

Agenda

MUNICIPAL YEAR 2025-2026



HYNDBURN
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Audit Committee

**Monday, 8 December 2025 at 4.00 pm,
Scaitcliffe House, Ormerod Street, Accrington**

Membership

Chair: Councillor Bernard Dawson MBE
Vice-Chair: Councillor Noordad Aziz

Councillors Peter Edwards, Danny Cassidy, Heather Anderson and Mike Booth

A G E N D A

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

2. Minutes of the Last Meeting (Pages 3 - 6)

The Minutes of Audit Committee held on the 22nd of September 2025 were submitted for approval as a correct record.

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

3. Risk Management Monitoring Report (Pages 7 - 30)

To inform Audit Committee of; the outcome of the Strategic, Generic and Operational Risk Registers review; and the update of the Risk Management Policy and Framework.

Recommended - That Audit Committee note:



Telephone Enquiries: Holly Townsley, Democratic Services Officer, Democratic

4 Email: holly.townsley@hyndburnbc.gov.uk

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- the content of the report;
- the changes and additions to the Strategic Risk Register, Operational Risk Register and Generic Risk Register; and
- and comment accordingly on the updated Risk Management Policy and Framework.

4. Audit Plan Progress Update (Pages 31 - 36)

To inform members of the Audit Reports issued during the period September 2025 – November 2025 and bring to the attention of the Committee what the key issues were.

Recommended - That Audit Committee note the content of this report for informational purposes.

5. Follow Ups Update (Pages 37 - 42)

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 September 2025 to November 2025.

Recommended - That Audit Committee notes the content of this report for informational purposes.

6. Economic Crime & Corporate Transparency Act 2023 (Pages 43 - 62)

To inform Audit Committee about the Economic Crime and Corporate Transparency Act 2023 which became applicable from 1st September 2025.

Recommended - That Audit Committee notes the content of this report.

7. Draft Auditors Annual Report - External Audit Update (Pages 63 - 86)

The Draft Auditor's Annual Report ('AAR') summarises the work Forvis Mazars have undertaken as the external auditor for Hyndburn Borough Council for the year ended 31 March 2025 to date.

Recommended – That the Audit Committee note the report for informational purposes.

AUDIT COMMITTEE

Monday, 22nd September, 2025

Present: Councillor Bernard Dawson MBE (in the Chair), Councillors Danny Cassidy and Vanessa Alexander

Apologies Councillor Heather Anderson, Noordad Aziz and Mike Booth

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

Apologies for absence were given by Councilors Heather Anderson, Noordad Aziz and Mike Booth.

Councilor Vanessa Alexander substituted for Councilor Booth.

152 Minutes of the Last Meeting

The Minutes of the last Audit Committee held on the 23rd of June 2025 were submitted for approval as a correct record.

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

153 Audit Plan Progress Update

Angela Kelly, Senior Auditor, presented the Progress report to the committee. Noting that the update was regarding reports issued between the period of June 2025 and August 2025.

The target in place is to complete 98% of the Audit Plan by the end of the financial year. The current projected out turn position for 2025/2026 is 85.7%.

The following Audits were carried out for the June to August 2025 period:

Payroll – Limited Assurance

9 Recommendations were given on pages 12 to 13 of the agenda.

Ms Kelly informed the committee that as the payroll system was relatively new and had not been audited before it was expected that there would be a number of recommendations. A follow up has been booked in for October 2025 to review the recommendations and what work has been done to implement the changes.

External Consultancy Fees/ Costs – Comprehensive Assurance

No issues reported.

Waste Collection and Recycling – Comprehensive Assurance

No issues reported.

General Data Protection Regulation and Document Retention Compliance – Substantial Assurance

1 Recommendation made on page 14.

Councilor Alexander asked if this training would be in person or virtual.
Ms Kelly advised it would likely be run as a Hybrid meeting.

ICT Help Desk – Comprehensive Assurance
No issues reported.

Resolved – The committee noted the information.

154 Internal Audit Charter and Mandate

Angela Kelly, Senior Auditor, advised the committee on the revised Internal Audit Charter and Mandate which has been updated to reflect both good working practices and also to ensure it remains aligned with the new Global Internal Audit Standards (GIAS)

Ms Kelly advised of the changes to the new standards internal audit must work within. The GIAS have 5 domains which then break down into 15 principles and 52 core standards and state that Internal Audit must have an Internal Audit Charter and Mandate.

The updated Internal Audit Charter and Mandate 2025 is published as appendix 1 starting on page 19 of the agenda.

Resolved – The committee noted the changes.

155 Audit Update - Statement of Accounts 2024/25

Ben Cookson, Head of Finance, presented an update on the council's unaudited statement of accounts for the 2024/2025 financial year, in accordance with its Terms of Reference.

Mr Cookson advised the committee that the Council has completed its draft Statement of Accounts for 2024/25 and published them for public inspection on 30 June 2025, meeting the statutory deadline. The inspection period ran for 30 days, concluding on 6 August 2025, with no public representations received.

The Unaudited Statement of Accounts 2024/2025 comprises of the following sections:

Narrative Report: Provides an overview of the Borough, the Council's achievements, the Corporate Strategy, and commentary on financial performance.

Annual Governance Statement: Outlines the Council's governance arrangements and the results of its annual review.

Statement of Responsibilities: Sets out the responsibilities of the Authority and the Chief Financial Officer.

Core Financial Statements: Includes the Comprehensive Income and Expenditure Statement, Movement in Reserves Statement, Balance Sheet, and Cash Flow Statement.

Notes to the Financial Statements: Provides detailed supporting information, including accounting policies (Note 3).

Collection Fund Statement and Notes: Details the Council's role as billing authority for Council Tax and Business Rates, including performance and year-end balances. Also includes information on the Lancashire Business Rates Pool.

Mr Cookson advised that the Council's appointed auditors, Forvis Mazars are not anticipated to commence the audit until later in the financial year. The statutory backstop date for completion is 27 February 2026.

Resolved – The committee noted the report and reviewed the unaudited Statement of Accounts for 2024/2025

156 Audit Update on External Audit

Ben Cookson, Head of Finance, updated the committee to the national backlog and advised that legislation had been put into place to clear this. Mr Cookson advised we will likely see a disclaimed opinion for the following few audits.

An update was given for the 2023/2024 accounts which had been completed and the audit certificate received.

For the upcoming 2024/2025 accounts, Mr Cookson informed that the audit team is in a good position to meet the deadline of the 27th of February 2026. These accounts are also likely to be disclaimed. After the 2024/2025 accounts the council should be back on a normal cycle.

Mr Cookson explained to the committee that £44,000.00 of Government Grant Funding had been received to support the increased audit workload with a further £166,000 expected early in 2026.

Resolved – The committee noted the information and approved the change in meeting date to meet the 27th of February 2026 deadline.

157 External Audit

Mr Daniel Watson, Partner at Forvis Mazars, advised the committee at they were on track to deliver the completed audit for 2024/2025 accounts by the 27th of February 2025. Mr Watson advised that a disclaimed opinion is likely to be given.

Mr Watson informed the committee that it would likely take a few years to build back up to an assured opinion and he would bring completed reports such as the Value for Money Report as they are completed.

An update was given as to the fees to Forvis Mazars.

2021/2022 - £90,634.00
2022/2023 - £39,654.00
2023/2024 - £94,352.00

Resolved – The committee noted the information.

Signed:.....

Date:

Chair of the meeting
At which the minutes were confirmed

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Agenda Item 3.

REPORT TO:	Audit Committee	
DATE:	08 December 2025	
PORTFOLIO:	Councillor Vanessa Alexander - Resources and Council Operations	
REPORT AUTHOR:	Susan Gardner (Policy & Scrutiny Officer)	
TITLE OF REPORT:	Risk Management Monitoring Report	
EXEMPT REPORT (Local Government Act 1972, Schedule 12A)	Options	Not applicable
KEY DECISION:	Options	If yes, date of publication:

1. Purpose of Report

To inform Audit Committee of:

- the outcome of the Strategic, Generic and Operational Risk Registers review; and
- the update of the Risk Management Policy and Framework.

2. Recommendation

That Audit Committee note:

- the content of the report;
- the changes and additions to the Strategic Risk Register, Operational Risk Register and Generic Risk Register; and
- and comment accordingly on the updated Risk Management Policy and Framework.

3. Background

Report Background:

- The Council's mission statement in regards to Risk Management is as follows:
 - *The Council is committed to adopting best practices in the identification, evaluation, and cost-effective control of risks to ensure that they are eliminated or reduced to an acceptable level. It is acknowledged that some risks will always exist and will never be eliminated. All employees must understand the nature of risk and accept responsibility for risk associated with their area of work. In doing this they will receive the necessary support, assistance and commitment from Senior Management and Members.*
- The Council's risk management policy is a long-term commitment and is an inherent part of good management and governance practices.
- The Audit Committee is responsible for the review and monitoring of the Council's risk management arrangements.
- The Council has adopted the following definition produced by the Institute of Risk Management, which states:-
 - *Risk Management is the identification, measurement, control and financing of risks which threaten the existence, the assets, the earnings of the personnel of an*

organisation, the services it provides, the achievement of its corporate priorities or which may cause undue harm to the public.

The Risk Management Process:

- Risk management must not be the responsibility of just a few specialists. It must be a primary management responsibility for all managers and supervisors and must be a consideration for all employees.
- Risk assessments are about asking:-
 - What can go wrong
 - What is the likelihood of it going wrong
 - What is the impact should it go wrong
 - What can be done to eliminate the threat
 - What should be done to reduce the threat's likelihood or impact
- This 5-point approach can be applied to decisions made every working day, at all levels of the Council.
- The Council risk assessment scoring is based on the guidance of the Institute of Risk Management:
 - 3 being a high risk;
 - 2 being a medium risk;
 - 1 being a low risk.
 - The definitions of High, Medium and Low are also based on the guidance of the Institute of Risk Management and aid assessing Impact and Likelihood.

Assessing Likelihood

Evaluation	Description (one or more applies)	Level
LOW	Unlikely to happen Has happened rarely/never before Loss-causing circumstances rarely encountered	1
MEDIUM	Likely to happen Likely to happen at some point over the next 1 to 2 years Loss-causing circumstances encountered few times a year	2
HIGH	Very likely to happen Regular occurrence Loss-causing circumstances frequently encountered daily/weekly	3

Assessing Impact

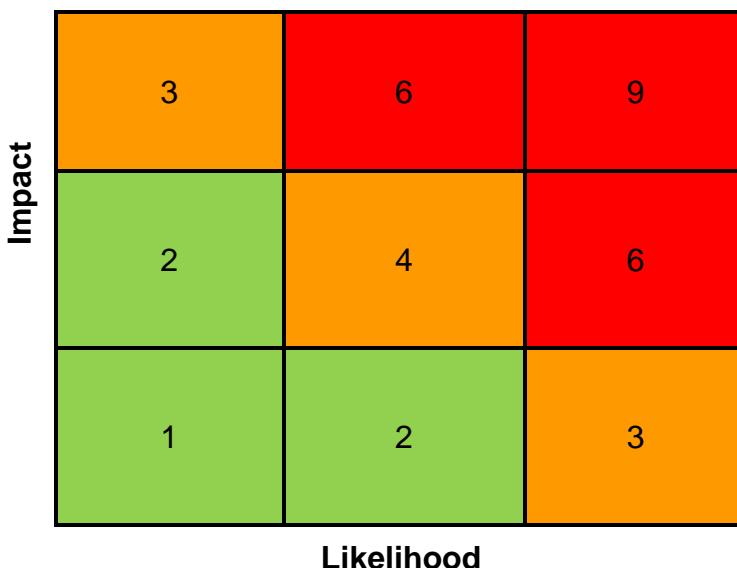
Evaluation	Description (one or more applies)	Level
LOW	Minor injury/ill health Minimal financial loss of less than £500,000 Minor disruption to provision of service for short time Adverse local media coverage	1
MEDIUM	Serious disabling injury/ill health Financial Loss in excess of £500,000 Significant disruption to provision of service Adverse, significant local media coverage and possible national coverage	2
HIGH	Very serious disabling injury/ill health Financial Loss in excess of £2 million Non-delivery of service for a significant length of time Adverse international media coverage	3

Risk Matrix

Risks falling between 1 and 2 are classified as **LOW** risk.

Risks falling between 3 and 4 are classified as **MEDIUM** risk.

Risks falling between 6 and 9 are classified as **HIGH** risk.



Types of Risk:

- The Corporate Risk Register outlines the key strategic risks facing the Council and the controls currently in place to respond to these risks.
- The Councils Risk Register is summarised as follows:
 - 17 Generic risks - (0 high 5 medium and 12 low)
 - 70 Operational risks- (0 high 23 medium 47 low)
 - 23 Strategic risks - (4 high 9 medium and 10 low)

4. Reasons for Recommendations

To enable Audit Committee to:

- Comment and note the amendments to the Strategic, Generic and Operational Risk Registers since the submission of the last risk management report (June 2054); and
- Comment and note the review and update of the Risk Management Policy and Framework.

5. Changes to the Strategic Risk Register

There have been two major changes made to the Strategic Risk Register as follows:

Addition of Strategic Risk URN 2052 (Medium) and a change to the risk rating of Strategic Risk URN 1027 (from medium to High)

Area	Addition	Reasons	Risk Rating
			Page 9

			With Controls
	ADDITION OF STRATEGIC RISK - 2052		
Strategic Political/Economical Risk 2052	<p>Local Government Re-organisation</p> <p>1) <u>An impact upon services during the transition to a Shadow Unitary Authority.</u></p> <p>The extent of the risk during transition will depend, largely, upon the Government decision on the model type. 3UA (model 2) provides the least risk due to it being more aligned geographically, with key partners, balanced tax base, local identity, transition risk and devolution case.</p> <p>There is likely to be a loss of management time engaged in the reorganisation process;</p> <p>A new Council or Councils will require refreshed decision-making arrangements and there could be changes impacting the delivery of services;</p> <p>Hyndburn Council is a small authority with small teams most of which already work to full capacity, consequently, there may be a lack of capacity to deliver the LGR programme;</p> <p>2) <u>On Council finances and reserves should the re-organisation stall or not proceed.</u></p> <p>There will be one off costs for reorganisation (transition stage). There will also need to be harmonisation of Council tax (to agree a set amount) and contracts (to ensure value for money).</p> <p>There is likely to be extra costs associated with recruitment to provide the extra capacity needed to deliver the LGR programme;</p> <p>There is a risk that the Council will be asked to contribute to a transition fund which could further impact the Council's finances.</p> <p>During the implementation period some Councils may take decisions</p>	<p><u>Impact Upon Services</u></p> <ul style="list-style-type: none"> • The Council are working with other Lancashire authorities to plan for the transition to a Shadow Unitary Authority. • Lancashire Authorities hold regular planning meetings and have created working groups to focus on areas of the transition plan. • A Lancashire Data Group has been established to work on LGR priorities post and pre decision, which are based on the experiences of other authorities, in order to be transition ready. • The Council is instructing Council staff to start to update and compile the required data ready to provide the Lancashire Data Group when requested. <p><u>Finances</u></p> <ul style="list-style-type: none"> • The Council is monitoring finances carefully and planning for the transition accordingly. • The Council is aware that further funding may be required for additional recruitment to provide for the LGR programme and is factoring this into their budget planning. 	Medium

	<p>that could impact on the resilience and sustainability of the new Council or Councils.</p> <p>There will be a risk of local government funding reform impacting on the sustainability of all Councils.</p> <p>Risks will vary as transition to a unitary authority proceeds and will need to be carefully monitored and updated.</p> <p>The Council aims to ensure that all changes are safe and legal.</p> <p><u>Risk Owner</u></p> <p>Chief Executive</p>		
Area	Change	Reasons	Risk Rating with Controls
CHANGE OF STRATEGIC RISK RATING FROM MEDIUM TO HIGH			
Strategic Financial Risk 1027	<p>Substantial reduction in grant from Government.</p> <p><u>Risk Owner</u> Executive Director, Resources</p>	<p>Risk has increased Medium to High until details of the Local Government Finance Settlement is known.</p> <p>There is potential for a reduction in Government funding for 2026/27 as part of the Fair Funding Review. Confirmation of funding will not be known until late December.</p> <p>Council is taking this into account when planning the budget for 2026/27</p> <p>The Council may receive other Government grants that will help to offset any reduction in grant funding.</p>	High

6. Changes to the Operational Risk Register

There have been 2 major changes made to the Operational Risk Register and 1 minor change.

Area	Additions	Reasons	Risk Rating With Controls

ADDITION OF OPERATIONAL RISK 2051			
2051 Operational	<p>Failure to progress the transfer of the Local Land Charges register to HM Land Registry in accordance with the HMLR timetable, thereby potentially leading to a loss of funding from the Land Registry.</p> <p>Risk Owner Executive Director (Legal & Democratic Services)</p>	<ul style="list-style-type: none"> • Regular liaison meetings with HMLR • Timetable agreed with HMLR to set deadlines we believe are achievable • Adequate staffing in place • Experienced officer in place to deal with the transition process 	Low
ADDITION OF OPERATIONAL RISK 2053			
2053 Operational	<p>The outsourcing of taxi testing to private garages.</p> <p>1) The potential for the costs of taxi tests to increase. Private garages will set their own fees and these may be higher than those charged currently.</p> <p>2) The potential for waiting time to increase for testing slots. Council will not be able to control the testing slots provided by private firms and there is a possibility that waiting times may increase.</p> <p>3) No ability or budget to spot check testing standards and to monitor the consistency of testing to Council standards. There is no knowledge, resource or budget within the Council's licencing section to spot check the work of private testing station/s to ensure the Council's supplementary standards are being applied and being applied consistently. It is also not possible for licensing staff to monitor testing standards at private testing stations as they do not have the technical or mechanical expertise.</p> <p>4) Potential for conflicts of interest to arise There is a risk that taxi operators,</p>	<ul style="list-style-type: none"> • The cost of taxi tests and waiting times will be monitored. • There will be monitoring of private garages to ensure no conflict of interest to private garages carrying out testing on taxis, although this will be limited. • All private testing stations appointed by Hyndburn Borough Council will be in accordance with strict criteria and with monitoring arrangements put in place. • Delegation arrangements will enable poorly performing garages to be removed or suspended where there are concerns that require investigation and resolution, as Council appointed testing stations. 	Medium

	<p>vehicle owners or drivers could be, or become, involved in the ownership or management of garages that carry out taxi testing.</p> <p>The licensing team will have only limited capacity to monitor the position (due both to the time involved and the difficulty of determining ownership and control arrangements in respect of private businesses, especially where these are not registered companies).</p> <p>Risk Owner Executive Director (Legal and Democratic Services)</p>		
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7. Changes to the Operational Risk Register

There has been one minor change to the Generic Risk Register in respect of a change of date to risk URN 2032.

8. Changes to the Generic Risk Register

There has been one major change made to the Generic Risk Register. This is to risk URN 2016 as follows:

Area	Change	Reasons	Risk Rating With Controls
REDUCTION OF GENERIC RISK 2016 FROM HIGH TO MEDIUM			
2016 Environment	<p>Failure to conserve energy and reduce emissions thus resulting in excess costs to the Council and a negative impact on the environment.</p> <p>Risk Owner Executive Director (Legal & Democratic Services)</p>	<ul style="list-style-type: none"> There has been a reduced impact due to a cap on energy prices and increased monitoring by the Facilities Team. Installation of smart metres enabling monitoring of energy usage. 	Medium

9. Summary Risk Register

A summary list of all risks contained in the Generic, Operational and Strategic Risk Registers is given in Appendix 1 (Page 9).

10. High Risks

Currently there are four risks rated as High and all are Strategic risks as follows:

Strategic Risk 1027 – ‘Substantial reduction in grant from Government’

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Strategic Risk 2001 – ‘Failing to recruit and retain suitably qualified staff’

Strategic Risk 2035 – ‘Failure to deliver on Council’s Climate Declaration pledge and achieve Council operations Carbon Zero by 2030’

Strategic Risk 2045 – ‘Uncertainty around funding for weekly food waste collection’.

11. Alternative Options considered and Reasons for Rejection

Not applicable

12. Consultations

Consultation with Service Managers has taken place.

15. Implications

Financial implications (including any future financial commitments for the Council)	.N/A
Legal and human rights implications	N/A
Assessment of risk	N/A
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.	N/A

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

Strategic Risk Register
Generic Risk Register
Operational Risk Register

17. Freedom of Information

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.

18. Exempt Report

The report **does not** contain exempt information under the Local Government Act 1972 Schedule 12A

Appendix 1 – Summary Risk Registers

Generic

ID	Risk	Ratings with controls
1	Failure to conserve energy and reduce emissions thus resulting in excess costs to the Council and a negative impact on the environment (URN: 2016)	Medium
2	There is a risk that personal, sensitive, or bulk information is released into the public domain resulting in a likely GDPR fine, and a possible financial loss to the citizen. Causes include unauthorised penetration of ICT systems (external hacking); internal misuse of information (internal hacking); careless disposal of waste; loss of equipment/theft of equipment; data quality; process adherence; e-mail sent to incorrect recipient. (URN:2024)	Medium
3	Failure to insure Council buildings for rebuild value in the event of fire or other incident (URN: 2006)	Medium
4	Failure to comply with CDM Regulations (URN: 2021)	Medium
5	Failure to ensure health and safety of employees and members of the public and comply with Health & Safety Legislation both in, around and outside the workplace. (URN: 2008)	Medium
6	Unexpected system failures impacting onto the delivery of services (URN: 2014)	Low
7	Failure to manage projects effectively and ensure contracts are VFM (URN: 2004)	Low
8	Risk of litigation arising from poor advice or work carried out by Officers or non-compliance with legislation (URN: 2007)	Low
9	Financial loss arising from historic claims for industrial injury (URN: 2020)	Low
10	Failure to ensure that personal data is kept securely in accordance with Data Protection Act and Freedom of Information Act 2000 (URN: 2017)	Low
11	Risk of failure to comply with our duty under the Finance Act 2017 to ensure any contractors we take on are complying with “IR35” legislation (off-payroll working arrangements) (URN: 2025)	Low
12	Failure to deliver critical services due unavailability of a key building or facilities, lack of utilities, ICT failure or high levels of staff absenteeism resulting from infectious disease, flu pandemic or other serious incident (URN: 2013)	Low
13	Risk of poor procurement practice resulting in breach of procurement regulations, standing orders or inefficient use of resources. (URN: 45)	Low
14	Failure to monitor and ensure spending is within budgetary limitations (URN: 2003)	Low
15	Failure to adequately protect against IT abuse (e.g. virus infection, hacking, sabotage, accessing unsuitable material, unlicensed software, misuse of personal data, breach of law, theft, fraud) (URN: 2015)	Low
16	Council staff at risk of attack of lone working outside core hours and / or attending out of hours call outs (URN: 2022)	Low
17	There is a risk that ICT hardware, e.g. laptops, smart phone or tablet, could be lost or stolen, exposing confidential information. (URN: 2023)	Low

Operational

ID	Risk	Ratings with controls
18	Theft or damage to vehicles and equipment (URN: 60)	Medium
19	Failure to meet statutory timescales for delivery of planning decisions (URN:2038)	Medium
20	Non-availability on-site of ICT Officers due to illness and/or self-isolation (URN: 2031)	Medium
21	Project Phoenix 1D – Site Preparation Works Grant Homes England default funding event resulting in grant clawback for not achieving completion milestones and State aid compliance (URN: 2033)	Medium
22	Failure to complete food programme in 2023/24 due to Covid-19 (URN:2032)	Medium

23	There is a risk that ICT systems and the network could fail due to insufficient infrastructure capacity or accidental damage, resulting in the degradation or loss of ICT Services on one or more sites. Causes include insufficient bandwidth on network links to handle data and / or voice traffic; insufficient storage space to save data on servers; equipment incapable of carrying out its required function effectively; services being affected due to insufficient licences; accidental damage by 3rd parties (URN: 132)	Medium
24	Forward funding of projects. Risk of not drawing down Action Plan allocations due to lack of forward funding (URN: 97)	Medium
25	Errors in Creditor Payment processes resulting in e.g. duplicate payments, non-payment, overpayment, reduction in credit limits with firms (URN: 2)	Medium
26	Liability for injury to health caused by asbestos in council owned buildings. (URN: 15)	Medium
27	Loss of local land charges records e.g. fire (URN: 28)	Medium
28	Failure/breakdown of CCTV system (URN: 102)	Medium
29	Inadequate Treasury Management Arrangements (URN: 7)	Medium
30	Risk of injury to the public due to the headstones and other memorials in the Borough's cemeteries being in an unsafe condition (URN: 125)	Medium
31	Theft of works of art. (URN: 50)	Medium
32	Risk of injury to the public due to the council's tree stock being unsafe, diseased or dying. (URN: 61)	Medium
33	Risk of flooding from watercourses as a result of lack of maintenance (URN: 58)	Medium
34	Risks due to inadequate maintenance of car parks, bus shelters, HBC highways and lighting including Christmas Lights (URN: 59)	Medium
35	Accidental or malicious deletion of data from the HBC network (including e-mail) (URN: 2026)	Medium
36	Failure to produce final accounts on time to appropriate legal & professional standards e.g. current Accounts & Audit Regulations, IFRS (International Financial Reporting Standards) (URN: 23)	Medium
37	Huncoat Garden Village risks associated to greater capital costs than identified in Business case and unable to agree terms with landowners that means land does not come forward for development as per the Masterplan. (URN 2040)	Medium
38	Third party suppliers/organisations cease trading or change business strategy, with risks including amendment to terms and conditions outside of contract, change in standards of provision, cessation of contract/non-renewal of existing contract, and provision of return of data to HBC. (URN: 2042)	Medium
39	Lack of Registered Building Inspectors (RBI) to undertake the restricted functions in accordance with building regulations. (URN 2050)	Medium
40	The outsourcing of taxi testing to private garages.(URN 2053)	Medium
41	Access and availability to HBC data stored in the Cloud, should contractual obligations change or not be renewed. (URN: 2030)	Low
42	Failure to comply with external funding regimes and programmes, notional loss and/or recovery of significant regeneration funding depending on specific arrangements. (URN: 81)	Low
43	Empty dwellings at risk of vandalism / fire damage presenting a danger to third parties (URN: 120)	Low
44	Failure to manage and control expenditure within private sector housing capital programme (URN: 82)	Low
45	Failure to protect customer's personal banking information when making payments over the internet (URN: 41)	Low
46	Failure to maintain the Council's non-housing assets due to lack of funding. (URN: 37)	Low
47	Adequately controlling temperatures of the Council's operational buildings to provide suitable working conditions for staff and prevent disruption to services (URN: 114)	Low
48	Non-delivery of statutory requirements in connection with the Equality Act and age discrimination in respect of building compliance (URN: 26)	Low
49	ICT systems failure affecting service provision due to loss of Academy / Anite / Paris (URN: 39)	Low
50	Failure to follow election procedures (URN: 19)	Low
51	Failure to meet necessary legal requirements leading to claims being made (URN: 20)	Low
52	Risk of injury to the public, especially children and young people, due to the council's play areas and young people's facilities being in an unsafe condition. (URN: 62)	Low
53	Impact on residents arising from flash flooding, sewer surcharge, infrastructure damage, rehousing, power outages etc as a result of adverse / extreme weather (URN: 113)	Low

54	Breakdown of equipment or vehicles (URN: 72)	Low
55	Ignition of flammable liquids in vehicle workshop (URN: 56)	Low
56	Failure to meet statutory deadline for issue of Council Tax Bills at year end (URN: 21)	Low
57	Suspension of the Council's vehicle operator's licence (URN: 53)	Low
58	Loss of planning application and permission records through fire or flood (URN: 65)	Low
59	Failure to generate forecast income from the Council's investment property (URN: 11)	Low
60	Liability for costs on appeal against unreasonable refusal of planning application (URN: 55)	Low
61	Errors in Debtors Administration e.g. Incorrect posting of payments (URN: 3)	Low
62	Errors in Cashiering i.e. posting monies to the wrong account (URN: 4)	Low
63	Failure to react to changes in Benefit Legislation (URN: 18)	Low
64	There is a risk that ICT Systems may fail and affect front line services e.g. Academy, Paris, Microsoft Dynamics, resulting in council staff being unable to carry out their normal working activities impacting on the quality of service delivered to the citizens of Hyndburn. Causes include intentional modification of software, hardware or its environment; unintentional modification of software, hardware or its environment; unauthorised modification of software, hardware or its environment; malicious modification of software, hardware or its environment. (URN: 131)	Low
65	There is a risk that a computer virus / malware could infect the HBC network due to a failure of protection mechanisms to identify and treat a virus, and the failure of Council staff to observe ICT policies and recommended working practices. (URN: 130)	Low
66	Abuse of children or adults at risk by member of staff or volunteer or failure to respond properly to safeguarding concerns (URN: 52)	Low
67	Risk of claims arising from owners of houses following contracts for group repairs and home improvements supervised by Regeneration and Development Team (URN: 68)	Low
68	Failure to complete audit plan and associated work to give sufficient assurance to External Audit in their Final Accounts Audit (URN: 1)	Low
69	Pollution or adverse effect on public health due to failure of refuse collection service (URN: 78)	Low
70	Drivers not holding a valid driver's licence / the appropriate licence category / vocational licence (Driver CPC) and not carrying Driver CPC card with them when driving. (URN: 129)	Low
71	Theft of Mayoral Chains and car whilst attending official mayoral engagement with associated risk of assault on mayoral party. (URN: 127)	Low
72	Failure to manage cremator operations in accordance with authorisation leading to excessive emissions (URN: 74)	Low
73	Failure to initiate prompt recovery action (URN: 5)	Low
74	Failure to meet contractual obligations under vehicle service level and contract hire agreements (URN: 67)	Low
75	Service or business needs not met due to failure of IT system, failure of network services or other reason (URN: 40)	Low
76	Risk of Damage to the Tiffany glass and paintings whilst moving/cleaning. (URN: 49)	Low
77	Gallery staff at risk of attack on attending out of hours call outs (URN: 64)	Low
78	Unacceptable vehicle emissions (URN: 76)	Low
79	Pollution of canal or local environment resulting in suspension of waste transfer at CVMU/Willows Lane (URN: 77)	Low
80	Failure to achieve and statutory housing responsibilities in terms of homelessness and housing need (URN: 98)	Low
81	Failure to complete statutory returns e.g. VAT (URN: 6)	Low
82	Loss of title deeds or contract documents e.g. fire (URN: 119)	Low
83	Risk of claims against the Council for unfair dismissal or other employment issues. (URN: 116)	Low
84	Vital electronic information becomes unreadable due to technical obsolescence. (URN: 2043)	Low
85	Monitoring of Housing Benefit expenditure and subsidy loss (URB: 2046)	Low
86	Failure to determine planning applications in accordance with statutory timescales triggering the requirement to issue refunds of application fees under the 'Planning Guarantee'. (URN 2049)	Low
87	Failure to progress transfer of the local land charges register to HM Land Registry in accordance with the HMLR timetable, thereby potentially leading to a loss of funding from the Land Registry. (URN 2051)	Low

Strategic

88	Uncertainty around funding for weekly food waste collection (URN: 2045)	High
89	Failing to recruit and retain suitably qualified staff (URN: 2001)	High
90	Failure to deliver on Council's Climate Declaration pledge and achieve Council operations Carbon Zero by 2030 (URN:2035)	High
91	Substantial reduction in grant from Government (URN: 1027)	High
92	The acquisition of key town centre buildings and delivery of a £22 million regeneration project within Accrington Town Centre (URN:2036)	Medium
93	That the Council's leisure service provider Hyndburn Leisure cease trading (resulting in the Council becoming responsible for some of their liabilities, eg. Pension deficit) or that they fail to repay debts to the Council. (URN: 1030)	Medium
94	Failure to progress and support development at Huncoat Garden Village (URN: 2044)	Medium
95	Financial Overreach:--The Council is embarking on a range of major investments supported by significant amounts of External Funding. Overspends or failure to deliver on these Projects could lead to significant additional costs falling on the Council, in terms of extra borrowing costs stemming from meeting additional project costs or the repayment of external funds. (URN:2037)	Medium
96	Loss of considerable amount of cash due to deposits within banking sector that are subject to major turbulence. (URN: 1025)	Medium
97	Failure to ensure Financial Integrity (URN: 1004)	Medium
98	Failure to have due regard to the need to prevent people from being drawn into terrorism as laid out in the Statutory Prevent Duty. (URN: 2034)	Medium
99	Failure to successfully adopt the Hyndburn Local Plan which was submitted to the Planning Inspectorate in March 2025. (URN 2048)	Medium
100	Increased cost and programme timescale for the delivery of the three LUF project interventions in Accrington Town Centre (URN: 2047)	Medium
101	The impact on Council services and finances of Local Government Re-organisation (URN 2052)	Medium
102	A future pandemic can impact council services and cause harm to the health and wellbeing of the Hyndburn community (2039)	Low
103	Failure to address unacceptable exposure from Strategic Partnerships & Joint Working (URN: 1006)	Low
104	Failure to follow correct procurement process (URN: 1015)	Low
105	Failure to safeguard and promote the welfare of children and vulnerable adults (URN: 1023)	Low
106	Failure to address citizens needs in the event of a major incident, including civil disobedience, affecting residents or infrastructure of the Borough. (URN: 1022)	Low
107	Failure to uphold high ethical standards of conduct and consequent reputational damage to the Council (URN: 1001)	Low
108	Loss of income from unpaid invoices more than 6 months old impacting on General Fund revenue Balances. (URN: 1029)	Low
109	Failure to deliver objectives set out in the Corporate Strategy (URN: 1026)	Low
110	Risk of Council acting unlawfully and failure to meet requirements of new and amended legislation (New legislation imposing significant new burdens will be dealt with as a separate risk if appropriate) (URN: 1014)	Low



Risk Management & Policy Framework

2025

HBC RISK MANAGEMENT MISSION STATEMENT

- 1.1. The Council is committed to adopting best practices in the identification, evaluation, and cost-effective control of risks to ensure that they are eliminated or reduced to an acceptable level. It is acknowledged that some risks will always exist and will never be eliminated. All employees must understand the nature of risk and accept responsibility for risks associated with their area of work. In doing this they will receive the necessary support, assistance and commitment from senior management and Members.
- 1.2. Hyndburn Borough Council's risk management policy is a long-term commitment and is an inherent part of good management and governance practices. The policy has the full support of Members and active participation of Managers.
- 1.3. The Council, as a corporate body, is bound by legal obligations to provide for the health and safety of its Members, staff and those it serves. The Council is also obliged to protect its material assets and to minimise its losses and liabilities

OBJECTIVES

- 2.1. Hyndburn Borough Council is committed to establishing and maintaining a systematic strategy, framework and processes for the identification and management of risk.
- 2.2. The Council's risk management objectives are to:-
 - integrate risk management into the culture of the Council
 - manage risk in accordance with best practice
 - consider compliance with health and safety, insurance and legal requirements as a minimum standard
 - anticipate and respond to changing social, environmental and legislative requirements
 - prevent injury and damage
 - reduce the cost of risk
 - raise awareness of the need for risk management.
- 2.3. These objectives will be achieved by:-
 - maintaining a risk management organisational structure to offer advice and guidance to employees
 - considering risk assessment at appropriate meetings
 - continuing to demonstrate the application of risk management principles in the activities of the Council, its employees and members
 - providing risk management awareness training
 - maintaining documented procedures for the control of risk and the provision of suitable information, training and supervision
 - maintaining an appropriate incident reporting and recording system, with investigation procedures to establish cause and prevent recurrence
 - preparing contingency plans in areas where there is potential for an occurrence having a catastrophic effect on the Council and/or its key services
 - maintaining effective communication and the active involvement of every councillor and employee
 - monitoring arrangements continually.

HBC RISK MANAGEMENT POLICY FRAMEWORK

3.1. DEFINITION OF RISK

3.1.1. The Council has adopted the following definition produced by the Institute of Risk Management, which states:-

Risk Management is the identification, measurement, control and financing of risks which threaten the existence, the assets, the earnings or the personnel of an organisation, the services it provides, the achievement of its corporate priorities or which may cause undue harm to the public.

3.2. FRAMEWORK

3.2.1. The risk management cycle establishes the chronological process both for the risk management process and for ongoing review. However, the Council must have a framework within which the risk management processes can occur as part of the Council's normal procedures.

3.2.2. The elements of the framework are:-

- an effective control environment
- allocation of accountability for risk management throughout the organisation
- a risk assessment process
- robust internal control procedures
- performance monitoring of risk management activity
- communications process to support risk management

3.3. CONTROL ENVIRONMENT

3.3.1. The culture of the Council provides the control environment. This determines how the Council operates, the approach to risk and the control arrangements. It also determines what appetite exists for risk and what capacity exists to deal with risk. It must also be remembered that risk can arise from success as well as failure.

3.3.2. The following factors help to shape the Council's control environment. It should be noted that this list is not intended to be exhaustive and may need to change to fit the Council's objectives as required.

- the tone set by councillors & senior officers
- personnel policies and procedures
- knowledge and experience of key personnel
- stability of the Strategic Management Team
- Council commitment to staff training & development
- clearly defined job responsibilities
- training and career development arrangements
- clarity of corporate objectives and their communication to staff
- attitude towards risk
- delegation of responsibilities
- morale across the Council
- segregation of duties in key areas
- the way in which integrity and ethical values are communicated to staff
- perceived response to unethical behaviour
- quality and timeliness of management information
- external regulatory requirements
- monitoring of control procedures
- quality of internal audit

- interaction with external audit

3.4. ALLOCATION OF ACCOUNTABILITY FOR RISK MANAGEMENT

Clear identification of roles and responsibilities is paramount to ensuring the successful adoption of risk management and its embedding into the culture of the Council. These roles are:-

Management tier	Role
Cabinet and elected members particularly through Audit Committee	To oversee the effective management of risk by senior managers of the Council.
Strategic Management Team	To ensure that the Council manages risk effectively through the development of a comprehensive corporate strategy plus monitoring its implementation and development.
Service/Departmental Management Teams	To ensure that risk is managed effectively in each service area within the corporate strategy.
Heads of Service / Service Managers	To manage risk effectively in their particular service areas.
Employees	To manage risk effectively in their jobs.

RISK ASSESSMENT PROCESS

4.1 Risk management must not be the responsibility of just a few specialists. It must be seen as a primary management responsibility for all managers and supervisors and must be a consideration for all employees.

4.2 Risk assessment is about asking:-

- What can go wrong?
- What is the likelihood of it going wrong?
- What is the impact should it go wrong?
- What can be done to eliminate the threat?
- What should be done to reduce the threat's likelihood or impact?

4.3 The Council's risk assessment scoring process is based on the guidance of the Institute of Risk Management, 3 being High risk, 2 being Medium Risk and 1 being Low risk.

4.4 The definitions of High, Medium and Low are also based on the guidance of the Institute of Risk Management and aid in assessing Impact and Likelihood.

a.)

4.5 Risks which are likely to cause a fatality will be rated 'Red Flag'. There have been no such instances as of Jan 2025.

b.)

Assessing Likelihood

Evaluation	Description (one or more applies)	Level
LOW	Unlikely to happen Has happened rarely/never before Loss-causing circumstances rarely encountered	1
MEDIUM	Likely to happen Likely to happen at some point over the next 1 to 2 years Loss-causing circumstances encountered few times a year	2
HIGH	Very likely to happen Regular occurrence Loss-causing circumstances frequently encountered daily/weekly	3

Assessing Impact

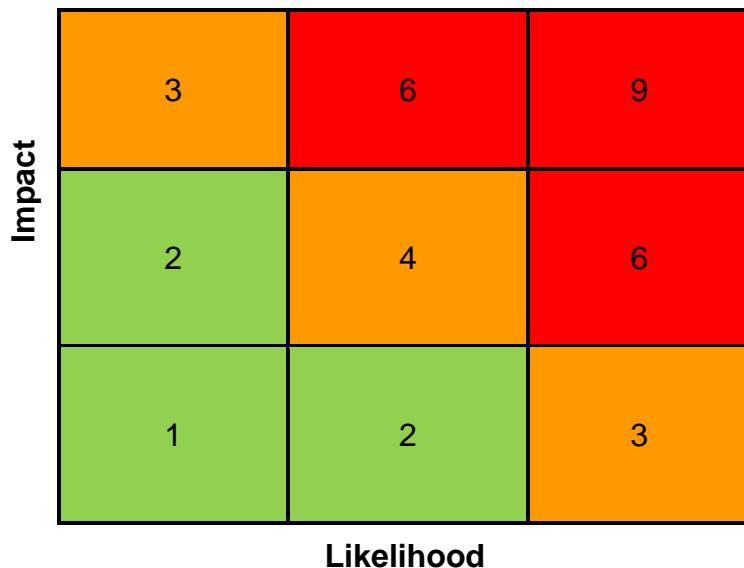
Evaluation	Description (one or more applies)	Level
LOW	Minor injury/ill health Minimal financial loss of less than £500,000 Minor disruption to provision of service for short time Adverse local media coverage	1
MEDIUM	Serious disabling injury/ill health Financial Loss in excess of £500,000 Significant disruption to provision of service Adverse, significant local media coverage and possible national coverage	2
HIGH	Very serious disabling injury/ill health Financial Loss in excess of £2 million Non-delivery of service for a significant length of time Adverse international media coverage	3

Risk Matrix

Risks falling between 1 and 2 are classified as **LOW** risk.

Risks falling between 3 and 4 are classified as **MEDIUM** risk.

Risks falling between 6 and 9 are classified as **HIGH** risk.



PERFORMANCE MONITORING

5.1 Performance monitoring of risk management activity must ensure that the treatment of risks remains effective and that the benefits of implementing risk control measures outweigh the costs of doing so. Performance monitoring is a continual review not only of the whole process, but also of individual risks or projects and of the benefits gained from implementing risk control measures. The section regarding Communications Process includes reporting, which aids the achievement of Performance Monitoring.

COMMUNICATIONS PROCESS

6.1. Hyndburn Borough Council is committed to risk management. The Cabinet, elected members and Strategic Management Team have adopted this risk management mission statement, policy and framework.

6.2 The structure for reporting risk management activity back to the Strategic Management Team and Audit Committee exists as follows:-

- **BI-ANNUALLY** – review of major changes to the strategic, generic and operational risks, including additions, deletions or a change of rating– Audit Committee and Corporate Management Team

6.3 Hyndburn Borough Council is committed to establishing and maintaining a systematic strategy, framework and processes for managing risk. Together these arrangements should:

- Include making public statements to stakeholders on the authority's risk management strategy, framework and processes to demonstrate accountability.
- Include mechanisms for monitoring and reviewing effectiveness against agreed standards and targets and the operation of controls in practice and ensures that changes in circumstances are accommodated and that it remains up to date.
- Demonstrate integrity by being based on robust systems for identifying, profiling, controlling and monitoring all significant strategic, generic and operational risks.
- Display openness and inclusivity by involving all those associated with planning and delivering services, including partners.
- Publish on a timely basis any concerns over the robustness of the Authority's risk management policy, procedures and risk registers.

IDENTIFICATION OF RISK

7.1 Through the support of Members and Senior Management together with the adoption of a risk-based culture, the Council will train and educate all staff to become more risk aware.

- Identification of Strategic Risks will be the responsibility of Strategic Management Team with additional support and direction from Members. These risks will be monitored and reviewed on a regular basis. Amendments and additions to the Strategic Risks will be made as and when appropriate.

- Identification of Generic Risks will be the responsibility of Strategic Management Team with additional support and direction from Heads of Service and Members. These risks will be monitored and reviewed on a regular basis. Amendments and additions to the Generic Risks will be made as and when appropriate.
- Identification of Operational Risks will be the responsibility of the appropriate Managers. These risks will be monitored and reviewed on a regular basis. Amendments and additions to the Operational Risks will be made as and when appropriate.
- Classification of risks will be carried out in accordance with the guidelines, methodology and scoring protocols as set in this Policy.
- The risk categories are:-
 - c.)

STRATEGIC

- Political
- Economic
- Social
- Technological
- Legislative
- Environmental
- Competitive
- Customer/Citizen
- Reputation

OPERATIONAL/ GENERIC

- Professional
- Financial
- Legal
- Physical
- Contractual
- Technological
- Environment
- Information

7.2 In some instances, it may be possible to associate a risk with more than one category, in these cases the risk should be assigned to the single category that describes the predominant nature of the risk.

WHAT IS A STRATEGIC RISK?

8.1. These are risks that need to be taken into account in judgements about the medium to long term objectives of the Council.

8.2 The Council has adopted the strategic risk categories as defined by the Institute of Risk Management and used by CIPFA and SOLACE in their respective publications. The strategic risk categories are:-

- **POLITICAL** - those associated with a failure to deliver either local or central government policy, or to meet the local administration's manifesto commitments.
- **ECONOMIC** – those affecting the ability of the Council to meet its financial commitments. These include internal budgetary pressures, the failure to purchase

adequate insurance cover external macro-level economic changes (e.g. changes in interest rates, inflation, borrowing consent or other responses to the global market) or the consequences of proposed investment decisions.

- **SOCIAL** – those relating to the effects of changes in demographic, residential or socio-economic trends on the Council's ability to deliver its objectives.
- **TECHNOLOGICAL** – those associated with the capacity of the Council to deal with the pace/scale of technological change, or its ability to use technology to address changing demands. They may also include the consequences of internal technological failures on the Council's ability to deliver its objectives.
- **LEGISLATIVE** – those associated with current or potential changes in national or European law.
- **ENVIRONMENTAL** – those relating to the environmental consequences of progressing the Council's strategic objectives (for example in terms of energy efficiency, pollution, recycling, landfill requirements, emissions etc.)
- **COMPETITIVE** – those affecting the competitiveness of the service (in terms of cost or quality) and/or its ability to deliver best value.
- **CUSTOMER/CITIZEN** – those associated with the failure to meet the current and changing needs and expectations of customer and citizens.
- **REPUTATION** – those relating to public confidence and failure to recruit high calibre staff.

8.3 Managing strategic risk is a core responsibility for senior managers in close liaison with elected members. Strategic risk assessments should be undertaken as part of the community, corporate and service planning process, and as a key element of service reviews.

WHAT IS AN OPERATIONAL RISK?

9.1 These are risks that managers and staff will encounter in the daily course of their work

9.2 The Council has adopted the operational risk categories as defined by the Institute of Risk Management and used by CIPFA and SOLACE in their respective publications. The operational risk categories are:-

- **PROFESSIONAL** – those associated with the particular nature of each profession.
- **FINANCIAL** – those associated with financial planning and control and the adequacy of insurance cover.
- **LEGAL** – those related to possible breaches of legislation, breach of contract, negligency etc.

- **PHYSICAL** – those related to fire, security, accident, prevention and health and safety (e.g. hazards/risks associated with buildings, vehicles, plant and equipment etc.).
- **CONTRACTUAL** – those associated with the failure of contractors to deliver services or products to agreed cost and specification.
- **TECHNOLOGICAL** – those relating to reliance on operational equipment (e.g. IT systems or equipment and machinery).
- **ENVIRONMENTAL** – those relating to pollution, noise or the energy efficiency of ongoing service operations.
- **INFORMATION** – those relating to information security, data protection.

9.3 The operational risk categories provide a framework for identifying and categorising a broad range of risks facing each service. It is difficult to consider each category in isolation.

9.4 Operational risks that apply to all or the majority of service areas have been brought together in to a single Generic Risk register. The same risk categories used for the operational risks are applied to the generic risks.

REPORT VERSION

Final Report Issued: 2025

Agenda Item 4.

REPORT TO:	AUDIT COMMITTEE	
DATE:	08 December 2025	
PORTFOLIO:	Councillor Vanessa Alexander - Resources and Council Operations	
REPORT AUTHOR:	Mark Beard – Head of Audit & Investigations	
TITLE OF REPORT:	AUDIT REPORTS & KEY ISSUES – PROGRESS REPORT FOR THE PERIOD SEPTEMBER 2025 – NOVEMBER 2025	
EXEMPT REPORT (Local Government Act 1972, Schedule 12A)	No	Not applicable
KEY DECISION:	No	If yes, date of publication:

1. Purpose of Report

1.1 To inform members of the Audit Reports issued during the period September 2025 – November 2025 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 September 2025 to November 2025. 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 October 2025 = 56.19% of the plan completed
Projected out-turn position for 2025/26 = 96.33% of the plan completed

3.5 The position at the end of August 2025 can be broken down as follows:-

Month	% of the Plan Completed that Month
April 2025	7.35%
May 2025	6.57%
June 2025	5.40%
July 2025	8.06%
August 2025	8.19%
September 2025	12.15%
October 2025	8.47%

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 currently. 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.

APPENDIX 1

AUDIT COMMITTEE – 8 December 2025

Summary of the main issues arising from audits carried out September 2025 – November 2025

Procurement Arrangements:-

Audit Assurance Opinion Issued:- Comprehensive assurance

The work carried out within this audit assignment is in conformance with the Global Internal Audit Standards. 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.

Risk Management Policy & Framework:-

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.

- It was agreed with Management that once the Risk Management Policy & Framework has been updated and agreed with Cabinet, that it will be placed on the Hytranet so that all staff have access to it.
- The audit engagement found that not all risk owners respond to the periodic requests for updates to the risk registers, even if only to staff that there is no change. It was agreed with management that Heads of Service / Service Managers will be briefed on the importance of reviewing their risks within the risk registers.

Creditors:-

Audit Assurance Opinion Issued:- Comprehensive assurance

The work carried out within this audit assignment is in conformance with the Global Internal Audit Standards. 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.

Housing Support Fund 7:-

Audit Assurance Opinion Issued:- Comprehensive assurance

The work carried out within this audit assignment is in conformance with the Global Internal Audit Standards. 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..

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Agenda Item 5.

REPORT TO:	AUDIT COMMITTEE	
DATE:	08 December 2025	
PORTFOLIO:	Councillor Vanessa Alexander - Resources and Council Operations	
REPORT AUTHOR:	Mark Beard – Head of Audit & Investigations	
TITLE OF REPORT:	Audit Follow-Up Report for the period September 2025 – November 2025	
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 September 2025 to November 2025.

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 September 2025 to November 2025 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 <i>A Customer First Analysis should be completed in relation to policy decisions and should be attached as an appendix to the report.</i>	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 – 8th December 2025

Follow-Ups September 2025 to November 2025

- 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
Homelessness	3	3	Implemented – the emergency out of hours telephone number was added to the front page of the Housing advice section on the Council website at the time of the audit review.
			Implemented – Client names are recorded on overtime claims submitted via Hyserve to act as a cross reference to records maintained by the Standby Team in the event of a query. This was actioned at the time of the audit review.
			Implemented – The renewal of the contract between the Council and Locatapro was reported at Cabinet in July 25, and delegated authority was given to the Head of Regeneration & Housing, in consultation with Legal Services to finalise a contract with Locatapro. As at the end November 25, this was imminent.
Environmental Protection	2	1	Partially Implemented - Environmental Protection aims to create an addendum to the main contaminated land strategy that should sit alongside the main strategy on the Council's website. The addendum will describe the changes in legislation since 2005, changes to how we approach investigation and assessment, and cover in brief, progress made on the high risk sites identified in the main strategy of 2005. An addendum report will then be created periodically thereafter describing progress made through the planning process which is how the potential for contamination is currently dealt with. This is aimed to be completed

			by March 2026.
			Not implemented – a meeting of all Local Authorities has not taken place this year. This will be discussed when a meeting takes place and will also be relevant when working towards the LGR.
Rent Reviews	2	2	Partially Implemented – the team are to introduce diarising quarterly prompts based on a current list of tenancies, in the short term
			Implemented – A new piece of software that may assist with estate management becoming more efficient and effective will be investigated with the assistance of the Finance Team, to ensure compatibility with the Civica suite of systems. The outcome will be subject to the re-structure and also the lead up to LGR.

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Agenda Item 6.

REPORT TO:	AUDIT COMMITTEE	
DATE:	08 December 2025	
PORTFOLIO:	Councillor Vanessa Alexander - Resources and Council Operations	
REPORT AUTHOR:	Mark Beard – Head of Audit & Investigations	
TITLE OF REPORT:	ECONOMIC CRIME AND CORPORATE TRANSPARENCY ACT 2023	
EXEMPT REPORT (Local Government Act 1972, Schedule 12A)	No	Not applicable
KEY DECISION:	No	If yes, date of publication:

1. Purpose of Report

1.1 To inform Audit Committee about the Economic Crime and Corporate Transparency Act 2023 which became applicable from 1st September 2025.

2. Recommendations

2.1 I recommend that Audit Committee:
➤ notes the content of this report.

3. Reasons for Recommendations and Background

3.1 The new Economic Crime and Corporate Transparency Act 2023 was discussed and considered by the Council's Corporate Management Team at a meeting on 10th September 2025.

3.2 The Council's Cabinet then approved the new Guidance and Policy Document at their meeting on 22nd October 2025.

3.3 The Guidance and Policy Document is also now available on the Hyndtranet and has been circulated to all staff through the November Hyndsgate e-newsletter sent out to staff on 19th November 2025.

- 3.4 New offences are created by the Economic Crime and Corporate Transparency Act 2023. The legislation became applicable from 1st September 2025.
- 3.5 Section 199 of the Economic Crime and Corporate Transparency Act 2023 creates a new offence that will hold Hyndburn Borough Council to account for fraud committed by their employees, agents, subsidiaries, or other associated persons who provide services for or on behalf of the Council. Where the fraud was committed with the intention of benefiting the Council or its clients. It does not need to be demonstrated that the Council's Directors or Senior Management ordered or knew about the fraud. It does not need to be proven there was any benefit for the Council. The offender can simply say that was their intention in the fraud they carried out
- 3.6 Under the Act, Hyndburn Borough Council may be criminally liable if it did not have reasonable fraud prevention procedures in place.
- 3.7 The offence sits alongside existing law. For example, the person who committed the fraud may be prosecuted individually for that fraud, while Hyndburn Borough Council may be prosecuted for failing to prevent it.
- 3.8 The Council will have a defence if it has reasonable procedures in place to prevent fraud, or if the Council can demonstrate to the satisfaction of the court that it was not reasonable in all circumstances to expect the Council to have any prevention procedures in place.
- 3.9 The overall risk to Hyndburn Borough Council of a fraud which falls within the remit of this legislation is believed to be relatively low, as the fraud must have the basis to directly benefit the Council or its clients and not just the perpetrator of the fraud which is the most common result of most frauds. However, the Council must have a policy in place which sets out the Council's position to the Legislation and how it deals with it.
- 3.10 The Head of Audit & Investigations will devise refresher training on Fraud, Corruption and Bribery including the new Economic Crime and Corporate Transparency Act 2023 for staff in due course which is just one element of the Council's procedures to prevent fraud.
- 3.10 The Guidance and Policy Document sits alongside other existing Council policies such as the Anti-Fraud, Corruption and Bribery Policy.
- 3.11 The Economic Crime and Corporate Transparency Act 2023 policy is attached to this report as appendix 1.

4. Alternative Options considered and Reasons for Rejection

- 4.1 There are no alternative options as the Council has already adopted the Economic Crime and Corporate Transparency Act 2023.

5. Consultations

5.1 No consultations required.

6. Implications

Financial implications (including any future financial commitments for the Council)	There are no financial implications arising directly from this report
Legal and human rights implications	There are no legal or human rights implications arising from this report.
Assessment of risk	There is no direct risk implication from this report.
Equality and diversity implications <i>A Customer First Analysis should be completed in relation to policy decisions and should be attached as an appendix to the report.</i>	A Customer First Analysis has not been prepared as the finalised policy has already been adopted by Cabinet and this is policy which sits alongside existing Anti-Fraud, Corruption and Bribery policy.

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.

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Economic Crime and Corporate Transparency Act 2023

Failure to Prevent Fraud - Guidance and Policy Document

Policy Version: 1

Revised:

Checked / Reviewed: **August 2025**

Last Policy Approval: **Cabinet – 22 October 2025**

Overview of the Offence

Section 199 of the Economic Crime and Corporate Transparency Act 2023 creates a new offence that will hold Hyndburn Borough Council to account for fraud committed by their employees, agents, subsidiaries or other associated persons who provide services for or on behalf of the Council, where the fraud was committed with the intention of benefiting the Council or its clients. It does not need to be demonstrated that the organisation's Directors or Senior Managers ordered or knew about the fraud. It does not need to be proven there was any benefit for the Council. The offender can simply say that was their intention in the fraud they carried out.

The offence will not extend to individual liability for persons within the Council for failing to prevent the fraudulent behaviour. However, this does not preclude Hyndburn Borough Council being corporately prosecuted for failing to prevent it.

Aims of the Legislation and Background

New offences are created by the Economic Crime and Corporate Transparency Act 2023. The legislation is applicable from 1st September 2025.

Under the Act, Hyndburn Borough Council may be criminally liable if it did not have reasonable fraud prevention procedures in place. It does not need to be demonstrated that Directors or Senior Managers ordered or knew about the fraud.

The offence sits alongside existing law. For example, the person who committed the fraud may be prosecuted individually for that fraud, while Hyndburn Borough Council may be prosecuted for failing to prevent it.

The Act makes it easier to hold Hyndburn Borough Council to account for fraud committed by employees, its agents, or other associated persons working on behalf of the Council, which may benefit the Council, or, in certain circumstances, its clients. The offence is designed to encourage more organisations to implement or improve prevention procedures, driving a major shift in corporate culture to help prevent fraud.

The Economic Crime and Corporate Transparency Act 2023 introduces the offence of Failure to Prevent Fraud, which applies to a wide range of organisations. Hyndburn Borough Council falls within the scope of this offence as a "large organisation", as defined by the Act. An organisation is considered large if it meets two out of the following three criteria:

- More than 250 employees
- More than £36 million in turnover
- More than £18 million in total assets

Currently, small and medium sized enterprises (SMEs) are exempt from this offence, but this exemption may be subject to change in the future.

The offence applies to large organisations only and applies across the UK.

The key defence to the offence is for the Council to prove it had reasonable fraud prevention procedures in place (or that it was unreasonable to expect it to have such procedures). In accordance with established case law, the standard of proof is the balance of probabilities. Ultimately only the courts can determine whether a relevant body has reasonable prevention procedures in place to prevent fraud in the context of a particular case, considering the facts and circumstances of that case.

Types of Fraud Covered by the Offence

- Fraud offences including:
 - Fraud by false representation
 - Fraud by failing to disclose information
 - Fraud by abuse of position
- Participation in a fraudulent business
- Obtaining services dishonestly
- Cheating the public revenue
- False accounting
- False statements by company directors
- Fraudulent trading.

Who commits the base fraud and in what circumstances?

An officer, director, employee, agent or subsidiary of an organisation, or a person who otherwise performs services for or on behalf of the organisation

The corporate offences can only take place if the person commits a base fraud whilst acting in the capacity of a person associated.

A subsidiary undertaking of a large organisation is an associated person for the purposes of this offence. This means that it is possible for a parent company to be prosecuted for failure to prevent fraud where the base fraud offence is committed corporately by a subsidiary and where the beneficiary is the parent organisation, or its clients to whom the subsidiary provides services for or on behalf of the parent organisation.

The parent organisation is not responsible for unrelated activities by subsidiaries.

Investigation Penalties and Sanctions

The Serious Fraud Office have the jurisdiction to investigate this offence. In a recent speech the SFO Director emphasised that the SFO is looking to prosecute for the offence, and noted that organisations should ensure their procedures are in place by September 2025.

The potential results of an investigation include:

- Criminal Prosecutions with an Unlimited fine
- Long investigations that require time and resource
- Reputational damage
- Private prosecutions can be brought.

Defence of reasonable fraud prevention procedures

Hyndburn Borough Council will have a defence if it has reasonable procedures in place to prevent fraud, or if Hyndburn Borough Council can demonstrate to the satisfaction of the court that it was not reasonable in all the circumstances to expect the Council to have any prevention procedures in place.

The question of whether Hyndburn Borough Council had reasonable procedures in place to prevent fraud in the context of a particular prosecution is a matter that can be resolved by the courts, considering the particular facts and circumstances of the case. If a case comes to court, the onus will be on Hyndburn Borough Council to prove it had reasonable procedures in place to prevent fraud at the time the fraud was committed. In accordance with established case law, the standard of proof in this case is the balance of probabilities.

The Home Office have been working with a number of local authorities for the past two years, leading to publishing official guidance on what constitutes reasonable fraud prevention procedures. Departure from the suggested procedures will not automatically mean that Hyndburn Borough Council did not have reasonable fraud prevention procedures in place.

The reasonableness of procedures should take account of the level of control, proximity and supervision Hyndburn Borough Council is able to exercise over a particular person acting on its behalf. For example, where a supply chain involves several entities or a project is to be performed by a prime contractor with a series of subcontractors, the Council is likely to only exercise control over its relationship with its contractual counterparty.

What constitutes reasonable fraud prevention procedures?

The legislation requires Hyndburn Borough Council to put a fraud prevention framework in place informed by the following six principles:

- 1.) Top level commitment
- 2.) Risk assessment
- 3.) Proportionate risk-based prevention procedures
- 4.) Due diligence
- 5.) Communication (including training)
- 6.) Monitoring and review

These principles are intended to be flexible and outcome-focussed, allowing for the huge variety of circumstances that relevant bodies find themselves in. As set out in more detail below, procedures to prevent fraud should be proportionate to the risk.

Top Level Commitment

Hyndburn Borough Council's senior management have an important leadership role in relation to fraud prevention.

This legislation effectively places responsibility for the prevention and detection of fraud with all those charged with governance of the organisation. The board of directors, partners and senior management of a relevant body should be committed to preventing persons from committing fraud. They should foster a culture within the organisation in which fraud is never acceptable.

The level and nature of senior management involvement will vary depending on the size and structure of an organisation, but as a basic requirement they are expected to:

- Communicate and endorse Hyndburn Borough Council's stance on preventing fraud, including mission statements
- Ensure that there is clear governance across the council in respect of the fraud prevention framework.
- Commit to fraud training and resourcing
- Lead by example by fostering an open culture, where staff feel empowered to speak up if they encounter fraudulent practices.

Communication and endorsement of Hyndburn Borough Council's stance on preventing fraud

Hyndburn Borough Council has a zero tolerance to fraud.

The legislation requires regular and effective formal statements and communication from senior management to demonstrate the commitment to tackle fraud and promote this position, including:

- A commitment to reject fraud
- Articulation of the business benefits of rejecting fraud (reputational, customer and business partner confidence)
- Signposting key individuals and / or departments involved in the development and implementation of the organisation's fraud prevention procedures. In Hyndburn Borough Council this is primarily by Internal Audit.
- Articulation of the consequences for those committing fraud or breaching the policies relating to fraud.

Ensuring that there is a clear governance across Hyndburn Borough Council in respect of the fraud prevention framework

In Hyndburn Borough Council responsibility for the financial crime prevention framework is primarily overseen by Internal Audit with the support of Corporate Management Team.

Home office guidance states it is best practice for the fraud prevention framework to include:

- Horizon scanning for new fraud risks
- Conducting continuous assessment of fraud risk
- Developing and implementing fraud detection measures
- Developing, implementing and testing fraud prevention measures
- Ensuring that appropriate management information is collected and shared to enable senior managers to understand the risks and the effectiveness of fraud prevention procedures
- Zero tolerance approach to fraud, ensuring consistent appropriate disciplinary outcomes and publication of outcomes to prevent fraud
- Effective Whistleblowing arrangements in place to report concerns
- Ensure all suspected concerns relating to fraud are impartially and thoroughly investigated
- Continuous monitoring and review of the framework
- Ensuring that those tasked with delivering the framework have direct access to the Board or CEO as they think necessary. At Hyndburn Borough Council this is through the Audit Committee and if necessary direct contact with the Monitoring Officer and CEO
- Reporting to the Board as appropriate

- Reviewing the fraud prevention framework and its implementation
- Minute decisions and actions

Commitment to training and resource

Home office guidance says best practice includes:

- Senior managers should commit to allocating a reasonable and proportionate budget specifically for the leadership, staffing and implementation of the fraud prevention plan, including training. This budget could encompass not only personnel costs but also funding for technology that may include third party due diligence, platforms and relating due diligence tools.
- Senior managers commit to resourcing the fraud prevention plan over the long term
- Senior managers commit to sustaining anti-fraud practices when key members of staff are on annual leave, or off work with illness, or when they leave the organisation.

Leading by example and fostering an open culture

Early action can prevent fraudulent practices from taking hold. Senior managers have a leadership role in fostering an open culture where staff are encouraged to speak up early if they have any ethical concerns, no matter how minor.

Fraudsters often rationalise fraud by a variety of techniques:

- Focus on responsibility (“it was a group decision”, “it’s the auditors’ job to catch this”, “everyone does it”)
- Focus on the consequences of the act (“it is not material”, “I am levelling the field”)
- Focus on the victim (“fraud is a victimless crime”, “it’s their duty to exercise proper due diligence”)

Senior managers should show leadership by challenging these arguments proactively, pointing out the effects of fraud on the business, other colleagues, the sector and public trust. This position may be codified in the organisation’s code of ethics or other ethical policies.

The whistleblowing arrangements should be regularly publicised and training be provided to develop a “speak up” culture.

Risk Assessment

Hyndburn Borough Council is required to complete an extensive fraud risk assessment across the entirety of the organisation. This risk assessment should identify sources of information about potential risks including:

- Data analytics
- Previous audit (which may have flagged potential fraud risks)
- Sector specific information, best practice advice or toolkits from relevant professional or trade bodies or regulators
- Regulator enforcement actions

In some limited circumstances, it may be deemed reasonable not to introduce measures in response to a particular risk. However, it will rarely be considered reasonable not to have conducted a risk assessment. Any decision made not to implement procedures to prevent a specific risk should be documented, together with the name and position of the person who authorised that decision.

The risk assessment should be kept under review. The frequency of review is a matter for Hyndburn Borough Council. However, if the risk assessment has not been reviewed recently enough, a court may determine that it was not fit for purpose and therefore that “reasonable procedures” were not in place at the time of the fraud.

The legislation requires a comprehensive and wide-ranging risk assessment to be conducted over Hyndburn Borough Council and any subsidiary entities that may exist at any future point.

Proportionate risk-based fraud prevention procedures

Hyndburn Borough Council operates its fraud prevention framework based on the 4 pillars of the Fighting Fraud and Corruption Locally (FFCL) Strategy (pictured below) and these thematically align with the legislative requirements.



Compliance with FFCL will automatically align with large parts of what the legislation determines as reasonable fraud prevention, although the legislation places significant additional requirements on the council.

The legislation requires that:

- Hyndburn Borough Council procedures to prevent fraud by persons associated with it are proportionate to the fraud risks it faces and to the nature, scale and complexity of Hyndburn Borough Council's activities. They must also be clear, practical, accessible, effectively implemented and enforced.
- Hyndburn Borough Council is required to draw up a fraud prevention plan, with procedures to prevent fraud being proportionate to the risk identified in the risk assessment.
- It is a key principle that the fraud prevention plan should be proportionate to the risk and the potential impact. The level of prevention procedures considered to be reasonable should take account of the level of control and supervision Hyndburn Borough Council is able to exercise over a particular person acting on its behalf and the relevant body's proximity to that person. For example, Hyndburn Borough Council is likely to have greater control over the conduct of an employee than that of an outsourced worker performing services on its behalf. Nonetheless, appropriate controls should be implemented via the relevant contract.

It is not necessary or desirable for Hyndburn Borough Council to duplicate existing work. Equally, it would not be a suitable defence to state that because Hyndburn Borough Council is a public authority, its compliance processes under existing regulations would automatically qualify as "reasonable procedures" under the Economic Crime and Corporate Transparency Act.

To avoid duplication of work, Hyndburn Borough Council needs to assess whether its existing regulatory compliance mechanisms, financial reporting controls and fraud prevention measures would be sufficient to prevent each of the fraud risks identified in the risk assessment. Where existing mechanisms appear to be insufficient, Hyndburn Borough Council is required to develop appropriate measures to prevent fraud.

When considering the proportionality of reasonable prevention procedures, some suggested risk factors to consider may include:

Reducing the opportunities for fraud

- Does Hyndburn Borough Council undertake pre-employment and vetting checks?
- For high-risk roles, does it carry out ongoing vetting checks?
- Do those in high-risk roles receive regular anti-fraud training and how vigorously is compliance with training evaluated or monitored?
- Does Hyndburn Borough Council assess emerging risks systematically?
- If new services or associated persons present a fraud risk, is a fraud impact assessment made? What countermeasures can Hyndburn Borough Council put in place?
- Are fraud risks managed equally well throughout the procurement process (pre-tender, tender, contract management, during project delivery and project extension)? Do contracts include appropriate terms for associated persons and are these reviewed?
- Does Hyndburn Borough Council use best practice with regard to financial reporting, for example, segregation of duties, reconciliation of accounts, suitable sign-off arrangements?
- Have any internal or external audits raised any fraud concerns that have not been acted upon?
- Do procedures for avoiding conflicts of interest need to be bolstered, are they regularly reviewed for compliance and what action is taken when they are not?
- What are the arrangements for limiting access to sensitive or commercial data? Are they kept up to date?
- What is the best practice on reducing fraud risks in the sector?

Reducing the motive for fraud

- What can be done to prevent time pressures encouraging staff to cut corners, potentially fraudulently?
- Does the organisation collect information on potential conflicts of interest and keep such information under review?

Putting in place consequences for committing fraud

- What are the internal disciplinary procedures for those found to be committing fraud?

- Are the outcomes of fraud-related investigations communicated to staff and other associated persons to prevent others committing offences?

Reducing the rationalisation of fraudulent behaviour

Over time “one off” frauds may become normalised as people rationalise certain fraudulent behaviours, with arguments such as “other businesses do it”. This phenomenon is known as “ethical fading”.

Hyndburn Borough Council needs to encourage proactive challenge of these views as part of communication and training programmes, and in the code of ethics, by pointing out the impact of fraud on colleagues, on the business, on the sector and on public trust.

Hyndburn Borough Council needs to stress that the prevention of fraud is the responsibility of everyone in the organisation. For example, incorporating a reminder about the organisation’s code of ethics into performance evaluation.

Emergency scenarios

Public sector organisation in scope should follow specific guidance on fraud prevention in emergency scenarios or relevant information from counter-fraud authorities.

It is recognised that not all emergencies are foreseeable and the defence that under the circumstances it was reasonable not to have any fraud prevention procedures in place may apply. One example is when a public authority uses its legal powers to take action to resolve a crisis in the public interest. However, this situation should be time limited. The necessary procedures to prevent fraud should be put in place as quickly as reasonably possible following the crisis and this process should be documented.

Due Diligence

The legislation requires Hyndburn Borough Council to apply due diligence procedures, taking a proportionate and risk-based approach, in respect of persons who perform or will perform services for or on behalf of Hyndburn Borough Council, in order to mitigate identified fraud risks.

It should be noted that merely applying existing procedures tailored to a different type of risk will not necessarily be an adequate response to tackle the risk of fraud. Those with exposure to the greatest risk may choose to clearly articulate their due diligence procedures specifically in relation to the corporate offence.

Hyndburn Borough Council should conduct due diligence on associated persons (including new partners). Examples of best practice include:

- Using appropriate technology, for example, third-party risk management tools, screening tools, internet searches, checking trading history or professional or regulated status if relevant, or vetting checks if appropriate.
- Reviewing contracts with those providing services, to include appropriate obligations requiring compliance and ability to terminate in the event of a breach where appropriate
- Reviewing contracts for agents
- Monitoring of well-being of staff and agents to identify persons who may be more likely to commit fraud because of stress, targets or workload.

Hyndburn Borough Council should conduct due diligence in relation to mergers or acquisitions. Examples of best practice include:

- Using third party merger and acquisition tools.
- Assessment of any relevant criminal or regulatory charges
- Assessment of tax documentation
- Assessment of the firm's exposure to risk
- Assessment of the firm's fraud detection and prevention measures (bearing in mind that if the firm being acquired does not qualify as a "large organisation" as set out in section 201 of the Economic Crime and Corporate Transparency Act 2025, it may not have any procedures that directly address the offence of failure to prevent fraud)
- Integration of fraud prevention measures post-acquisition.

Hyndburn Borough Council may choose to conduct their due diligence internally, or externally, for example by consultants. The due diligence procedures put in place should be proportionate to the identified risk and kept under review as necessary.

Communication

The legislation requires:

Hyndburn Borough Council to ensure that its prevention policies and procedures are communicated, embedded and understood throughout the organisation, through internal and external communication. Training and maintaining training are key.

A clear articulation and endorsement of an organisation's policy against fraud deters from engaging in such activities. Communication should be from all levels within an organisation. It is not enough for the senior management to say that staff should not

commit fraud, if middle management then actively ignore this and encourage junior members to circumvent the relevant body's fraud prevention procedures.

It is important that Hyndburn Borough Council ensures awareness and understanding of its policies amongst those who provide services for or on its behalf. Hyndburn Borough Council may feel that it is necessary to require its representatives to undertake fraud-specific training, depending on the risks it is exposed to. This would be to ensure that they have the skills needed to identify when they and those around them might be at risk of engagement in an illegal act and what whistle-blowing procedures should be followed if this occurs.

It may be helpful to integrate fraud messaging into existing policies and procedures. For instance, policies related to customer interactions could include a brief statement addressing fraud rationalisation and the potential consequences of committing fraud.

Hyndburn Borough Council should publicise internally the outcome of investigations, particularly when sanctions have been imposed.

Training

Training should be proportionate to the risk faced. Consideration should be given to the specific training needs of those in the highest risk posts. Training should cover the nature of the offence as well as the procedures to address it.

Hyndburn Borough Council will need to introduce bespoke training to address specific fraud risks. Training should include ensuring that staff and other associated persons are familiar with whistleblowing policies. Since whistleblowing is something that staff or other associated persons are likely to do infrequently, it requires regular reminders of the procedures in internal communications.

It is good practice to monitor the effectiveness of training programmes and to ensure that they are kept up to date, particularly as staff move.

Whistleblowing

Transparency International states that "whistleblowing is one of the most effective ways to uncover corruption, fraud, mismanagement and other wrongdoing". To help prevent fraud, organisations should have appropriate whistleblowing arrangements.

Hyndburn Borough Council has strong whistleblowing arrangements in place, however improvements around the following areas is required:

- Training staff to ensure that they are aware of how to access whistleblowing arrangements and managers on how to respond when whistleblowing concerns are raised

- Conducting victimisation risk assessments and protecting whistle-blowers from potential victimisation
- Better learning mechanisms from the issues raised by whistle-blowers.

Monitoring and Review

The legislation requires Hyndburn Borough Council to monitor and review its fraud detection and prevention procedures and makes improvements where necessary. This includes learning from investigations and whistleblowing incidents and reviewing information from its own sector.

Monitoring includes three elements: detection of fraud and attempted fraud, investigation outcomes and monitoring the effectiveness of fraud prevention measures.

Review

Hyndburn Borough Council is expected to adapt its fraud detection and prevention procedures in response to the changes in the risks that it faces. The frequency of review is a matter for Hyndburn Borough Council, but risk assessments are conducted at consistent intervals (annually or bi-annually).

Hyndburn Borough Council should review its fraud detection and prevention procedures by:

- Seeking internal feedback from staff members
- Reviewing fraud detection analysis
- Examining any investigations or relevant whistleblowing cases and the subsequent action taken
- Examining other financial crime prevention procedures
- Conducting formalised periodic review with documented findings
- Following advice from professional organisations (for example accountancy or legal bodies)
- Examining any relevant prosecutions or deferred prosecution agreements
- Collating and verifying management information on the effectiveness of the fraud prevention measures and flagging to the board.

This is not an exhaustive list, and it is expected that organisations will choose the approach most suited to their needs.

Raising Concerns

If you believe a fraud may have been committed the first thing you must do is to inform one of the key individuals detailed below.

In addition, do **NOT** attempt to investigate the matter yourself and do not discuss your concerns with others as this could alert those involved in the fraud that they have been discovered.

Failing to report an issue you are aware of could result in the Council taking action against you if it is later proven that your actions impacted the fraud, its implications or created implications against the Council.

In the first instance you should contact:

Mark Beard	Head of Audit & Investigation	01254 380634 Internal Ext. 2634 mark.beard@hyndburnbc.gov.uk
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Alternatively you can report it to any of the following:

David Welsby	Chief Executive	01254 380110 Internal Ext. 2110 dave.welsby@hyndburnbc.gov.uk
Jane Ellis	Executive Director (Legal & Democratic Services) & Monitoring Officer	01254 380146 Internal Ext. 2146 jane.ellis@hyndburnbc.gov.uk
Martin Dyson	Executive Director (Resources) & s151 Officer	01254 380973 Internal Ext. 2973 martin.dyson@hyndburnbc.gov.uk

All concerns raised will be treated in confidence, properly investigated and dealt with.

The Council's Whistleblowing policy also gives further guidance on how to raise concerns and it gives details about the support and safeguards that are available to those that do raise concerns.

Internal Audit Awareness of all Concerns Raised

Following a concern being raised, Internal Audit **MUST** be made aware of the issue if this was not made to the Head of Audit & Investigation in the first instance.

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Draft Auditor's Annual Report Hyndburn Borough Council – year ended 31 March 2025

November 2025

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Agenda Item 7

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- 02** Audit of the financial statements
- 03** Our work on Value for Money arrangements
- 04** Other reporting responsibilities

Our reports are prepared in the context of the 'PSAA Statement of Responsibilities of Auditors and of Audited Bodies' and the 'Appointing Person Terms of Appointment' issued by Public Sector Audit Appointments Limited. This document is to be regarded as confidential to Hyndburn Borough Council . It has been prepared for the sole use of the Audit Committee and those charged with governance. We do not accept any liability or responsibility to any other person in respect of the whole or part of its contents.

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01

Introduction

Introduction

Purpose of the Draft Auditor's Annual Report

Our Draft 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 2025 to date. 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. This report is draft as we have not completed our work on the financial statements audit, nor the work on the Council's Value for Money ('VFM') arrangements. Under the Code of Audit Practice ('the Code') issued by the National Audit Office, we are required to issue a draft of our Auditor's Annual Report to the Audit Committee by the 30 November following the year end for each year, where we have not completed the audit by this date.

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



Opinion on the financial statements

We plan to issue our audit report by the end of February 2026, in line with the national timetable. Our opinion on the financial statements will be disclaimed.



Value for Money ('VFM') arrangements

From the work completed so far, we are satisfied that arrangements were in place for the Council to secure economy, efficiency and effectiveness in its use of resources. We are satisfied the Council has addressed the significant weaknesses identified in previous years. Previously issued recommendations were in relation to a significant weaknesses in governance arrangements in respect of the delay in production of accounts, poor quality of financial statements submitted for the audit and difficulties in dealing with the audit queries.



Section 3 provides our commentary on the Council's arrangements and a summary of our previously issued weaknesses and recommendations, including the progress that the Council has made to address the weakness in 2024/25.



Wider reporting responsibilities

The 2014 Act requires us to give an elector, or any representative of the elector, the opportunity to question us about the accounting records of the Council and to consider any objection made to the accounts. We confirm no objections or questions from local electors, nor any such correspondence from electors has been received.



Reporting to the group auditor

The NAO, as group auditor, require us to perform specific procedures in support of their work on the Whole of Government Accounts ('WGA'). We are yet to receive the full group audit instructions from the NAO and as such as cannot yet undertake work on the Council's Whole of Government Accounts (WGA) return.

02

Audit of the financial statements

Audit of the financial statements

Our audit of the financial statements

Our audit will be conducted in accordance with the requirements of the Code, and International Standards on Auditing (UK) (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 2025 and of its financial performance for the year then ended.

We anticipate issuing a disclaimed audit opinion on the 2024/25 financial statements. This means our audit report will not express an opinion on the financial statements, and no assurance will be provided. It is necessary to issue a disclaimer of opinion as amendments to the Account and Audit Regulations in 2024 introduced a statutory deadline for publication of the Council's financial statements for the 2023/24 and earlier financial years. We were unable to complete the audit procedures necessary to obtain sufficient appropriate audit evidence on which to base our opinion before the date the Council published its audited financial statements and as such three years of disclaimed audit opinions were issued in December 2024 and February 2025. There is insufficient time available to complete all the work required to issue an unqualified opinion on the 2024/25 financial statements ahead of the national deadline at the end of February 2026. The work to rebuild assurance following a disclaimer opinion is significant, particularly given the number of years subject to a disclaimed opinion in Hyndburn Council's case. Our focus through 2024/25 and into 2025/26 is on assessing the risks of material misstatement in the opening balances which are derived from the financial statements that have had a disclaimer opinion.

03

Our work on Value for Money arrangements

VFM arrangements

Overall Summary



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 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.

Our work is carried out in three main phases.

Phase 1 – Planning and risk assessment

At the planning stage of the audit, we undertake work so we can understand the arrangements that the Council have in place under each of the reporting criteria; as part of this work we may identify risks of significant weaknesses in those arrangements.

We obtain our understanding of arrangements for each of the specified reporting criteria using a variety of information sources which may include:

- NAO guidance and supporting information;
- Information from internal and external sources, including regulators;
- Knowledge from previous audits and other audit work undertaken in the year; and
- Interviews and discussions with officers.

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.

Phase 2 – Additional risk-based procedures and evaluation

Where we identify risks of significant weaknesses in arrangements, we design a programme of work to enable us to decide whether there are actual significant weaknesses in arrangements. We use our professional judgement and have regard to guidance issued by the NAO in determining the extent to which an identified weakness is significant.

Phase 3 – Reporting the outcomes of our work and our recommendations

We are required to provide a summary of the work we have undertaken and the judgments we have reached against each of the specified reporting criteria in this draft AAR. We do this as part of our commentary on VFM arrangements which we set out for each criteria later in this section.

We also make recommendations where we identify weaknesses in arrangements or other matters that require attention from the Council. We refer to two distinct types of recommendation through the remainder of this report:

- **Recommendations arising from significant weaknesses in arrangements** – we make these recommendations for improvement where we have identified a significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. Where such significant weaknesses in arrangements are identified, we report these (and our associated recommendations) at any point during the course of the audit.
- **Other recommendations** – we make other recommendations when we identify areas for potential improvement or weaknesses in arrangements which we do not consider to be significant, but which still require action to be taken.

The table on the following page summarises the outcome of our work against each reporting criteria, including whether we have identified any significant weaknesses in arrangements, or made other recommendations.

VFM arrangements – Overall summary

Overall summary by reporting criteria

Reporting criteria	Commentary page reference	Identified risks of significant weakness?	Actual significant weaknesses identified?	Other recommendations made?
 Financial sustainability	11 – 14	No	No	No
 Governance	15 – 18	No – but previously reported significant weakness.	No – previously reported significant weakness has been addressed.	No
 Improving economy, efficiency and effectiveness	19 – 20	No	No	No

VFM arrangements

Financial Sustainability

How the body plans and manages its resources to ensure it can continue to deliver its services



VFM arrangements – Financial Sustainability

Overall commentary on the Financial Sustainability reporting criteria

Background to the Council's operating environment in 2024/25

During 2024/25 the Council continued to face significant challenges, against a backdrop of an adverse national economy and a cost-of-living crisis including increases in energy prices and inflation which has impacted general commodity prices, which has led to wage inflation. Despite this the Council had another year where it was able to add to its financial reserves. Council revenues have continued to recover and return to pre-pandemic levels. The Council continued to manage its costs during the year with a reduction in net expenditure, with overspends being mitigated through additional income and central efficiencies.

2024/25 Financial Statement performance

We have carried out a high-level analysis of the unaudited 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 for 2024/25 does not give us cause for concern relating to financial stability. Investment balances have increased from 24.5m to £33.5m, this represents an improvement in total current assets, whilst long term borrowing remains stable at £9.8m. Though there is a reduction in cash balances, the council has repaid the bank overdraft, and the Council continues to have adequate liquidity.

The Council's useable reserves have increased from £26.7m in 2024 to £30.2m in 2025. 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. Notwithstanding this, our work has not highlighted a risk of significant weakness in the Council's arrangements for ensuring financial sustainability.

	31 March 2024 £m	31 March 2025 £m
Cash/ Cash Equivalents	3.7	3.1
Total Current Assets	35.3	39.6
Share of Net Pension Fund Liability	(5.9)	(5.2)
General fund (Unallocated)	2.4	2.46
Earmarked Reserves	19.1	15.7
Capital reserves	5.2	12
Total usable reserves	26.7	30.2

We also reviewed the financial performance in 2024/25. Council agreed the Revenue Budget for 2024/25 with a total revenue spend in 2024/25 of £16.122m. The revenue outturn position for the 2024/25 financial year was a total spend for the Council of £15.747m. This gives a revenue underspend on net expenditure of £0.375m and a net total underspend of £0.433 compared to the budget set at the start of the year.

The Council maintains a prudent level of usable reserves which can be deployed to bridge funding gaps, if necessary. Unallocated General Fund reserves are held at a minimum of £1m to provide resilience against unforeseen events. However, the current balance of unallocated reserves is c.£2.4m.

VFM arrangements – Financial Sustainability

Overall commentary on the Financial Sustainability reporting criteria – continued

Financial planning and monitoring arrangements

The Council prepares a three year Medium Term Financial Strategy (MTFS) which sets out the resources available to deliver the Council's Corporate Priorities as it works towards its driving growth and prosperity goals. The MTFP provides the framework for transforming services so the Council can meet the needs of people locally whilst providing and improving value for money.

Budget monitoring reports have been presented to Cabinet on a quarterly basis. We reviewed a sample of reports presented through the year, together with the outturn report received in June 2025 as required by the CIPFA Financial Management. The reports contain appropriate detail on significant variances to budget and an explanation of the pressures. Cabinet also receives regular information on progress against the approved capital programme together with the reasons for over or underspends against the budget profile. These reports provide for effective scrutiny and oversight by members..

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

The 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. The MTFS is updated annually. A strategy is in place for 2025/2026 to 2027/2028 and includes an updated action plan for the process and arrangements for reporting on progress to date.

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, annual pay award 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.

Growth pressures are considered as part of the annual budget setting process. For 2024/25 a corporate savings target of £0.1m was identified which was delivered from general savings throughout the year. The Council have not funded additional spend for proposed growth items due to the savings target predicted for 2024/25. The year end outturn showed a £0.433 net underspend.

VFM arrangements – Financial Sustainability

Overall commentary on the Financial Sustainability reporting criteria – continued

Arrangements and approach to 2024/25 financial planning

The arrangements for the 2025/26 budget setting process have largely followed the arrangements in place for 2024/25. The budget has always been approved in the February preceding the start of the financial year. It is presented to Cabinet and then Full Council. The medium term financial strategy for the forthcoming three year period has also been presented alongside it so that Members are able to see how the financial position might look for up to three years.

A balanced budget for 2025/26 was approved at the February 2025 Council meeting alongside the updated MTFS. The budget included required savings of £0.164m expected to be covered by actions in hand, with no draw down from reserves anticipated. The 2024/25 budget highlighted a number of risks to achieving a balanced outturn, including assumptions regarding local government re-organisation and subsequent funding from central government.

Whilst a balanced revenue budget for 2025/26 was approved, savings requirements in future years of £0.596m in 2026/27 and £0.516 in 2027/28 are highlighted in the MTFS. The Capital Programme detailed that in 2025/26 there would be new additions of £2.4m. The additions will bring the programme for 2025/26 to £26m, including forecast slippage of the unspent programme from 2024/25 of £23.6m. The capital programme excluded the proposed Huncoat Garden Village scheme which will be wholly funded from the Home England Brownfield Infrastructure and Land Fund grant of £29.89m.

The projects being delivered include a number of schemes to improve the district, the largest of which relates to Accrington Town Centre Levelling Up Project and the leisure estate investment. The significant increase in the capital programme is due to the award of Levelling Up funding. The Authority has secured external sources of funding for the capital programme and have robust financial management around limiting debt and borrowing costs.

Cabinet reviewed the budget position regularly during the latter half of 2024/25 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 2025. A review of the Capital outturn finds that actual expenditure to 31st March 2025 of £15.951m against the rephased budget for 2024/2025 of £16.036m equates to 99.47% spend. There has been monitoring of the programme to ensure that projects are kept in line with spend forecasts.

We have reviewed the MTFS and supporting reports to Council in February 2025 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.

VFM arrangements

Governance

How the body ensures that it makes informed decisions and properly manages its risks



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 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 in 2024/25. 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 during 2024/25, 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 2024/25 and is reviewed by the Audit Committee prior to final approval. The plan was risk-based and designed to provide assurance over the adequacy and effectiveness of governance, risk management, and control arrangements. 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 2025/26 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 issued the Annual Report to the Committee in June 2025 for the year 2024/25, providing a "Substantial Assurance" opinion on the Council's control environment. We have reviewed the annual report and confirmed they are based upon the work undertaken by Internal Audit during 2024/25. Of the 15 audit reports issued during the year, 7 provided Comprehensive Assurance and 8 provided Substantial Assurance.

VFM arrangements – Governance

Overall commentary on the Governance reporting criteria – continued

Arrangements for budget setting and budgetary control

The Full Council sets the Policy and Budget Frameworks within which the Cabinet must operate and through its meetings, calls to account the Cabinet and Committees in the exercise of their powers.

The budget setting process has operated in the same way in 2024/25 as previous years. It involves regular meetings between Chief Officers and the Corporate Management Team to discuss the financial position and emerging pressures, delivery of savings plans and opportunities for future service redesign, savings or efficiencies. This feeds through to the Budget Management Board to inform the MTFP development and monitoring processes, along with scheduled reporting to Members.

The Budgetary control and monitoring arrangements in place ensured that, over the two-year period, the resources allocated through Council's approval of the budgets, were used for their intended purpose and were properly accounted for. There is evidence budgetary control operated as a continuous process in 2024/25, enabling the Council to review and adjust the budget during the financial year. The arrangements in place provided a mechanism to hold to account managers responsible for defined elements of the budget.

Comprehensive financial and performance reporting was in place throughout 2024/25, with structured reports presented to Members via key governance forums, including the Audit Committee, Governance and Standards, Cabinet, Scrutiny Committee, and Council. The reports are structured appropriately and covered:

- Revenue and Capital Budgets
- Quarterly Financial Monitoring
- Treasury Management mid year and Annual reports
- Treasury Strategy, Prudential and Treasury Indicators, Capital Policy and Minimum Revenue Provision
- Financial settlement, Council Tax and budget setting.

We have reviewed these reports for 2024/25 to confirm they contained sufficient detail to allow Members to make decisions or provide challenge and scrutiny appropriate to their role.

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 Committee's review of the AGS and monitoring of actions throughout 2024/25 in relation to any significant governance issues.

VFM arrangements – Governance

Overall commentary on the Governance reporting criteria – continued

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.

Our audits for the financial years 2020/21 and 2021/22 continued to identify these significant deficiencies in the Council's financial reporting processes. In both years, the draft financial statements were published beyond the statutory deadline, and the audit process was hindered by substantial issues with the supporting working papers and underlying accounting records. As a result, we identified a significant weakness in the Council's arrangements for preparing and reviewing its financial statements with the recommendation for building capacity in finance team.

For 2022/23 and 2023/24 the accounts were not published by the statutory deadline, and we were not able to complete our audit in advance of the timescales set out in the Government's backstop proposals. However, the accounts have been submitted earlier each year, reflecting the positive progress that the Council made in implementing actions to improve the position. We have issued a disclaimer of opinion on the 2022/23 and 2023/24 financial statements.

During 2023/24 and 2024/25, the Council made good progress in addressing this weakness and implemented the recommendations made in previous years. Including continued implementation of the detailed action plan for reducing time scale for Statement of Accounts preparation process and recruitment of additional staff to strengthen the finance team and improve capacity. Our VFM assessment confirms that finance officers are assigned to service areas and work closely with budget holders, improving engagement and resilience.

As a result of these measures, the Council successfully published the 2024/25 Statement of Accounts in June 2025, meeting the statutory deadline. We anticipate issuing a disclaimer of opinion on the Council's 2024/25 financial statements. No detailed audit work has been undertaken on the accounts or supporting working papers. We have as part of our Value for Money assessment, obtained a limited selection of sample working papers to evaluate improvements in their quality. While these samples provided evidence of improvement, our review of working papers was necessarily restricted given the planned disclaimer of opinion. We have performed a high-level review of the draft financial statements for 24/25 and we have not noted a material disclosure omitted in published financial statements for 24/25, indicating improvement in financial statements preparation process.

We therefore conclude that the previously reported significant weakness in financial reporting has been addressed. The accounts production process is now operating effectively and in compliance with national requirements

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

VFM arrangements

Improving Economy, Efficiency and Effectiveness

How the body uses information about its costs and performance to improve the way it manages and delivers its services



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 2025-2030 outlines the Council's vision for creating a 'Building a Better Hyndburn for Everyone'. The strategy is structured around four main themes:

Sustainable Growth – focussed on to support employment and business growth, revitalise town centres and deliver new homes, balancing growth with sustainability

Environment and climate change – focussed on net zero by 2030

A Thriving and cohesive community - Partnership working health and wellbeing culture, heritage and arts.

Embrace the opportunities of devolution – focused on local Partnerships, Shared Working, Workforce Planning and Organisational Readiness

Hyndburn Borough Council has established arrangements that generally secure economy, efficiency and effectiveness. Strengths include a risk based internal audit programme, improved procurement controls, regular financial monitoring, and a refreshed three tier performance framework structure:

- Tier 1 – Headline KPIs
- Tier 2 – Hyndburn-wide indicators
- Tier 3 – Corporate Strategy outcomes

This framework enables the Council to evaluate service delivery against strategic objectives and community outcomes.

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.

 In 2024/25, the Council participated in a Local Government Association (LGA) Corporate Peer Challenge. The findings were reported to Members and informed the development of improvement

actions. In September 2025 the LGA has completed a follow-up progress review, setting out how the Council has begun to address the original recommendations. The Council has reported all recommendations as being complete or on track.

The Council reported its annual performance against its KPIs to the Resources Overview and Scrutiny Committee in 2025. We have reviewed the annual reports 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.

The Corporate strategy includes partnership working as a priority. Examples of partnership working is Hyndburn Leisure Trust (HLT) that operates six leisure facilities on behalf of the Council, supporting health and wellbeing objectives. Two Hyndburn Councillors are appointed to the HLT Board of Trustees, providing strategic oversight and alignment with Council priorities. HLT played a key role in the design and development of the Wilson Sports Village, contributing sector expertise.

Procurement

Financial regulations and procedures apply to all Members and employees in the work they do for the Council. The Council has arrangements for financial instructions and purchase order controls. A Contracts Register is maintained centrally, and procurement staff attend Procurement/Project Boards.

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

Other reporting responsibilities

Other reporting responsibilities

Wider reporting responsibilities

Matters we report by exception

The 2014 Act 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 powers.

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 group auditor

Whole of Government Accounts ('WGA')

The NAO, as group auditor, require us to complete the WGA Assurance Statement in respect of the Council. On completion of the audit, we expect to issue our assurance statement to the NAO in line with their instructions. Given the Council meets the criteria for the minor body exemption, we do not expect to carry out any further work.

We are yet to receive the full group audit instructions from the NAO. We are unable to conclude our work on the WGA as we have yet to receive these instructions. We have neither received confirmation from the NAO that no further work is required to be completed by us. Until we receive this, we are unable to conclude our work to discharge our responsibilities to the NAO in respect of WGA.

Contact

Forvis Mazars

Daniel Watson

Partner

Daniel.Watson@mazars.co.uk

Osama Rathore

Manager

Osama.Rathore@mazars.co.uk

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