of work	2020/21 fees
Planned fee in respect of our work under the Code of Audit Practice	£36,134
Additional work required on PPE and Pension disclosures as a result of increased regulatory requirements	£7,067
Additional work as a result of new auditing standards (ISA 540 Accounting estimates)	£2,000
Additional work arising from the new Code of Audit Practice Value for Money requirements	£6,000
Additional work arising from accounts delays and quality of accounts and working papers	£4,000
Additional work arising from infrastructure assets	£8,000
Additional work arising from value for money significant weakness	£4,000
Total fees	£67,201

4. Other reporting responsibilities and our fees

Fees for non-audit services

The table below summarises all non-audit services provided to Hyndburn Borough Council by Mazars LLP. We have considered whether non-audit services might be perceived as a threat to our independence as the Council's auditor and have ensured that appropriate safeguards are put in place.

Area of work	2020/21 fees
Housing Benefits Grant Claim	£21,700
Total fees	£21,700

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Mazars is an internationally integrated partnership, specialising in audit, accountancy, advisory, tax and legal services*. Operating in over 90 countries and territories around the world, we draw on the expertise of 40,400 professionals – 24,400 in Mazars' integrated partnership and 16,000 via the Mazars North America Alliance – to assist clients of all sizes at every stage in their development.

*where permitted under applicable country laws.

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