

# Agenda

MUNICIPAL YEAR 2026-2027



**HYNDBURN**

The place to be  
an excellent council

## Audit Committee

**Monday, 29 June 2026 at 4.00 pm,**  
Scaitcliffe House, Ormerod Street, Accrington

### Membership

Chair: Councillor Noordad Aziz  
Vice-Chair: Councillor Stephen Button

Councillors Mike Booth, Zak Khan, Paul Brown and Shabir Fazal OBE

## AGENDA

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

**2. Minutes of the Last Meeting (Pages 5 - 8)**

The Minutes of Audit Committee held on the 16<sup>th</sup> of February 2026 were submitted for approval as a correct record.

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

**3. Annual Internal Audit Report and Opinion (Pages 9 - 38)**

To inform and update Audit Committee on the Annual Internal Audit Report and Audit Opinion for 2025/26 and to give details on the performance of the Internal Audit Team and final outturn position for 2025/26.

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



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Published on Friday, 19 June 2026

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**4. Internal Audit Plan Progress Report** *(Pages 39 - 44)*

To inform members of the Audit Reports issued during the period March 2026 – May 2026 and bring to the attention of the Committee what the key issues were.

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

**5. Internal Audit Strategy 2026-2028** *(Pages 45 - 54)*

To inform and update Audit Committee on the Internal Audit Strategy 2026-2028

**Recommended – That the Audit Committee Approves the Internal Audit Strategy 2026-2028**

**6. Internal Audit Charter 2026** *(Pages 55 - 70)*

To inform and update Audit Committee on the 2026 Internal Audit Charter and Mandate which reflects both good working practices and to ensure it remains aligned with the Global Internal Audit Standards (GIAS).

**Recommended – That the Audit Committee Approves the 2026 Internal Audit Charter and Mandate**

**7. Global Internal Audit Standards - Self Assessment 2026** *(Pages 71 - 74)*

To inform and update Audit Committee on the Internal Audit Team's 2026 self-assessment Global Internal Audit Standards (GIAS).

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

**8. Accounting Policies to be used to prepare the Statement of Accounts 2025/26** *(Pages 75 - 98)*

To allow the Committee to review and consider the proposed Accounting Policies to be used in the preparation of the Council's Statement of Accounts 2025/26 and update Committee on any changes to the accounting policies used between years.

**Reccomended - The Committee is recommended to note the use of the Accounting Policies as set out in Appendix 1 for the preparation of the Council's Statement of Accounts 2025/26.**

## AUDIT COMMITTEE

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**Monday, 16th February, 2026**

**Present:** Councillor Bernard Dawson MBE (in the Chair), Councillors Peter Edwards and Danny Cassidy

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**293 Apologies for Absence, Declarations of Interest, Dispensations and Substitutions**

No Apologies for Absence or Declarations of Interest were given.

**294 Minutes of the Last Meeting**

The Minutes of the last Audit Committee held on the 8<sup>th</sup> of December 2025 were submitted for approval as a correct record.

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

**295 Internal Audit Plan Progress Update**

Mr Mark Beard, Head of Audit and Investigations, presented the report to the committee. Informing that the update was regarding reports issued between the period of December 2025 and January 2026.

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 96.63%. Mr Beard informed that the position as of the end of January 2026 was 80.53%.

The following Audits were carried out for the December 2025 to January 2026 period:

**Leasing Arrangements – Substantial Assurance**

1 Recommendation was made as per page 10 of the agenda.

**Facilities Team – Substantial Assurance**

1 Recommendation was made as detailed on page 10 of the agenda.

Mr Beard informed the committee that since the agenda's publication this recommendation has been implemented.

**Accrington and Great Harwood Town Centre Greening – Substantial Assurance**

2 Recommendations were made as detailed on pages 10 and 11 of the agenda.

Mr Beard advised the committee that the UKSPF grant funding agreement has been signed.

**ICT Security Policy – Comprehensive Assurance**

No issues reported.

**Resolved – The committee noted the information.**

## 296 Follow Ups Update

Mr Mark Beard, Head of Audit and Investigations, presented an update to the committee of the previously agreed action plans for completed audit reports for the period of December 2025 to January 2026.

The areas reviewed were:

Network Controls – 2 actions.  
1 Action Partially Implemented.  
1 Action Implemented.

ICT Assets – 1 action.  
1 Action Partially Implemented.

GDPR & Document Retention Policy – 1 action.  
1 Action Implemented.

Risk Management & Policy Framework – 2 actions.  
1 Action Partially Implemented.  
1 Action Implemented.

Payroll – 9 actions.  
5 Actions Partially Implemented.  
4 Actions Implemented.

Pages 16 to 18 of the agenda highlighted the areas which were reviewed and their corresponding actions.

**Resolved – The committee noted the report for information.**

## 297 Internal Audit Plan 2026/27

Mr Mark Beard, Head of Audit & Investigations, informed the committee of the Internal Audit Plan for the financial year 2026/27. The Internal Audit Plan forms the work plan of the Internal Audit Team for the financial year. It is risk based and set annually.

The 2026/27 Internal Audit Plan has had some alterations which reflect changes occurring within the Council as well as changes designed to streamline the Audit Plan.

Page 20 of the agenda highlights the amendments and areas added to the 2026/2027 plan. In total 2 areas have been added to Ad-hoc and form part of the work planned for 2026/27. There are 5 areas that have remained in Ad-Hoc & Investigations section of the 2026/27 Internal Audit Plan. Of the 5 areas, two are carried forward from the 2025/26 Audit Plan.

The Audit Plan risk assessment highlighted 13 audit areas as high risk, a decrease of 8 on 2025/26. The 2026/27 Audit Plan includes all 13 of these high risk areas.

There are 98 medium risk areas, an increase of 9 on 2025/26 and 17 are included in the Audit Plan. The remaining 81 medium risk areas will remain on a reserve list and will be included if other time allocations such as contingency days are not utilised.

There are 36 low risk areas, a decrease of 1 on 2025/26. None of the low risk areas are likely to be covered in 2026/27 Audit Plan unless the level of risk significantly increases or a specific issue is identified during the financial year.

**Resolved – The Audit Committee voted to approve the Internal Audit Plan for the 2026/2027 financial year.**

## **298 External Audit Update**

Mr Daniel Watson, Partner at Forvis Mazars, advised the committee of the Audit Strategy and Completion Report for the year end 31<sup>st</sup> of March 2025.

Due to the backlog in financial reporting in recent years legislation was passed in 2024 to address the backlog by introducing 'backstop dates' for the publication of financial statements, even if the audits had not been completed. This was intended to enable the sector to focus on the current financial position rather than historic information. As a result of these measures, the Council successfully published the 2024/25 statement of Accounts in June 2025, meeting the statutory deadline.

Disclaimed Opinions were issued for 2021/2022, 2022/2023 and 2023/2024 financial years. Due to this the external auditors do not have assurance over the opening balances in the 2024/2025 financial statements.

Mr Watson advised that they will be issuing a disclaimed opinion to allow the Council to publish its financial statements by the backstop date of 27 February 2026 as required by the relevant legislation.

Mr Watson explained the Value for Money Arrangements, highlighting the removal of a significant weakness which has been carried over from 2020/2021's financial accounts. Mr Watson informed that the council have implemented the recommendations made in previous years and no material disclosures were omitted in the accounts for 2024/2025. The accounts production process is now operating effectively and in compliance with national requirements.

Mr Watson concluded that the previously reported significant weakness in financial reporting has been addressed.

**Resolved – The Committee noted the report.**

## **299 Statement of Accounts 2024/2025**

The following matter was submitted as urgent business with the Chair's agreement in accordance with Section 100B(4) of the Local Government Act 1972, the reason being to enable the authority to comply with the provisions of Regulation 9A(3) of The Accounts and Audit Regulations 2015 (as amended) to provide for its accountability statements for the financial year beginning 2024 to be published on or before 27th February 2026.

The Committee was invited to consider approving the Council's Statement of Accounts for 2024/25, so that they could be published by the statutory backstop deadline of 27th February 2026 and to provide delegated authority to the Executive Director (Resources) to provide the necessary Letter of Representation for 2024/25 to the External Auditors (Forvis Mazars) before they issued their audit report.

The Executive Director (Resources) referred Members to the draft Statement of Accounts for 2024/25, which had been approved by the Committee on 22 September 2025, a copy of which was available at Appendix A to Item 5 of the Agenda for that meeting using the following link:

<https://democracy.hyndburnbc.gov.uk/documents/g3036/Public%20reports%20pack%2022nd-Sep-2025%2016.00%20Audit%20Committee.pdf?T=10>

The unaudited accounts had previously been made available for public inspection on 30th June 2025, meeting the statutory deadline. The inspection period had then run for 30 days, concluding on 6th August 2025, with no public representations received.

In accordance with Regulation 9(3) of The Accounts and Audit Regulations 2015 the Executive Director (Resources) re-confirmed on behalf of the authority that he was satisfied that the Statement of Accounts presented a true and fair view of:

- (a) the financial position of the authority at the end of the financial year 2024/25; and
- (b) the authority's income and expenditure for that financial year,

**Resolved – The Audit Committee voted by unanimous decision:**

- 1) That the Statement of Accounts for 2024/25 be agreed and that the Chair of the Committee (being the person who presided at this meeting) be authorised to sign and date the Statement of Accounts.**
- 2) That authority to approve and submit the Letter of Representation for 2024/25 to the External Auditors be delegated to the Executive Director (Resources), in consultation with the Chair of the Committee.**

Signed:.....

Date: .....

Chair of the meeting  
At which the minutes were confirmed

# Agenda Item 3.

<b>REPORT TO:</b>		<b>AUDIT COMMITTEE</b>	
<b>DATE:</b>		29 June 2026	
<b>PORTFOLIO:</b>		<b>Councillor Vanessa Alexander - Resources and Council Operations</b>	
<b>REPORT AUTHOR:</b>		Mark Beard – Head of Audit & Investigations	
<b>TITLE OF REPORT:</b>		<b>ANNUAL INTERNAL AUDIT REPORT &amp; AUDIT OPINION 2025/26</b>	
<b>EXEMPT REPORT (Local Government Act 1972, Schedule 12A)</b>	<b>No</b>	Not applicable	
<b>KEY DECISION:</b>	<b>No</b>	If yes, date of publication:	

## 1. **Purpose of Report**

- 1.1 To inform and update Audit Committee on the Annual Internal Audit Report and Audit Opinion for 2025/26 and to give details on the performance of the Internal Audit Team and final outturn position for 2025/26.

## 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 The production of an Annual Internal Audit Report & Audit Opinion is a requirement of the Global Internal Audit Standards (GIAS) which have guidance jointly published by the Chartered Institute of Internal Auditors (CIIA) and the Chartered Institute of Public Finance and Accountancy (CIPFA). The Annual Internal Audit Report & Audit Opinion is also an aid to those charged with governance in their consideration of the Annual Governance Statement in support of the Council's Financial Statements. The report also enables those charged with governance to gain an independent viewpoint on the Council's Control Environment.

- 3.2 The Annual Internal Audit Report & Audit Opinion is a supporting piece of evidence and does not replace or prevent the Council's requirement to produce the Annual Governance Statement.
- 3.3 A copy of the Annual Internal Audit Report & Audit Opinion 2025/26 is attached as an appendix to this report.

**4. Alternative Options considered and Reasons for Rejection**

- 4.1 There are no alternative options as the report is for informational purposes only and the Head of Audit & Investigations must produce an Annual Internal Audit Report & Audit Opinion to be in conformance with the GIAS.

**5. Consultations**

- 5.1 No consultations required as this report is based on data and information held by the Head of Audit & Investigations reflecting the actual work carried out in 2025/26.

**6. Implications**

<b>Financial implications (including any future financial commitments for the Council)</b>	There are no financial implications arising from this report at this stage as it is purely an information / end of year position statement based on actual work completed in 2025/26.
<b>Legal and human rights implications</b>	There are no legal or human rights implications arising from this report.
<b>Assessment of risk</b>	There are no direct risks from this report as it is reporting on actual completed work in 2025/26.
<b>Equality and diversity implications</b> <i>A <a href="#">Customer First Analysis</a> 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 to update Audit Committee of the issues surrounding the Annual Internal Audit Report & Audit Opinion together with the Internal Audit performance and outturn position. This brings together details of the work carried out during 2025/26, which was risk based and a Customer First Analysis cannot be applied in the context of this report.

**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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# ANNUAL INTERNAL AUDIT REPORT & AUDIT OPINION

2025/26

Internal Audit Services  
Town Hall – Broadway Annex

Report Author: Mark Beard – Head of Audit & Investigations

# EXECUTIVE SUMMARY

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The Audit Team was able to carry out sufficient work to enable an opinion to be given. The Head of Audit is pleased to report that good levels of internal control were found to be in place, and no significant areas of concern were found that could impact on the Council's Financial Statements. This is based on the work of the Internal Audit Team during 2025/26.

The key issues arising from this report are: -

- The Head of Audit & Investigations can issue a positive opinion on the systems of Internal Control based on the work carried out in 2025/26 as detailed below. The opinion score slightly improved from 1.53 in 2024/25 to 1.47 in 2025/26. The number of recommendations increased from 13 in 2024/25 to 15 in 2025/26.
- Internal Audit did not identify any issues in 2025/26 during their audit work that would have a material effect on the Council's Financial Statements.
- Internal Audit achieved audit plan coverage of 95.96% in 2025/26. This was 2.04% below the annual target of 98% but 5.53% higher than audit plan coverage in 2024/25.
- Production and publication of this report is a requirement of the Global Internal Audit Standards. This report satisfies the requirements for those charged with governance and forms a supplementary piece of evidence to the Annual Governance Statement.

## AUDIT OPINION

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All the work undertaken by Internal Audit during the financial year 2025/26 was in conformance with the Global Internal Audit Standards. The average opinion score in 2025/26 was 1.47 as opposed to 1.53 in 2024/25. This is based on a scale of 1 to 4 where 1 is the highest level of assurance and 4 is the lowest level of assurance.

Therefore, the Audit Opinion for 2025/26 is: -

**Substantial assurance:** The work undertaken showed there is a generally sound system of internal control designed to meet the 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.

This statement is intended to provide reasonable assurance. There is an on-going process for identifying, evaluating, and managing key risks. These risks are reflected in the Internal Audit Plan and are subject to their own reporting process during the year which sits outside the Internal Audit role.

**Opinion Caveat** – Those charged with Governance must remember that no system of control can provide absolute assurance against material misstatement or loss, nor can Internal Audit give that assurance.

Clearly whilst the overall opinion for 2025/26 shows the risk score has improved from an average of 1.53 to 1.47, a substantial assurance opinion has still been given. It must be remembered that the Audit Team has not looked at all areas of the Council and issues identified in 2026/27 will feed into the next annual opinion.

# ANNUAL INTERNAL AUDIT REPORT & AUDIT OPINION - PURPOSE & BOUNDARIES

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Management is responsible for the System of Internal Control and must set in place policies and procedures to ensure that the system is functioning correctly. Internal Audit review, appraise and report on the efficiency, effectiveness, and economy of financial and other management controls. This report is the culmination of the work during 2025/26 and seeks to: -

- Provide an opinion on the adequacy of the control environment
- Comment on the nature and extent of any significant risk
- Report the incidence of significant control failings or weaknesses

## Requirement for Internal Audit

All local authorities must make proper provision for internal audit in line with the 1972 Local Government Act (Section 151) and the Accounts and Audit Regulations 2015. The latter requires authorities to:

*“...undertake an adequate and effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.”*

The Global Internal Audit Standards (GIAS) set out a detailed framework that Internal Audit must conform to. These cover all aspects of Internal Audit from behaviours to the actual way in which audit work should be conducted.

In addition to the GIAS both the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Chartered Institute of Internal Auditors (CIIA) produce additional guidance and publications surrounding internal audit, control, governance, and Audit Committees etc. Key publications include “The Role of the Head of Internal Audit in Public Service Organisation” republished in 2019 and CIPFA Code of Practice for the Governance of Internal Audit published April 2025. The 2025 publication has been introduced to align with the GIAS replacing organisational responsibilities previously set out in the 2019 Statement.

The role of internal audit is complemented by initiatives aimed at promoting effective corporate governance, risk management, anti-fraud & corruption including bribery, anti-money laundering & proceeds of crime in addition to maintaining probity and value for money.

The guidance accompanying the Accounts and Audit Regulations 2015 also detail the need for sound systems of internal control and set out the basis for the necessity of Internal Audit. The Accounts and Audit Regulations 2015 also have a number of amendments in various years, but these do not change the need for sound systems of internal control or the necessity of Internal Audit.

## Equality, Diversity & Inclusion

Internal Audit remains committed to the Council's objectives on Equality, Diversity & Inclusion. This is achieved through the way the team is managed, the way staff are trained and by the way processes are put in place to ensure members of the team behave appropriately in their work with staff and management at all levels together with elected Members, members of the public and other external organisations. This again links into the requirements of the GIAS.

The Internal Audit team has received both Equality, Diversity & Inclusion Training in addition to other information supplied e.g. Newsround briefings, team discussions, and corporate briefings / training.

## Declaration of Interests

Internal Audit must avoid any conflict of interest that could impede any of the audit work carried out or cast doubt over the independence or integrity of the auditor carrying out the engagement. This links in to the 'Due Professional Care & Ethics' elements of the GIAS.

All members of the audit team are aware that they must declare any interests and sign an annual statement which also states they would inform the Head of Audit & Investigations if any issue became apparent during the year. The statement signed by members of the Audit Team is also declaring conformity with the Code of Ethics.

The Head of Audit & Investigations can report that no member of the Audit Team had any issues that could have impacted on the integrity, professionalism, or quality of the work during 2025/26.

## THANKYOU

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The Head of Audit & Investigations and Internal Audit Team would like to express their thanks to Management and all areas of the Council where work was undertaken during 2025/26 for the help afforded to the Audit Team during their work.

## REVIEW OF INTERNAL CONTROL

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### How Internal Control is Reviewed

- 1.1 During 2025/26 the Authority's risk registers have been continually updated. These form a key factor of Internal Audit's operational plan each financial year. The review process draws on key indicators of risks to the organisation with the aim of ensuring audit resources are allocated to the areas with the highest risk.
- 1.2 Internal Audit uses a 9-point risk analysis matrix for determining the levels of risk as part of the annual audit planning process. Factors considered are: -
- Audit Area covered by risk(s) in the Risk Registers
  - Have system changes taken place? E.g. to personnel or processes
  - Has the service area been subject to cuts / job losses / restructure?
  - Does External Audit require coverage?
  - Is the Audit b/fwd. or deleted from the current audit plan?
  - Does the Audit Area directly affect the Council's financial position?
  - Is it a Council / Management Team / Manager priority?
  - When was the last audit carried out?
  - What is the monetary value / income of the area?
- 1.3 The audit plan includes a 10% contingency provision. Contingency days are used in response to unforeseen work demands that arise. If there are contingency days that have not been required, these are used to enable additional audit areas to be covered within the plan as per the risk scoring matrix.
- 1.4 The risk analysis and scoring part of the audit planning process results in a comprehensive range of audit engagements being undertaken during the financial year. These audits support the overall opinion on the control environment. Examples include: -
- Systems based reviews of fundamental financial systems that could have a material impact on the Council's financial statements e.g. Asset Management, Creditors, Debtors, General Ledger, Housing Benefits
  - Establishment audits e.g. Facilities Team, Waste & Recycling
  - Systems based reviews of departmental systems e.g. Debt Recovery Arrangements, Energy Conservation & Climate Change
  - External Grant Funding
  - ICT audits e.g. Data Security & Storage, Help Desk, IT Procurement
  - Contract audit
  - Fraud Strategy Work
  - Responsive fraud and irregularity investigations
- 1.5 Audit work is risk based and the risk registers are cross referenced to the audit plan. Any risks identified within the risk registers that cannot be linked to the audit plan are added to the audit plan during the annual planning process. Whilst there were a small number of new risks in the risk registers, these did not require the creation of new areas within the Audit Plan as the risks linked to areas which already exist. These

new risks were considered as part of the cross matching. Any significant risks are acted upon during the financial year as opposed to waiting until the annual audit planning process which takes place towards the end of each financial year.

## Accounts and Audit Regulations

1.6 The Accounts and Audit Regulations 2015 set out clear instructions that Councils must follow. Parts of the regulations detail financial management and the need for Internal Audit.

1.7 Financial management is covered within part 2 of the 2015 regulations and details what the Authority must have in place regarding: -

- Responsibility for Internal Control
- Accounting records and control systems
- Internal Audit
- Review of Internal Control System

1.8 For clarity, the specific regulations relating to the above areas are detailed in TABLE 1 below. These detail the key parts of regulations 3 to 6.

Regulation	Requirement
3	A relevant authority must ensure that it has a sound system of internal control which: - (a) Facilitates the effective exercise of its functions and the achievement of its aims and objectives; (b) Ensures that the financial and operational management of the authority is effective; and (c) Includes effective arrangements for the management of risk
4 (4)	The financial control systems determines in accordance with paragraph (1) (b) must include: (a) Measures – (i) to ensure the financial transactions of the authority are recorded as soon as, and as accurately as, reasonable practicable; (ii) to enable the prevention and detection of inaccuracies and fraud, and the reconstitution of any lost record; and (iii) to ensure that risk is appropriately managed; (b) identification of the duties of officers with financial transactions and division of responsibilities of those officers.
5 (1)	A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control, and governance processes, taking

	into account public sector internal auditing standards or guidance.
5 (2)	Any officer or member of a relevant authority must, if required to do so for the purpose of the internal audit – (a) make available such documents and records; and (b) Supply such information and explanations; As are considered necessary by those conducting the internal audit.
5 (3)	In this regulation “documents and records” includes information recorded in an electronic form.
6 (1)	A relevant authority must, each financial year – (a) Conduct a review of the effectiveness of the system of internal control required by regulation 3; and (b) Prepare an annual governance statement

## Annual Governance Statement

- 1.9 CIPFA guidance states that an Annual Governance Statement (AGS) should be produced to accompany the Council’s Financial Statements.
- 1.10 The AGS is made up of numerous evidence sources from across the Council that collectively demonstrate why the Council believes it has good governance in place. The Head of Audit & Investigations supplies 5 pieces of evidence each year to show Internal Audit’s contribution to the Council’s governance processes. This report is one of those 5 pieces of evidence.
- 1.11 It must be highlighted that this Annual Internal Audit Report & Audit Opinion is not the AGS and cannot be used to substitute it. However, it is a significant source of assurance within the AGS.

## Risk Management

- 1.12 The Council has a well-established risk management process which is monitored and updated on a regular basis and reported to both the Council’s Corporate Management Team and the Audit Committee.
- 1.13 There are currently 3 risk registers: Strategic, Operational and Generic. An additional risk register is intended to be added in 2026/27 which will specifically cover ‘Cyber Risks’.

- 1.14 Risk owners and management are proactive in monitoring the tables and ensuring that obsolete risks are deleted, and new emerging risks are added in addition to updating existing risks.
- 1.15 The risk management process is subject to auditing by Internal Audit, however this is determined by the audit planning process and specifically the risk scoring matrix.
- 1.16 The Head of Audit & Investigations can confirm that the risk management provides regularly updated risk information to both Corporate Management Team and Elected Members.

## **Fraud**

- 1.17 Whilst it is not the primary role of Internal Audit to detect fraud, it does have a role in providing an independent assurance on the effectiveness of the processes put in place by management to manage the risk of fraud. Internal Audit carries out additional fraud related work at times, although this must not be prejudicial to the primary role of Internal Audit. Examples of the activities that may be carried out include: -
- Investigation work surrounding fraud cases
  - Responding to whistle-blowers
  - Considering fraud in every audit
  - Making recommendations to improve processes
  - Review fraud prevention controls and detection processes put in place by management.
- 1.18 Internal audit procedures alone, even when performed with due professional care, cannot guarantee that fraud or corruption will be detected.

## **Additional Sources of Assurance**

- 1.19 During 2025/26 the Local Government Association Corporate Peer Review Challenge Team revisited the Council to assess progress with the Action Plan following the original Peer Review Challenge in 2024/25.
- 1.20 At the time of the progress visit in September 2025, out of the Corporate Peer Challenge's (CPC) ten recommendations, the council's RAG rated Action plan reports that 100 per cent of actions are either completed (20 per cent) or in progress (80 per cent).
- 1.21 The CPC's report, which can be read via this link [LGA Corporate Peer Challenge Final Report 2021](#) , gives a significant level of additional external assurance on a wide range on Council priorities and activities.
- 1.22 During 2025/26, Hyndburn Borough Council retained 11 prestigious Green Flag Awards, the highest number of any borough in Lancashire, showcasing top-tier green

spaces. The Parks Team was also named the 2025 'Team of the Year' by the Green Flag Award for their exceptional work.

- 1.23 Play Areas within the Borough have an external inspection on an annual basis by the Register of Play Inspectors International.
- 1.24 The Pest Control Team are one of the few local authorities part of the British Pest Control Association (BCPA). The service is inspected every 3 years to ensure it meets BCPA / industry standards and can be inspected ad-hoc in between.
- 1.25 The Cemetery & Crematorium Service was recently inspected by the Federation of Burial and Cremation Authorities to benchmark against industry standards.
- 1.26 The Central Vehicle Maintenance Unit (CVMU) gets an external assessor annually to audit MOT testing facility. The Vehicle an Operator Services Agency (VOSA) can come to CVMU anytime to inspect the facility and check they are maintaining the vehicles correctly.
- 1.27 Waste Services are part of the LWP (Lancashire Waste Partnership). Meet every 3 months and benchmark performance and operational standards against other Local Authorities in Lancashire.

### **Local Government Reorganisation**

- 1.28 At the time of writing this report, the Council was awaiting the decision of the Secretary of State for Housing Communities and Local Government as to which solution will be chosen for Lancashire's Local Government Reorganisation.
- 1.29 Whilst 2026/27 is to a large extent a 'business as usual' type of year, 2027/28 will be the last year of the existence of Hyndburn Borough Council and as a result this will have to be reflected in the 2027/28 Internal Audit Plan with a change in emphasis for some areas of work to try and ensure that as far as possible everything is at a completed state prior to the vesting date of the newly formed Unitary Council on 1<sup>st</sup> April 2028.
- 1.30 The Internal Audit Team will continue throughout 2026/27 and 2027/28 to carry out sufficient work to formulate an opinion on the Council's Control Environment and position with externally funded projects, many of which will continue beyond the existence of Hyndburn Borough Council.
- 1.31 The Audit Team will assist Service Areas across the Council in addressing any risks that may arise, for example because of loss of staff, some of whom may choose to retire prior to the start of the replacement Unitary Authority.

1.32 The Audit Team will also feed into LGR working groups and teams in sharing necessary information ready for the new Unitary Authority to be able to provide service delivery from day one.

## SIGNIFICANT ISSUES ARISING

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2.1 Each audit report issued is given an audit opinion based on the issues identified and reported by Internal Audit. Table 2 below shows the opinions and how many of each was issued in 2025/26: -

TABLE 2

AUDIT REPORT ASSURANCE OPINIONS	Number issued In 2025/26
<b>Comprehensive assurance:</b> the work carried out within this audit engagement is in conformance with the Public Sector Internal Audit Standards. The work undertaken	7

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.	
<b>Substantial assurance:</b> the work carried out within this audit engagement is in conformance with the Public Sector Internal Audit Standards. The work undertaken showed there is a generally sound system of internal control designed to meet the 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.	6
<b>Limited assurance:</b> the work carried out within this audit engagement is in conformance with the Public Sector Internal Audit Standards. The work undertaken showed weaknesses in the design and / or inconsistent application of controls that put the achievement of the service objectives at risk.	1
<b>No assurance:</b> the work carried out within this audit engagement is in conformance with the Public Sector Internal Audit Standards. The work undertaken showed weaknesses in controls and / or consistent non-compliance with controls that could result / has resulted in failure to achieve the service objectives.	0

- 2.2 This section of the report also details any audit engagements that resulted in 'Limited Assurance' or 'No Assurance' opinions being given.
- 2.3 In 2025/26 one audit engagement was given an opinion of 'Limited Assurance', therefore this requires reporting within this section of the Annual Internal Audit Report & Opinion.
- 2.4 The audit engagement was the Payroll System. Whilst this was given 'Limited Assurance,' this did not have any material effect on the Council's Financial Statements.
- 2.5 Issues found during the audit engagement resulted in 9 recommendations which became actions agreed by Management.
- 2.6 The Council had migrated to a new Payroll software system, and the issues were a mixture of the software not being able to correctly deal with a small number of issues, the software not being able to distinguish car allowance journeys over 70 miles where different rules applied. The set of sick pay days per week needed

clarification as the system set-up differed from Hyndburn policy where staff had multi-post contracts.

- 2.7 There was some examples of software errors that had resulted in pay errors that in turn created work that included manual calculations. There was some duplication of records within the system.
- 2.8 The Payroll Team worked closely with the software provider and additional training also took place where necessary. A mixture of clarification and tweaks to the system eradicated issues found at during the audit engagement.
- 2.9 Prior to the production of this Annual Internal Audit Report & Opinion, the Audit Team has carried out 'Follow Up' work within this audit engagement area and 4 of the actions agreed had been fully implemented and the remaining 5 had all been partially implemented. Further work is either continuing for the 5 partially implemented areas or some alternative work around / monitoring process is being carried out to mitigate the issue found at the time of the original audit engagement.
- 2.10 The steps taken by Management regarding the actions agreed have made improvements which should improve the level of control within this area.

## AUDIT PERFORMANCE

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### Assessment of Internal Audit

- 3.1 Internal Audit works closely with the Council's External Auditors, Forvis Mazars. External Audit utilise work carried out by Internal Audit, particularly surrounding the fundamental controls of key systems within the Council to give them added assurance those key systems and processes are working effectively. This then enables External Audit to gain additional reliance that the data and information produced by these systems is reliable. Such assurances contribute to the conclusions made by External Audit on the Council's financial statements.
- 3.2 External Audit has specific interest on any issue that could impact on the Council's Financial Statements. However, during 2025/26 Internal Audit did not find any such issues.
- 3.3 The Head of Audit & Investigations is part of the Lancashire Districts' Councils Audit Group. This allows all the Lancashire Heads of Audit to discuss issues and raise

matters that could have future impacts. The group meets 3 or 4 times per year, but the network is active all year as group members will highlight any issue, they become aware of with the rest of the group via email between the scheduled meetings.

- 3.4 Internal Audit must comply with the GIAS and as part of this process the Head of Audit & Investigations has carried out a self-assessment of the Audit function against the Standards during 2025/26. The Head of Audit & Investigations has also produced a Quality Assurance & Improvement Programme (QAIP) with the self-assessment. This details how those areas partially or not currently compliant will progress to become compliant. The QAIP is subject to on-going monitoring and revision.

### **External Assessment of Internal Audit**

- 3.5 The GIAS also state that an external assessment of the audit function and its conformance to the Standards, known as an External Quality Assessment, must be carried out at least once every 5 years. The Internal Audit function was reviewed in November 2022 in accordance with the former Public Sector Internal Audit Standards (PSIAS). This was undertaken as part of an agreement between 8 Lancashire Councils, which is part of the Lancashire Audit Group, to work together and achieve the external assessment through a Peer Review process. The next assessment of Internal Audit should take place within the 5 years period ending November 2027.
- 3.6 In 2022, Hyndburn's Internal Audit function was inspected by a current Lancashire Head of Audit and an ex-Lancashire Head of Audit who has moved into a more senior wider role within their Council. This was a thorough process and involved them examining the self-assessment against the former PSIAS, supporting evidence, questionnaires, and interviews of: -
- Chief Executive
  - Deputy Chief Executive (s151)
  - Executive Director (Monitoring Officer)
  - Chair of Audit Committee
  - A random cross section of 3 Heads of Service
  - A random cross section of a further 2 Heads of Service (Questionnaire only)
  - Audit Team (Senior Auditor – Interview only)
  - Head of Audit & Investigations (Interview only)
- 3.7 The External Review Team also examined examples of the work carried out by internal audit in addition to processes, policies and procedures used.
- 3.8 The latest external assessment concluded in November 2022 and found that the Audit function conformed to the PSIAS, and the External Review Team stated they only identified 5 points for consideration into the QAIP. The 5 recommendations were included in the QAIP, and steps were taken during 2024/25 to ensure these were implemented. The Head of Audit & Investigations can confirm that 3 of the recommendations have been adopted. Of the 2 remaining recommendations 1 is

partially adopted with further work and consideration taking place to be able to implement the second half of that recommendation and the remaining 1 is being examined as it is an issue which occurs very rarely.

- 3.9 The External Review Team stated “The Peer Review was an extremely positive exercise with feedback from all interviewees mirroring a consistent view that the Internal Audit Team, in particular the Head of Audit and Investigations, is seen as a key strategic partner within the Council. It is clear that the Internal Audit team is a valued service offering sound, confidential and independent advice across the Council. In particular, this can be evidenced by the wide range of investigations the team are asked to support due to their skill set and ability.” The Internal Audit team will work to build on what the external inspectors found.

### **Global Internal Audit Standards**

- 3.10 The Global Internal Audit Standards (GIAS) replaced the Public Sector Internal Audit Standards with effect from 1<sup>st</sup> April 2025.
- 3.11 The Internal Audit Team’s work must comply with the GIAS and as with the PSIAS will be subject to an external assessment of the Team against the Standards once every five years.
- 3.12 The GIAS focus on strengthening independence, ethics, and performance through 5 key domains and 15 guiding principles. The 5 key domains are: -
- **Domain I: Purpose of Internal Auditing:**  
Emphasises that internal audit strengthens the organisation’s ability to create, protect, and sustain value by providing governance, risk management, and control assurance.
  - **Domain II: Ethics and Professionalism:**  
Incorporates the Seven Principles of Public Life (Nolan Principles) alongside new standards for professional courage and scepticism.
  - **Domain III: Governing the Internal Audit Function:**  
Focuses on the role of the board and audit committee in assuring independence, overseeing the mandate, and supporting the internal audit function.
  - **Domain IV: Managing the Internal Audit Function:**  
Requires the Chief Audit Executive to align the audit strategy with organisational objectives, manage resources effectively, and communicate with stakeholders.
  - **Domain V: Performing Internal Audit Services:**  
Focuses on planning, conducting, and reporting on engagements with a strong emphasis on root cause analysis for findings.

## Review of the System of Internal Control and Effectiveness of Internal Audit

- 3.13 The Accounts and Audit Regulations 2015, regulation 5 (1) states that a relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes taking into account public sector internal audit standards or guidance. Regulation 6 (1) (a) states “A relevant authority must, each financial year, conduct a review of the effectiveness of the system of internal control required by regulation 3.
- 3.14 The Internal Audit process is a key part of the annual review of the effectiveness of the system of Internal Control and the Annual Audit Opinion on page 2 of this report reflects that the majority of controls reviewed in 2025/26 were operating effectively.

## Quality Assurance & Improvement Programme (QAIP)

- 3.12 As part of the on-going monitoring and assessment of conformance with the GIAS the Head of Audit & Investigations has a QAIP in place. The QAIP details the steps that are being taken to move the areas of partial or non-compliance to full compliance. The QAIP is subject to on-going review and is periodically reported back to Corporate Management Team and Audit Committee so that they can monitor the progress being made.
- 3.13 In the event that any area within the GIAS changed from full compliance to partial or non-compliance this would then be included in the QAIP detailing what steps will be taken to ultimately make that area fully compliant again. In addition, any actions arising from the External Inspection of Internal Audit against the Standards are also added into the QAIP. Therefore, the QAIP is an evolving document that is subject to change and updates to reflect the actual position with Audit Team’s conformance against the GIAS.

## Satisfaction & Quality Questionnaire (S&QQ)

- 3.14 Assessment of the ongoing performance, standards and seeking improvement is referred to within the GIAS and is an area that the Head of Audit & Investigations has had processes in place for many years.
- 3.15 The S&QQ asks for the auditee’s opinions on 11 questions with each one ranging from strongly agree to strongly disagree. The 12<sup>th</sup> question is a free-form text box allowing comments to be made on whether there is anything that could improve the service and the impact on their service area.
- 3.22 TABLE 3 below details the S&QQ results for 2025/26 and includes the comparative results for the preceding financial years.

TABLE 3

	Strongly Agree	Agree	Unsure	Disagree	Strongly Disagree
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1) The objectives recorded on the Audit Brief were clearly communicated to me at the commencement of the review	<b>66.67%</b>	<b>33.33%</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>2024/25 Comparison</b>	76.92%	23.08%	0	0	0
<b>2023/24 Comparison</b>	86.67%	13.33%	0	0	0
2) I was updated regularly on the progress of the review	<b>88.89%</b>	<b>11.11%</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>2024/25 Comparison</b>	69.23%	30.77%	0	0	0
<b>2023/24 Comparison</b>	93.33%	6.67%	0	0	0
3) My concerns and / or issues were adequately considered during the review	<b>55.56%</b>	<b>44.44%</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>2024/25 Comparison</b>	92.31%	7.69%	0	0	0
<b>2023/24 Comparison</b>	86.67%	6.67%	0	0	0
4) I felt the audit report covered the main objectives, was informative and meaningful	<b>77.78%</b>	<b>22.22%</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>2024/25 Comparison</b>	84.62%	15.38%	0	0	0
<b>2023/24 Comparison</b>	93.33%	6.67%	0	0	0
5) The Auditor(s) was courteous and professional with myself and my team throughout the process	<b>77.78%</b>	<b>22.22%</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>2024/25 Comparison</b>	100%	0	0	0	0
<b>2023/24 Comparison</b>	100%	0	0	0	0
6) The auditor was punctual for any arranged meetings	<b>100%</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>2024/25 Comparison</b>	100%	0	0	0	0
<b>2023/24 Comparison</b>	100%	0	0	0	0
7) The auditor was prepared to be flexible and did not significantly disrupt my service area	<b>88.89%</b>	<b>11.11%</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>2024/25 Comparison</b>	92.31%	7.69%	0	0	0
<b>2023/24 Comparison</b>	100%	0	0	0	0
8) The timespan from the commencement of the review to the final report was reasonable	<b>77.78%</b>	<b>22.22%</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>2024/25 Comparison</b>	84.62%	15.38%	0	0	0
<b>2023/24 Comparison</b>	93.33%	0	0	0	0
9) The auditor's conclusions and opinion were logical and fairly recorded within the report	<b>88.89%</b>	<b>11.11%</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>2024/25 Comparison</b>	69.23%	30.77%	0	0	0
<b>2023/24 Comparison</b>	86.67%	6.67%	0	0	0
10) I feel that my service area has benefited from this review, and it provides assurance on the areas covered within the review	<b>55.56%</b>	<b>44.44%</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>2024/25 Comparison</b>	69.23%	30.77%	0	0	0
<b>2023/24 Comparison</b>	93.33%	6.67%	0	0	0
11) Any associated recommendations were constructive and will add benefit to my area upon implementation	<b>66.67%</b>	<b>33.33%</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>2024/25 Comparison</b>	69.23%	30.77%	0	0	0
<b>2023/24 Comparison</b>	80%	6.67%	0	0	0

- 3.23 There were 9 completed questionnaires and this equates to 99 potential responses as there are 11 questions on the form. A total of 99 responses were given as all questions were answered by all 9 respondents.
- 3.24 Of the 99 responses given, 76 (76.77%) were 'strongly agree'. A further 23 (23.23%) responses were 'agree'. The Head of Audit & Investigations can confirm that there is an overall strong positive perception of the Team and its work based on these responses as the overwhelming majority of the responses were in the strongly agree category with the rest still being in agree category.

### Internal Audit Performance

- 3.25 It is good practice to monitor key performance measures. These can support the GIAS but are not required for any form of national or mandatory collation. It does also enable the Head of Audit & Investigations together with Management and those charged with Governance to compare year on year performance. Accountability for the response to Internal Audit's advice and recommendations lies with Management who either accept and implement the advice or recommendations or accept the risks associated with not taking action.
- 3.26 The performance parameters recorded are similar to those maintained by the majority of Audit Teams in Lancashire and the parameters themselves were originally agreed with External Audit.
- 3.27 TABLE 4 below details performance for 2025/26 together with the 2 most recent financial years as a comparison, although older statistical data is held by the Head of Audit & Investigations.

TABLE 4

Performance Measure	2023/24	2024/25	2025/26
No. of Audit Engagements completed compared to those planned in the audit plan	20	15	<b>15</b>
Number of Audit Reports Issued	22	15	<b>15</b>
Percentage of Audits completed within budget time allocation	95.45%	100%	<b>100%</b>
Number of Audit Recommendations made	28	13	<b>15</b>
Percentage of Audit Recommendations agreed for implementation by Management	100%	100%	<b>100%</b>
Number of Satisfaction & Quality Questionnaires Issued	21	15	<b>14</b>
Number of Satisfaction & Quality Questionnaires Received	15	13	<b>9</b>
Percentage of clients satisfied with the service provided based on the questionnaires returned	100%	100%	<b>100%</b>

- 3.28 The number of completed audit engagements increased from 13 to 15, a 15.4% increase on 2024/25. There were 6 audit engagements which were work in progress as of 31<sup>st</sup> March 2026, but these do not reflect in the number which were fully completed. These 6 audit engagements will be included in the 2026/27 statistical information. All audit engagements completed in 2025/26 were within their time allocation. The team received 64.3% of the Internal Audit Quality Questionnaires issued with 9 out of the 14 issued being received. This is a lower percentage than the previous two financial years. The Team did try multiple times to obtain missing questionnaires from the relevant Managers, but these were not forthcoming.
- 3.29 Accountability for the response to Internal Audit's advice and recommendations lies with Management who either accept and implement the advice or recommendations or accept the risks associated with not taking action.

### **Follow up Work**

- 3.30 Once recommendations become actions agreed with Management in the relevant audit area this does not signify the end of audit involvement until the next time the area is audited.
- 3.31 Internal Audit will revisit the actions agreed at a defined future date, usually around 6 months, to re-examine whether the actions agreed have been implemented as agreed. Internal Audit refers to this action as a 'Follow Up.'
- 3.32 Progress on follow ups is reported to Audit Committee on quarterly basis. The Audit Committee can request full explanation from Management on areas that are not implemented.
- 3.33 During 2025/26 Internal Audit carried out follow up work on 10 audit areas with a total of 26 actions agreed. Follow up work revealed that all 14 had been fully implemented, 11 had been partially implemented and 1 had not been implemented. The area that had not been implemented was due to a change of priority being caused by Local Government Reorganisation resulting in a different approach being examined for that area. The partially implemented areas varied but the majority were ongoing with additional works still taking place to implement them.

### **Internal Audit Team – Staff Turnover**

- 3.34 The level of staffing within the Audit Team remained constant throughout 2025/26 at 3.0 FTE.
- 3.35 The Audit Team lost 2 days because of sickness absence but there were no days lost to compassionate / bereavement leave or special domestic leave.

### **Use of Audit Time**

- 3.36 TABLE 5 below shows an analysis of Internal Audit time during 2025/26 with the comparative figures for the previous 2 financial years. This is based on actual time

spent excluding both statutory and annual leave together with any other absences such as sickness.

TABLE 5

<b>Analysis of Audit Time</b>	<b>2023/24</b>	<b>2024/25</b>	<b>2025/26</b>
Audit Days	84.8%	83.0%	<b>84.3%</b>
Training	3.0%	2.6%	<b>1.8%</b>
Management	8.1%	8.0%	<b>9.3%</b>
Other Non-Audit Time	4.1%	6.4%	<b>4.6%</b>

- 3.37 The 2025/26 figures an increase in both the amount of time devoted to audit days and management time. The amount of training time and other non-audit time decreased. The team still participated in various training activities to ensure skills and knowledge remained up to date.

## ANALYSIS OF AUDIT TIME – 2024/25

- 4.1 TABLE 6 below details the work carried out by Internal Audit during 2025/26 and is based on actual time recorded against the original approved time allocated within the Audit Plan for 2025/26.
- 4.2 A total of 533.57 days were delivered against 556 planned audit days. There were 110.91 days recorded in non-audit work as opposed to 64 days allocated in the audit plan. Non-audit work includes management meetings, personal development reviews, regional audit groups, team meetings, timesheets etc. There were 140 days recorded in absences as opposed to the 163 days allocated in the audit plan. Absences cover statutory leave, annual leave, sickness etc. Absences in 2025/26 included annual leave or statutory leave for bank holidays and 2 days of sickness.
- 4.3 TABLE 6 does not include the areas within the audit plan where no time was recorded and therefore the table does not reflect the whole audit plan, only the areas where time was recorded during 2025/26.

TABLE 6

Core Systems	Plan Days	Actual Days	Comments
<b>Systems Based Reviews</b>			
Asset Management	14	0.07	Audit Outstanding
Creditor Payments	15	11.42	Audit Completed
Debtors	15	24.22	Audit Commenced - WIP
General Ledger	24		Audit Outstanding
Housing Benefits	25	20.62	Audit Completed
Payroll		9.58	Audit Completed.- 24/25 WIP
<b>Systems Queries / Work</b>			
Council Tax		0.30	Audit Query
Creditor Payments		0.74	Audit Query
Debtors		0.58	Audit Query
Housing Benefits		0.72	Audit Query
Payroll		0.10	Audit Query
<b>TOTAL for Core Systems</b>	<b>93</b>	<b>68.35</b>	<b>Utilised 73.49% of Allocated Audit Days</b>

Non-Core Systems	Plan	Actual	Comments
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	Days	Days	
Building Control Fees		0.07	Audit Query
Car Leasing / Loans		0.33	Audit Query
CCTV		0.98	Audit Query
Charities		0.92	Audit Work Completed
Debt Recovery Arrangements	13		Completed with Debtors Core
Energy Conserve & Climate Chg.	12	12.94	Audit Completed
Flexi Scheme		3.28	Audit Queries
Health & Safety		0.93	Audit Query
Lease Arrangements		12.18	Audit Completed
Licences - Taxi		0.07	Audit Query
Mayoral Allowances / Secretarial		0.30	Audit Queries
Officers Imprests & Subsistence		1.54	Audit Input / Queries
P-Card Processes		1.16	Audit Query
Procurement Arrangements		1.95	Audit Completed – 24/25 WIP
S106 Agreements		0.31	Audit Queries
<b>TOTAL for Non-Core Systems</b>	<b>25</b>	<b>36.96</b>	<b>Utilised 147.84% of Allocated Audit Days</b>

Establishments	Plan Days	Actual Days	Comments
Cemeteries & Crematorium		0.07	Audit Query
CVMU		0.34	Audit Query
Facilities Team	13	14.30	Audit Completed
Homelessness Team		1.05	Audit Query
Haworth Art Gallery		0.13	Audit Query
Leisure Transformation		0.07	Audit Query
Markets		0.24	Audit Queries
Shared Service Contact Centre		0.17	Audit Query
Waste & Recycling	16	18.58	Audit Completed
<b>TOTAL for Establishments</b>	<b>29</b>	<b>86.03</b>	<b>Utilised 120.52% of Allocated Audit Days</b>

Computer Audit	Plan Days	Actual Days	Comments
Assets		0.60	Audit Completed – 24/25 WIP
Data Security & Storage	9	9.15	Audit Commenced - WIP
Help Desk	10	11.84	Audit Completed
Internet / Email		15.82	Audit Queries
IT Procurement	10	11.89	Audit Commenced - WIP
Network Controls		0.07	Audit Query
Security Policy	8	8.77	Audit Completed
System Development		6.20	Audit Advice & Input
Watchguard Software		0.24	Audit Advice & Input
<b>TOTAL for Computer Audit</b>	<b>37</b>	<b>64.58</b>	<b>Utilised 174.54% of Allocated Audit Days</b>

Contract Audit	Plan Days	Actual Days	Comments
Capital Programme		0.61	CPWG & Queries
Contract Standing Orders	13	1.51	Audit Commenced - WIP
Other Contract Issues		0.13	Audit Advice / Query
Over £250 Exp. Monitoring		3.52	Audit Compliance Work

Partnerships	12	1.08	Audit Commenced - WIP
<b>TOTAL for Contract Audit</b>	<b>25</b>	<b>6.85</b>	<b>Utilised 27.4% of Allocated Audit Days</b>

Grant Funding Initiatives	Plan Days	Actual Days	Comments
Heritage Fund Project	12	6.38	Audit Input & Queries
Housing Support Fund	10	6.97	Audit Completed
Huncoat Garden Village	10	4.68	Audit Input & Queries
King George V Playing Fields	12	0.07	Audit Input & Queries
Levelling Up Fund	25	1.48	Audit Input & Queries
Long Term Plan for Towns	10		Audit Input & Queries
LUF Asset Maintenance	10	5.20	Audit Input & Queries
NNDR3 Grant Claim	5	3.48	Audit Completed
Other Funding Streams		0.07	Audit Input & Queries
UK Shared Prosperity Fund	15	1.77	Audit Input & Queries
Wilsons – New Leisure Centre	10	7.08	Audit Input & Queries
<b>TOTAL for Contract Audit</b>	<b>119</b>	<b>37.18</b>	<b>Utilised 31.24% of Allocated Audit Days</b>

Follow Ups	Plan Days	Actual Days	Comments
General Follow Up Work	6	5.18	General Follow Up Work/Admin
<b>TOTAL for Follow Ups</b>	<b>6</b>	<b>5.18</b>	<b>Utilised 86.33% of Allocated Audit Days</b>

Audit Advice	Plan Days	Actual Days	Comments
Benefit Issues		3.76	Advice & Audit Liaison
Internet		22.21	Advice & Compliance Monitoring
ICO Web Info		1.88	Audit Awareness & Advice
Audit Support to Other Services		18.53	Audit Input / Advice
Broadway Building / Security		2.74	Audit Input / Solutions
Year End Issues		2.16	Audit Input
Alcolmeter Recalibration		0.30	Audit Input
Friendly Faces		2.59	Head of Audit Participation
Coaching		0.74	Audit Input / Advice
Election Queries		0.17	Audit Input
Internal Audit – Future Issues		2.74	Audit Input
Portfolio Briefing		2.95	Head of Audit Participation
Local Government Reorganisation		4.47	Audit Input
AI Policies		0.41	Audit Input
Broadway CCTV PIA		0.10	Audit Input
Haworth Aer Gallery CCTV PIA		0.07	Audit Query
Big Thankyou		0.91	Audit Input
NW Audit Autumn Seminar		0.10	Audit Input
Dealing with Suicidal Customers		0.61	Audit Input
Mercer Hall Gym Equipment		0.37	Audit Input / Training
Vacating Broadway Offices		5.73	Audit Input
Insurance Renewals		0.20	Audit Input
Internal Restructure Plans		0.10	Audit Query
Speed Data & Policy		0.14	Audit Query

	42		Plan Allocation for Advice
<b>TOTAL for Audit Advice</b>	<b>42</b>	<b>73.98</b>	<b>Utilised 176.14% of Allocated Audit Days</b>

Other Audit Areas	Plan Days	Actual Days	Comments
Business Continuity Planning		0.24	Audit Input
Code of Corporate Governance		0.51	Audit Input & Queries
Constitution & Regulations		0.03	Audit Query
Corporate Strategy		0.21	Audit Input & Queries
GDPR Compliance Work / Document Retention Compliance	10	18.80	Audit Completed and Audit Input & Queries
Risk Management	11	11.48	Audit Completed
Safeguarding		0.98	Audit Queries & Input
<b>TOTAL for Other Audit Areas</b>	<b>21</b>	<b>32.22</b>	<b>Utilised 153.42% of Allocated Audit Days</b>

Ad-hoc Work & Investigations	Plan Days	Actual Days	Comments
Article 4	11		Audit Outstanding
Benefits Supported Accom	10	0.07	Audit Query
CIVICA Assets Module	10		Audit Outstanding
DEFRA Bio-Diversity Return		0.14	Audit Query
Document Retention Compliance	13	1.04	Audit Completed with GDPR Audit and Audit Queries
External Consultancy Fees/Costs		3.86	Audit Completed
High Street Accelerator Fund	10		Audit Work Outstanding
LGA Peer Review – Action Plan		0.34	Audit Input
Local Plan Production	13	6.35	Audit Commenced - WIP
Town Centre Greening (UKSPF)	10	5.60	Audit Completed
Stage 2 Complaints & Policy		13.08	Audit Work Completed
LUF Budgets / Funding		3.51	Audit Work Carried Out
Licensing Issue		18.25	Audit Work Carried Out & Queries
Standards Issue		12.31	Audit Work Carried Out
Grievance Issue		4.43	Audit Work Carried Out
Economic Crime Corp Trans Act		3.65	Audit Work Carried Out
Standards Issue 2		1.32	Audit Work & Input
Clifton Strengths Assessment		2.24	Audit Input / Workshop / Coaching
Alcohol / Drugs Test Request		1.24	Audit Input / Queries
Complaints Handling		0.81	Audit Input / Queries
Major Projects _ Member Info		0.98	Audit Work Carried Out
Accy Neighbourhood Board		0.68	Audit Input / Queries
Haworth Heritage		0.07	Audit Query
Asbestos in Buildings		1.41	Audit Input / Queries
Dignity at Work Case		3.55	Audit Work Carried Out
Cont. Allocated – Follow Ups	-6		
Cont. Allocated – IT Procurement	-10		
Cont. Allocated – IT Security Policy	-8		

Cont. Allocated – Energy Conservation & Climate	-12		
Cont. Allocated – Risk Management	-11		
Cont. Allocated – Facilities Team	-13		
Contingency	78		Contingency Days
<b>TOTAL for Ad-hoc Work &amp; Investigations</b>	<b>95</b>	<b>84.93</b>	<b>Utilised 89.4% of Allocated Audit Days</b>

Consultancy & Corporate Objectives	Plan Days	Actual Days	Comments
Annual Governance Statement	1	0.24	Audit Work Carried Out
Annual Audit Report	3	2.56	Audit Work Carried Out
Anti-Fraud & Corruption	10	13.95	Intel Alerts / Queries / Work
Audit Committee	5	8.21	Committee Prep / Mtgs / Training
Audit Plan & Planning	14	11.76	Monitor Plan & Prep of 26/27 Plan
Cabinet		4.04	Support Audit Work / Knowledge
Community Trigger / Anti-Social		6.90	Audit Work Carried Out
Complaint Investigations	3	2.92	Audit Work Carried Out
External Audit	6	2.25	Queries & Supply IA Work
FOI Requests		0.24	Audit Input / Support / Queries
GDPR Issues / Queries		3.87	Audit Input / Support / Queries
Money Launder & Proc of Crime		0.42	Queries dealt with
National Fraud Initiative	7	6.67	Support & Audit Work Carried Out
Peer Review of Internal Audit		0.41	Head of Audit Input into process
PSIAS / Global Audit Standards		6.75	Audit Query
RIPA		0.07	Support & Mentoring
Schools Ambassador Scheme		4.81	Support & Mentoring
Service Planning		0.54	Audit Work
Standards / Scrutiny Committee		0.34	Audit Work
Whistleblowing		0.20	Audit Work
<b>TOTAL for Other Audit Areas</b>	<b>49</b>	<b>77.15</b>	<b>Utilised 157.45% of Allocated Audit Days</b>

Training	Plan Days	Actual Days	Comments
Staff Development & Training	15	11.11	Various Training – in-house
<b>TOTAL for Training</b>	<b>15</b>	<b>11.11</b>	<b>Utilised 74.07% of Allocated Audit Days</b>

4.4 There were 6 audit engagements that were in progress at year end but not completed, these will all be reported in 2026/27. There were 5 audit engagements not carried out during 2025/26, 1 was deferred due to it being a new process which needed time to be fully embedded. The remaining 4 were not commenced due to time constraints or due to other audit engagements being carried out which were not originally part of the 2025/26 Audit Plan. The 5 audit engagements that were not commenced have been re-risk scored as part of the 2026/27 Audit Plan process and all 5 are included in the 2026/27 Audit Plan.

- 4.5 The Audit Plan is monitored monthly by the Head of Audit & Investigations therefore emerging risks are considered and absorbed into the work of the team as required. The Head of Audit & Investigations will seek re-approval of the Audit Plan from Audit Committee if there is major slippage or significant risks arising that result in a major deviation from planned audit work. The time lost to sickness, and additional leave purchased in year equated to 2.16% in Audit Plan terms. This would have equated to 98.12% audit plan coverage had those not occurred.
- 4.6 Target coverage for the 2025/26 Audit Plan was 98% and 95.96% was achieved. The out-turn figure is 2.04% below the annual target, however, this is 5.53% higher than 2024/25 coverage. The 2026/27 Audit Plan coverage target remains at 98%.

## REPORT DISTRIBUTION

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The report has been distributed to the following: -

- Corporate Management Team
- Members of Audit Committee
- External Audit
- Internal Audit

## REPORT VERSION

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Draft Report Checked & Approved:

Date 07 May 2026

Final Report Issued:

Date 12 May 2026

# Agenda Item 4.

<b>REPORT TO:</b>		<b>AUDIT COMMITTEE</b>	
<b>DATE:</b>		29 June 2026	
<b>PORTFOLIO:</b>		<b>Councillor Vanessa Alexander - Resources and Council Operations</b>	
<b>REPORT AUTHOR:</b>		Mark Beard – Head of Audit & Investigations	
<b>TITLE OF REPORT:</b>		<b>AUDIT REPORTS &amp; KEY ISSUES – PROGRESS REPORT FOR THE PERIOD MARCH 2026 – MAY 2026</b>	
<b>EXEMPT REPORT (Local Government Act 1972, Schedule 12A)</b>	<b>No</b>	Not applicable	
<b>KEY DECISION:</b>			
	<b>No</b>	If yes, date of publication:	

## 1. Purpose of Report

- 1.1 To inform members of the Audit Reports issued during the period March 2026 – May 2026 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 crosses financial years and covers progress for the financial year 2025/26 and the period of March 2026 to May 2026 of the current financial year. 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 was a target of 98% of the audit plan to be completed by the end of 2025/26 financial year in terms of audit days completed.

Position as at end of March 2026 = 95.96% of the plan completed

- 3.5 The position at the end of March 2026 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%
November 2025	7.97%
December 2025	7.23%
January 2026	9.14%
February 2026	7.60%
March 2026	7.83%

- 3.6 Whilst the team was 2.04% below the target for the year, this did not have a material effect on being able to produce an Audit Opinion for the year.
- 3.7 With regards to 2025/26 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 date is extrapolated out. Therefore:-

Position as at end of May 2026 = 15.68% of the plan completed  
 Projected out-turn position for 2026/27 = 94.08% of the plan completed

- 3.8 The position at the end of May 2026 can be broken down as follows:-

Month	% of the Plan Completed that Month
April 2026	8.22%
May 2026	7.46%

#### **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**

<b>Financial implications (including any future financial commitments for the Council)</b>	There are no financial implications arising from this report
<b>Legal and human rights implications</b>	There are no legal or human rights implications arising from this report.
<b>Assessment of risk</b>	Risks are taken into consideration during the audit process itself, there is no direct risk implication from this report.
<b>Equality and diversity implications</b> <i>A <a href="#">Customer First Analysis</a> 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 against the annual Internal Audit Plan. The Audit Planning process has had an equality impact assessment which remains valid and it is not necessary to update this with a Customer First Analysis at this time. The individual audit assignments may, in some cases, feed into the needs of equality and diversity issues within individual service areas of the Council

**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 – 29 June 2026**

#### **Summary of the main issues arising from audits carried out March 2026 – May 2026**

##### **Housing Benefit & Council Tax Support:-**

###### **Audit Assurance Opinion Issued:- Comprehensive assurance**

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

- No issues arising.

##### **Debtors:-**

###### **Audit Assurance Opinion Issued:- Comprehensive assurance**

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

- No issues arising.

##### **ICT Procurement:-**

###### **Audit Assurance Opinion Issued:- Substantial assurance**

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

- The audit engagement found that none of the ICT and Digital Team have had procurement training. It was agreed with Management that key members of the Team should have training on the next available corporate training session.

##### **Data Security & Storage:-**

###### **Audit Assurance Opinion Issued:- Comprehensive assurance**

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

- No issues arising.

## **Energy Conservation & Climate Change:-**

### **Audit Assurance Opinion Issued:- Comprehensive assurance**

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

- No issues arising.

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APPENDIX 1



# INTERNAL AUDIT STRATEGY

## 2026 – 2028

Internal Audit Services  
Town Hall – Broadway Annex

Report Author: Mark Beard – Head of Audit & Investigation

# INTERNAL AUDIT STRATEGY 2026 – 2028

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## Introduction

- 1.1 In line with Standard 9.2 of the Global Internal Audit Standards (GIAS), the Internal Audit Function must develop a strategy which sets out Internal Audit's vision, objectives and supporting initiatives. The strategy is supported by the annual Internal Audit Plan which is approved annually by Audit Committee.
- 1.2 This strategy recognises that it is management's responsibility to establish and maintain a sound internal control system and ensure that risks are appropriately managed. Internal audit work aims to identify areas requiring improvement and recommend solutions to enable the Council to achieve its objectives.
- 1.3 The strategy and annual plan consider the Council's objectives, stakeholder expectations and key risks. The strategy also considers development and improvement opportunities for the Internal Audit function, including the application of technology and tools to enhance audit efficiency and effectiveness.

## Aims of Internal Audit

- 2.1 The primary aims of Internal Audit include:
  - **Enhancing Governance:** Strengthening the effectiveness of governance processes.
  - **Risk Management:** Evaluating and improving the effectiveness of risk management processes.
  - **Control Processes:** Assessing and enhancing the effectiveness of control processes.
  - **Objective Assurance:** Providing independent and objective assurance to the board and management.
  - **Advisory Services:** Offering advice and insights to improve organisational operations and decision-making.

## Internal Audit Strategy Key Themes

- 3.1 Management holds the responsibility for creating and maintaining a robust internal control system, ensuring effective risk management. Internal Audit's role is to identify areas for improvement and propose solutions to help Hyndburn Borough Council achieve its goals. The strategy and plan aid Internal Audit in fulfilling its role.

3.2 The strategy centres around the following four key themes, which will be developed further over time through monitoring and review processes including more stakeholder feedback:

➤ **Investing in People**

Strengthening the internal audit function by enhancing team capabilities. Developing a diverse blend of skills, expertise, and experience to effectively deliver the audit plan and contribute to broader assurance efforts.

➤ **Embracing Digital Innovation**

Evolving into a tech-savvy internal audit function by aligning with the organisation's digital transformation, including the integration of emerging technologies like artificial intelligence, and equipping auditors with future ready competencies.

➤ **Driving Operational Excellence**

Embedding streamlined, high quality audit processes that prioritise timely delivery, continuous improvement, and proactive engagement with stakeholders to maximise value and impact.

➤ **Acting as a Trusted Strategic Partner**

Positioning internal audit as a key advisor by supporting the organisation in navigating both risks and opportunities that influence the achievement of strategic goals.

## **Internal Audit's Mission**

4.1 Our mission is to be a trusted professional advisor to the Council providing independent, objective assurance and insight that supports effective governance, risk management, and internal control. We help the Council use public resources wisely, manage risks confidently, and achieve its strategic goals with integrity and accountability.

## **Internal Audit's Vision**

5.1 The Council's Internal Audit function will provide value added audit and advisory services and build expertise to help drive positive change, be seen as a strategic advisor and promote integrity across the Council.

## **Stakeholder Engagement**

6.1 Internal Audit maintains strong and continuous engagement with stakeholders across the Council to ensure its work remains relevant, responsive, and impactful.

Stakeholder input is actively sought during the annual audit planning process to align audit priorities with organisational risks and objectives. Following each audit engagement, internal audit quality questionnaires are issued to gather feedback on the audit experience and identify areas for improvement. In addition, Internal Audit staff regularly attend and contribute to officer boards, workings groups and strategic forums, enabling proactive insight sharing and early involvement in emerging initiatives. This integrated approach helps build trust, enhance audit value, and ensure alignment with the Council's evolving needs.

## Alignment with Organisational Ambitions and Values

7.1 The Council's Corporate Strategy 2025-2030 includes the following four priorities:



7.2 The Council's Corporate Values underpin how its staff work:



## Our Corporate Values underpin how we work

### Customer Focus

- We will make best use of our resources to support the delivery of excellent services to our customers
- We will treat each customer as a valued individual and show sensitivity to their needs and differences

### Integrity

- We will always try and do the right thing
- We will act and communicate honestly and openly, honour our commitments and be accountable for our actions

### Positive Attitude

- We will be proactive and optimistic in finding solutions to challenges, open to improved ways of working and to updating our knowledge and skills to meet these changes

### Teamwork

- We will promote a friendly and supportive working environment and we will work together across teams, services and with partners to achieve the objectives of the Council and the best outcomes for our customers



7.3 The strategy and planning processes reflects the evolving nature of the control environment. It highlights the importance of continuous review and reassessment to identify and respond to emerging risks, particularly in light of the financial challenges facing the public sector and the anticipated changes in Local Government across Lancashire. The strategy ensure that the service remains flexible enough to take account of the following considerations:

- Key and emerging risks to the achievement of the Council's objectives.
- The introduction of new initiatives, services, and areas of activity.
- Changing organisational priorities and areas of concern.
- Developments in national and local policy direction.
- The impact of growth, transformation and new delivery models on the Council's control environment.
- Structural and policy changes, including local government reorganisation and devolution.
- Evolving partnership arrangements and service delivery models. The effect of these changes on existing control structures.

7.4 The strategy aims to establish a responsive internal audit approach which:

- Provides Members and management with an annual overall opinion on Hyndburn Borough Council's risk management, control, and governance

framework, supporting the Annual Governance Statement in the audited financial statements.

- Auditing of Hyndburn Borough Council's risk management, control, and governance systems by assessing risks to Hyndburn Borough Council's objectives and prioritising audit engagements accordingly.
- Identifies the internal audit resources needed to deliver a service that meets the GIAS and provides sufficient audit coverage to form an opinion on Hyndburn Borough Council's control environment.
- Identifies other assurance sources from various providers to inform the focus of internal audit activities.

7.5 Based on the available budget for internal audit work, the strategy and audit activities will ensure:

- Adequate coverage of all major financial systems to provide necessary audit assurance.
- Attention to new systems and emerging high-risk areas as Hyndburn Borough Council matures and grows.
- Support for corporate governance, focusing on issues identified in Hyndburn Borough Council's annual governance statement.
- Monitoring the implementation of internal audit recommendations.

## Strategy Delivery

8.1 Workforce Development and Strategic Capability

- Develop a structured workforce and succession plan to identify current and future skills needs, support staff development, and ensure continuity of service.
- Support continuous professional development through training and access to emerging technologies, including digital tools and AI.
- Embed these initiatives to ensure the audit function remains agile, skilled, and positioned as a trusted strategic partner to the Council.

8.2 Investing in People.

- Review and update training and development plans to align with emerging audit needs and strategic goals.
- Utilise regular performance reviews to support growth and align individual development with organisational priorities. This includes informal catch-ups, 1-2-1s, audit quality questionnaire feedback, and annual appraisals.

### 8.3 Driving Operational Excellence

- Review the audit methodology and the Quality Assurance and Improvement Programme (QAIP) against the GIAS, producing a gap analysis.
- Develop an action plan to address any issues identified in the GIAS gap analysis.
- Use Internal Audit Quality Questionnaires after each audit engagement to assess value and improve the service.

### 8.4 Acting as a Trusted Strategic Partner

- Attend officer boards, workings groups and strategic forums to stay informed and contribute to insights.
- Provide advisory services on new initiatives, policies, or transformation projects.

### 8.5 Cross-Cutting Actions

- Maintain a dynamic audit plan that is regularly updated based on emerging risks and organisational changes.
- Align audit work with the Council's values (Customer Focus, Integrity, Positive Attitude and Teamwork).
- Maintain monitoring and reporting of audit recommendation implementation to demonstrate follow-through and impact.

## KPIs

9.1 Key Performance Indicators (KPIs) can provide useful insights into the delivery and timeliness of internal audit activities. They help monitor progress and identify areas for operational improvement. However, many external factors, such as changes in service availability, management responsiveness, or shifting organisational priorities, can influence KPI outcomes and are often beyond the control of the audit team. While KPIs are helpful for tracking certain aspects of performance, they do not fully reflect the quality, insight, or added value that internal audit brings to the organisation. For this reason, KPIs should be considered as part of a broader performance framework that includes qualitative feedback, professional judgement, and the strategic contribution of audit work.

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<b>REPORT TO:</b>		<b>AUDIT COMMITTEE</b>	
<b>DATE:</b>		29 June 2026	
<b>PORTFOLIO:</b>		<b>Councillor Vanessa Alexander - Resources and Council Operations</b>	
<b>REPORT AUTHOR:</b>		Mark Beard – Head of Audit & Investigations	
<b>TITLE OF REPORT:</b>		<b>Internal Audit Strategy 2026-2028</b>	
<b>EXEMPT REPORT (Local Government Act 1972, Schedule 12A)</b>	<b>No</b>	Not applicable	
<b>KEY DECISION:</b>	<b>No</b>	If yes, date of publication:	

## 1. **Purpose of Report**

1.1 To inform and update Audit Committee on the Internal Audit Strategy 2026-2028.

## 2. **Recommendations**

2.1 I recommend that Audit Committee:  
 ➤ Approves the Internal Audit Strategy 2026-2028.

## 3. **Reasons for Recommendations and Background**

3.1 Standard 9.2 of the Global Internal Audit Standards (GIAS) state that the Internal Audit function must develop s strategy which sets out Internal Audit’s vision, objectives and supporting initiatives. This strategy is supported by the Internal Audit Plan which is approved annually by Audit Committee.

3.2 This strategy recognises that it is management’s responsibility to establish and maintain a sound internal control system and ensure that risks are appropriately managed. Internal audit work aims to identify areas requiring improvement and recommend solutions to enable the Council to achieve its objectives.

3.3 The strategy and annual plan consider the Council’s objectives, stakeholder expectations and key risks. The strategy also considers development and improvement opportunities for the Internal Audit function, including the application of technology and tools to enhance audit efficiency and effectiveness.

3.5 The Internal Audit Strategy 2026-2028 I attached as an appendix to this report.

**4. Alternative Options considered and Reasons for Rejection**

4.1 There are no alternative options as Internal Audit must have an Internal Audit Strategy to conform to the GIAS.

**5. Consultations**

5.1 No consultations required.

**6. Implications**

<b>Financial implications (including any future financial commitments for the Council)</b>	There are no financial implications arising from this report
<b>Legal and human rights implications</b>	There are no legal or human rights implications arising from this report.
<b>Assessment of risk</b>	Risks are taken into consideration during the audit process itself, there is no direct risk implication from this report.
<b>Equality and diversity implications</b> <i>A <a href="#">Customer First Analysis</a> should be completed in relation to policy decisions and should be attached as an appendix to the report.</i>	A Customer First Analysis is not required as the Internal Audit Strategy 2026-2028 is not setting new policy for the audit function or the Council. It documents the working practices expected to enable compliance with the GIAS.

**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



# INTERNAL AUDIT CHARTER AND MANDATE 2026

Internal Audit Services  
Town Hall – Broadway Annex

Report Author: Mark Beard – Head of Audit & Investigation

# INTERNAL AUDIT CHARTER AND MANDATE - 2025

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## Introduction

- 1.1 This charter establishes the framework within which Hyndburn Borough Council's Internal Audit Service operates to best serve the council and to meet its professional obligations under applicable professional standards.
- 1.2 The charter defines the purpose, authority and responsibility of internal audit activity, establishes the Internal Audit Service's position within the organisation, authorises access to records, personnel and physical properties relevant to the performance of engagements and defines the scope of internal audit activities.
- 1.3 It will be subject to periodic review by the Head of Audit & Investigation (as the Chief Audit Executive<sup>1</sup>) and presented to the Council's Senior Management<sup>2</sup> and the Board<sup>3</sup> for approval.
- 1.4 In the event the Internal Audit Service provides the internal audit function for other organisations external to the Council, the purpose, authority and responsibility of internal audit activity for those organisations is subject to separate charter(s) for those organisations.
- 1.5 Where the Internal Audit Service provides either the Internal Audit function or ad hoc assurance to an external organisation, its work is also set out in an engagement letter agreed with that organisation.

## Relevant Regulations and Interpretation

- 2.1 The Chartered Institute of Public Finance and Accountancy (CIPFA) is the relevant standard setter for Internal Audit in local government in the United Kingdom. From 1<sup>st</sup> April 2025, the Global Internal Audit Standards (GIAS) as the Application Note: Global Internal Audit Standards in the UK Public Sector replace the Public Sector Internal Audit Standards (PSIAS). Hyndburn Borough Council's Internal Audit Service therefore operates in accordance with this mandatory definition, code, standards and advice.
- 2.2 The new Global Internal Audit Standards are organised into five domains:
  - i.) Purpose of Internal Auditing
  - ii) Ethics and Professionalism
  - iii) Governing the Internal Audit Function

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<sup>1</sup> The Head of Audit & Investigation is the Council's Chief Audit Executive as defined within the GIAS

<sup>2</sup> Corporate Management Team is the Council's Senior Management as defined within the GIAS

<sup>3</sup> Audit Committee is The Board as defined within the GIAS

- iv) Managing the Internal Audit Function
- v) Performing Internal Audit Services.

2.3 These domains encompass 15 principles and 52 standards that provide comprehensive guidance for Internal Audit practices. The principles within these domains emphasise the importance of serving the public interest, maintaining ethical conduct, ensuring effective governance, managing audit functions effectively, and performing audit services with due diligence.



## Global Internal Audit Standards Five Domains, 15 Principles



### Authority and Requirement for Effective Internal Audit

3.1 The authority and requirement for Internal Audit in local government is established under the Local Government Act 1972 and the Accounts and Audit Regulations 2015, specifically:

**Local Government Act 1972:**

*Section 151: Requires every local authority to make arrangements for the proper administration of their financial affairs, which includes measures to prevent and detect fraud.*

**Accounts and Audit Regulations 2015:**

*Part 2, Section 3: Mandates that local authorities must have sound systems of internal control, which include arrangements for the management of risk, control and governance processes, encompassing counter fraud measures.*

### Authority and Requirement for Effective Counter Fraud Arrangements

### 3.2 This is defined in:

#### **Local Government Act 1972:**

*Section 151: Requires every local authority to make arrangements for the proper administration of their financial affairs, which includes measures to prevent and detect fraud.*

*Section 222: Empowers local authorities to prosecute or defend legal proceedings if it is considered expedient for the promotion or protection of the interests of its inhabitants. This includes prosecuting individuals who commit fraud against the authority.*

#### **Accounts and Audit Regulations 2015:**

*Part 2, Section 3: Mandates that local authorities must have sound systems of internal control, which include arrangements for the management of risk, control and governance processes, encompassing counter fraud measures.*

#### **Economic Crime and Corporate Transparency Act 2023 (ECCTA 2023):**

*Section 199 of ECCTA 2023 comes into force from 1<sup>st</sup> September 2025. It creates a new offence, under which an organisation will be liable where a specified fraud offence is committed by an employee or agent, for the organisation's benefit, and the organisation did not have reasonable fraud prevention procedures in place. It is a defence for the organisation to prove that, at the time the fraud offence was committed, it had in place such prevention procedures as it was reasonable in all circumstances to expect the body to have in place.*

## Definitions

- 4.1 Both the Global Institute of Internal Auditors and Chartered Institute of Internal Auditors defines Internal Auditing as:  
*“Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.”*
- 4.2 Within Hyndburn Borough Council the board is defined as the Audit Committee.
- 4.3 Senior management is defined as the Council's Corporate Management Team. This consists of the Chief Executive, Executive Director (Resources and s151 Officer), Executive Director (Legal & Democratic Services and also Monitoring Officer), and Executive Director (Environment).
- 4.4 The 'chief audit executive' at Hyndburn Borough Council is deemed to be the Head of Audit & Investigation.

## Responsibilities

5.1 The responsibilities detailed below ensure that the Internal Audit function operates effectively and adds value to the organisation by providing assurance and insights on governance, risk management and control processes.

## 5.2 **Role of Internal Audit**

Internal Audit provides independent, objective assurance and consulting services designed to add value and improve an organisation's operations. It helps organisations achieve their objectives by systematically evaluating and improving the effectiveness of risk management, control, and governance processes. This services adds value by:

- Identifying areas for improvement
- Ensuring compliance with laws and regulations
- Providing insights that enhance decision-making and organisation performance

## 5.3 **Board / Audit Committee**

- Ensure the Internal Audit function is independent and has sufficient resources
- Approve the Internal Audit charter
- Approve the risk based internal audit plan
- Oversee the performance and effectiveness of the Internal Audit function

## 5.4 **Chief Executive (CEO and Senior Management)**

- Support the Internal Audit function by providing access to necessary information and resources
- Ensure that management actions are taken in response to Internal Audit recommendations
- Foster an organisational culture that values Internal Audit and risk management

## 5.5 **Chief Audit Executive (CAE)**

- Develop and maintain a risk-based audit plan
- Ensure the Internal Audit function adheres to the IIA standards and other relevant standards
- Report on the Internal Audit function's performance and findings to the board and audit committee

## 5.6 **Internal Auditors**

- Conduct audit engagements in accordance with the Global Internal Audit Standards and the Internal Audit Charter
- Maintain objectivity, integrity, and confidentiality
- Communicate audit findings and recommendations clearly and effectively

- Maintain professional competence through continuous training and development

## 5.7 External Auditors

- Collaborate with the Internal Audit function to enhance audit coverage and efficiency
- Consider the work of Internal Auditors when planning and conducting external audits
- Share relevant findings and insights with the Internal Audit function

## Independence, Objectivity and Integrity

6.1 Everyone in the public sector must comply with the Nolan Principles, which include selflessness, integrity, objectivity, accountability, openness, honesty and leadership. However, Internal Audit has additional requirements for independence, objectivity and integrity.

### 6.2 Independence

Internal Auditors must be free from conditions that threaten their ability to perform their duties impartially. This means:

- **Organisational Independence:** The Internal Audit function must report functionally to the board or audit committee, ensuring it has the authority to act independently
- **Individual Independence:** Internal Auditors must avoid conflicts of interest and not engage in activities that could impair their unbiased judgement.

### 6.3 Objectivity

Internal Auditors must maintain an unbiased mental attitude and avoid conflicts of interest. This requires:

- **Professional Judgement:** Internal Auditors should not subordinate their judgement to others and must make decisions based on objective criteria
- **Impartiality:** Auditors must perform their work without any bias, ensuring that their findings and recommendation are based solely on evidence

6.4 These requirements ensure that Internal Auditors can provide reliable and objective assurance and consulting services, thereby enhancing the effectiveness of governance, risk management and control processes within the organisation.

## Reporting Lines and Relationships

### 7.1 Functional Reporting

The Head of Audit & Investigation reports functionally to the Audit Committee. This ensures that the Internal Audit function operates independently from management and can provide unbiased assurance.

## 7.2 **Organisational Reporting**

The Head of Audit & Investigation reports organisationally to the Executive Director (Resources) who is also s151 Officer. This reporting line supports the administrative needs of the Internal Audit function.

## 7.3 **Direct Access**

The Head of Audit & Investigation has direct access to the Chief Executive Officer (CEO), the Executive Director (Resources), who is also the Council's Finance Officer under Section 151 of the Local Government Act 1972, and other senior leaders, including the Monitoring Officer. This access ensures that the Internal Audit function can communicate important findings and recommendations directly to those in positions of authority.

## 7.4 **Regular Access to Audit Committee**

The Head of Audit & Investigation has regular access to the Chair of Audit Committee, which typically meets 4 times a year. The Head of Audit & Investigation reports to each meeting of the committee under its terms of reference. The committee is responsible for approving the annual internal audit plan and overseeing the performance of the Internal Audit function.

# **Access to Information**

## 8.1 **Right of Access for Internal Audit**

Internal Auditors respect the value and ownership of information they receive and the reports they produce, and do not disclose information without appropriate authority unless there is a legal or professional obligation to do so. They are prudent in the use and protection of information acquired in the course of their duties and shall not use information for any personal gain or in any manner that would be contrary to the law or detrimental to the council's legitimate and ethical objectives.

8.2 The Internal Audit function has unrestricted direct access to all records, premises, and –personnel necessary to perform its duties effectively. These rights of access apply equally to partner organisations that have links with or provide services on behalf of the Council, where the Council has a statutory or contractual entitlement to exercise such a right. These rights shall be included in all contractual arrangements entered into with such organisations. This right of access is essential to ensure that Internal Auditors can carry out their responsibilities without any limitations or hindrances.

## 8.3 **Access to Records**

Internal Auditors have authority to access all records, documents, data, and correspondence relating to Council business, regardless of whether the format they are held (physical form or electronically). This includes any unofficial funds operated by an employee as part of their duties. This access allows auditors to gather the evidence needed to evaluate the effectiveness of risk management, control, and governance processes, or to aid any investigation.

### 8.3 **Access to Personnel**

Internal Auditors have the authority to interview any employee or officer of the organisation to provide such explanations, information or other assistance concerning any matter under examination as part of any audit engagement. This access is crucial in understanding processes, identifying potential issues, and obtaining insights that may not be evident from documents alone.

### 8.4 **Access to Property**

Internal Auditors have the authority to require any employee of the Council to produce cash, stores, or any other Council property under his or her control.

### 8.5 **Access to Computer Systems**

Internal Auditors have the authority to access all Council computer systems as and when required. This ensures that auditors can review electronic records, data, and systems to perform comprehensive audits. These rights of access are fundamental to the Internal Audit function's ability to provide independent and objective assurance. Any restrictions on access to records, premises, personnel, or computer systems would impair the audit function's independence and objectivity, thereby reducing its effectiveness.

8.6 To ensure that all aspects of the Internal Audit function can operate effectively and provide comprehensive assurance to the organisation, these rights of access apply equally to Investigations Services that form part of the Internal Audit function.

## **Internal Audit Resources and Effectiveness**

### 9.1 **Sufficiency of Resources**

The Internal Audit function shall be provided with sufficient resources, including professional audit staff possessing the necessary knowledge, skills, experience, and professional qualifications to effectively fulfil its responsibilities. This includes resources for counter fraud and investigation work designed to comply with the four pillars of the Fight Fraud and Corruption Locally Strategy, these being: Govern, Acknowledge, Prevent, and Pursue.

### 9.2 **Continuous Professional Development**

The Internal Audit staff shall engage in continuous professional development to maintain and enhance their competencies, ensuring they remain current with industry standards and best practices.

### 9.3 **Access to Specialised Skills**

The Internal Audit function shall have access to specialised skills from within or outside the organisation as necessary to address specific audit requirements and complexities, including counter fraud and investigation activities.

### 9.4 **Independence and Objectivity**

Internal Audit resources shall be independent and objective, free from any conflicts of interest, to ensure unbiased and effective audit activities.

#### 9.5 **Adequate Budget**

The Internal Audit function shall be allocated an adequate budget to meet its objectives and execute its audit plan effectively, ensuring the necessary resources are available, including those required for counter fraud and investigation work.

#### 9.6 **Responsibility for Internal Audit Resources**

The responsibility for ensuring that Internal Audit resources are in place lies with the Corporate Management Team and the Audit Committee. The Audit Committee reviews and approves the Internal Audit Plan and resource requirements, ensuring that the Internal Audit function is adequately resourced. Section 10.01 of the Global Internal Audit Standards (GIAS) requires the Head of Audit & Investigations to seek budget approval from the Audit Committee. However, within the Council, senior management is responsible for allocating and approving service budgets. Despite this, the Audit Committee plays a crucial role in ensuring that sufficient budget and resources are allocated to Internal Audit. They can raise concerns with management if they believe additional budget and resources are necessary to support the Internal Audit function effectively. Additionally, the Head of Audit will promptly communicate the impact of insufficient financial resources to the Audit Committee and senior management, as per the GIAS requirements.

9.7 The Audit Committee can make recommendations to senior management and the governing body regarding the adequacy of resources for the Internal Audit function. The Head of Audit & Investigation is responsible for managing the Internal Audit function, identifying resource needs, and presenting these needs to the committee. The Head of Audit & Investigation ensures that the Internal Audit team has the necessary skills and competencies to perform their duties, including those related to counter fraud and investigations work. The committee ensures that the Internal Audit function remains independent and objective, and it monitors the implementation of the Internal Audit plan and use of resources, including resources for counter fraud and investigation as part of the service.

9.8 Section 4.1 of the GIAS requires the Head of Audit & Investigation to report to the Audit Committee if resources are not adequate to fulfil the internal audit mandate effectively. This ensures that the Internal Audit function can operate independently and provide the necessary assurance and advisory services without any limitations.

### **Competency**

10.1 The Head of Audit & Investigation is required to hold appropriate professional audit qualifications. These are defined as full membership of one of the institutes of the Consultative Committee of Accountancy Bodies (CCAB) or professional membership of the Chartered Institute of Internal Auditors (CIIA). It is expected that senior auditors will either hold or be close to and actively working towards full

professional qualification but, exceptionally, they may be qualified by experience at a demonstrably professional level.

- 10.2 The Council's Performance Development Review process is applicable to all staff within the Internal Audit Service, which supports continuous staff performance appraisal and development.

## Quality Assurance and Improvement

- 11.1 The Head of Audit & Investigation operates a quality assurance and improvement programme (QAIP) that both monitors the on-going performance of internal audit activity and periodically assesses the Internal Audit Service's compliance with GIAS. This includes both internal and external assessments and is set out in the QAIP.
- 11.2 The results of the QAIP including any areas of non-conformance with GIAS are reported annually to the Corporate Management Team and the Audit Committee. This report will include information regarding:
- The scope and frequency of both the internal and external assessments
  - The qualifications and independence of the assessor(s) or assessment team, including potential conflicts of interest.
  - Conclusions of assessors
  - Corrective action plans

## Non-Audit Work

- 12.1 The Head of Internal Audit shall maintain independence and objectivity in the performance of their duties. To ensure this, the Head of Internal Audit & Investigation shall not have responsibilities for non-audit functions that could impair their professional judgement.
- 12.2 The Internal Audit function operates the Investigation Service for the council. The Head of Audit & Investigation is a named point of contact for the Council's whistle-blowing arrangements and where appropriate investigates instances of suspected or actual fraud, corruption or impropriety. The Head of Audit & Investigation also facilitates the council's participation in the National Fraud Initiative, which matches data from the council's information systems with information held by other bodies to identify potentially fraudulent activity.
- 12.3 The Internal Audit Service is not responsible for the prevention or detection of fraud and corruption. Managing the risk of fraud and corruption is management's responsibility. Internal Auditors will however, be alert in all their work to risks and exposures that could allow fraud or corruption and to any indications that fraud and corruption may have occurred. Internal audit procedures alone, even when

performed with due professional care, cannot guarantee that fraud or corruption will be detected.

- 12.4 The Head of Audit & Investigation should be informed of all suspected or detected fraud, corruption or impropriety and will consider the implications for their opinion on the adequacy and effectiveness of the relevant controls, and the overall internal control environment.

### **Title: Internal Audit Charter and Mandate**

<b>Version number</b>	2
<b>Document author / owner</b>	Mark Beard – Head of Audit & Investigations
<b>Document approver</b>	Audit Committee

<b>Date of creation</b>	April 2025	<b>Review cycle</b>	Annually
<b>Last review</b>	April 2026	<b>Next Review</b>	April 2027

<b>Version</b>	<b>Date</b>	<b>Section / Reference</b>	<b>Amendment</b>
2	April 2026	-	-



<b>REPORT TO:</b>		<b>AUDIT COMMITTEE</b>	
<b>DATE:</b>		29 June 2026	
<b>PORTFOLIO:</b>		<b>Councillor Vanessa Alexander - Resources and Council Operations</b>	
<b>REPORT AUTHOR:</b>		Mark Beard – Head of Audit & Investigations	
<b>TITLE OF REPORT:</b>		<b>INTERNAL AUDIT CHARTER AND MANDATE 2026</b>	
<b>EXEMPT REPORT (Local Government Act 1972, Schedule 12A)</b>	<b>No</b>	Not applicable	
<b>KEY DECISION:</b>	<b>No</b>	If yes, date of publication:	

## 1. **Purpose of Report**

- 1.1 To inform and update Audit Committee on the 2026 Internal Audit Charter and Mandate which reflects both good working practices and to ensure it remains aligned with the Global Internal Audit Standards (GIAS).

## 2. **Recommendations**

- 2.1 I recommend that Audit Committee:
- Approves the 2026 Internal Audit Charter and Mandate.

## 3. **Reasons for Recommendations and Background**

- 3.1 The GIAS replaced the former Public Sector Internal Audit Standards (PSIAS) with effect from 1<sup>st</sup> April 2025. Internal Audit must work within and conform to the GIAS.
- 3.2 The GIAS have 5 domains which then break down into 15 principles and 52 core standards. The GIAS state that Internal Audit must have an Internal Audit Charter and Mandate.
- 3.3 The Internal Audit Charter and Mandate establishes the framework within which Hyndburn Borough Council's Internal Audit Service operates to best serve the council and to meet its professional obligations under the GIAS. It also details the legislative basis for Internal Audit and its authority within the council.

3.4 The team has had previous Internal Audit Charters and this 2026 version replaces the 2025 version. It has been checked to ensure it reflects current working practices by the Internal Audit Service and ensure that it remains aligned to the requirements of the GIAS.

3.5 The Internal Audit Charter covers:-

- Relevant Regulations and Interpretation
- Authority and Requirement for Effective Internal Audit
- Authority and Requirement for Effective Counter Fraud Arrangements
- Definitions
- Responsibilities
- Independence, Objectivity and Integrity
- Reporting Lines and Relationships
- Access to Information
- Internal Audit Resources and Effectiveness
- Competency
- Quality Assurance and Improvement
- Non-Audit Work

3.6 The areas contained within the Internal Audit Charter and Mandate link back into the GIAS requirements. A copy of the Internal Audit Charter and Mandate is attached as an appendix to this report.

**4. Alternative Options considered and Reasons for Rejection**

4.1 There are no alternative options as Internal Audit must have an Internal Audit Charter and Mandate in order to conform to the GIAS.

**5. Consultations**

5.1 No consultations required.

**6. Implications**

<b>Financial implications (including any future financial commitments for the Council)</b>	There are no financial implications arising from this report
<b>Legal and human rights implications</b>	There are no legal or human rights implications arising from this report.
<b>Assessment of risk</b>	Risks are taken into consideration during the audit process itself, there is no direct risk implication from this report.
<b>Equality and diversity implications</b>	

*A [Customer First Analysis](#) should be completed in relation to policy decisions and should be attached as an appendix to the report.*

A Customer First Analysis is not required as the Internal Audit Charter and Mandate is not setting new policy for the audit function or the Council. It documents the working practices expected to enable compliance with the GIAS.

**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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# Agenda Item 7.

<b>REPORT TO:</b>		<b>AUDIT COMMITTEE</b>	
<b>DATE:</b>		29 June 2026	
<b>PORTFOLIO:</b>		<b>Councillor Vanessa Alexander - Resources and Council Operations</b>	
<b>REPORT AUTHOR:</b>		Mark Beard – Head of Audit & Investigations	
<b>TITLE OF REPORT:</b>		<b>Global Internal Audit Standards – Self Assessment 2026</b>	
<b>EXEMPT REPORT (Local Government Act 1972, Schedule 12A)</b>	<b>No</b>	Not applicable	
<b>KEY DECISION:</b>	<b>No</b>	If yes, date of publication:	

## 1. **Purpose of Report**

- 1.1 To inform and update Audit Committee on the Internal Audit Team’s 2026 self-assessment Global Internal Audit Standards (GIAS).

## 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 The GIAS is the framework which Internal Audit must work within, and the work carried out by the Internal Audit Team must be in conformance with the GIAS.
- 3.2 The GIAS have 5 domains which then break down into 15 principles and 52 core standards.
- 3.3 The new Global Internal Audit Standards are organised into five domains:
- i) Purpose of Internal Auditing
  - ii) Ethics and Professionalism
  - iii) Governing the Internal Audit Function
  - iv) Managing the Internal Audit Function
  - v) Performing Internal Audit Services.

3.4 These domains encompass 15 principles and 52 standards that provide comprehensive guidance for Internal Audit practices. The 15 principles are:

**Domain ii**

- i) Demonstrate Integrity
- ii) Maintain Objectivity
- iii) Demonstrate Competency
- iv) Exercise Due Professional Care
- v) Maintain Confidentiality

**Domain iii**

- vi) Authorised by the Board
- vii) Positioned Independently
- viii) Overseen by the Board

**Domain iv**

- ix) Plans Strategically
- x) Manages Resources
- xi) Communicates Effectively
- xii) Enhances Quality

**Domain v**

- xiii) Plan Engagements Effectively
- xiv) Conduct Engagement Work
- xv) Communicate Engagement Conclusions and Monitor Action Plans

3.5 The 52 core standards have multiple sub-layers detailing all aspects of what an Internal Audit Team must be doing in order to achieve conformance with the GIAS.

3.6 There are 198 elements to the 52 core standards but Domain 3b does not apply to Local Government, so this reduces the total by 32 areas. In the CIPFA self-assessment tool there is also a CIPFA Code section which details a further 40 areas.

3.7 For the benefit of this report, it is the five key domains and all the sub elements of each that is being reported in terms of the self-assessment.

3.8 The self-assessment has 3 possible outcomes for each area assessed:

- Generally Conforms
- Partially Conforms
- Does not Conform

3.9 A self-analysis table is attached to this report which details Internal Audit's conformance with the GIAS.

#### **4. Alternative Options considered and Reasons for Rejection**

4.1 There are no alternative options as Internal Audit must have a self-assessment against the GIAS.

5. **Consultations**

5.1 No consultations required.

6. **Implications**

<b>Financial implications (including any future financial commitments for the Council)</b>	There are no financial implications arising from this report
<b>Legal and human rights implications</b>	There are no legal or human rights implications arising from this report.
<b>Assessment of risk</b>	Risks are taken into consideration during the audit process itself, there is no direct risk implication from this report.
<b>Equality and diversity implications</b> <i>A <a href="#">Customer First Analysis</a> should be completed in relation to policy decisions and should be attached as an appendix to the report.</i>	A Customer First Analysis is not required as the Internal Audit Self-Assessment against the GIAS is not setting new policy for the audit function or the Council. It documents the working practices expected to enable compliance with the GIAS.

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 – 29 June 2026

#### Global Internal Audit Standards – Internal Audit Self-Assessment 2026

The table below details the results of Internal Audit’s Self-Assessment against the Global Internal Audit Standards (GIAS).

	<b>Total Areas Assessed</b>	<b>Self-Assessment Outcome</b>	<b>Comments</b>
<b>Domain 1</b>	8	8 Generally Conforms	
<b>Domain 2</b>	25	25 Generally Conforms	
<b>Domain 3</b>	29	28 Generally Conforms 1 not applicable	Application Note 10D Selecting Independent Assessor Requirement applies to the n/a item
<b>Domain 3b</b>	32	All not applicable	This section does not apply to Local Government
<b>Domain 4</b>	51	50 Generally Conforms 1 not applicable	Application Note 10B Overall Conclusions Annual Reporting applies to the n/a item
<b>Domain 5</b>	53	53 Generally Conforms	

#### Conclusion of the Self-Assessment

The self-assessment demonstrates that the Internal Audit Team generally conforms with the GIAS and therefore the work undertaken by the Internal Audit Team together with audit engagement output such as audit reports are in conformance with the GIAS.

# Agenda Item 8.

<b>REPORT TO:</b>	Audit Committee		
<b>DATE:</b>	29 June 2026		
<b>PORTFOLIO:</b>	<b>Councillor Vanessa Alexander - Resources and Council Operations</b>		
<b>REPORT AUTHOR:</b>	Martin Dyson – Executive Director Resources		
<b>TITLE OF REPORT:</b>	Accounting Policies to be used to prepare the Statement of Accounts 2025/26		
<b>EXEMPT REPORT (Local Government Act 1972, Schedule 12A)</b>	<b>No</b>	Not applicable	
<b>KEY DECISION:</b>	<b>No</b>	If yes, date of publication:	

## 1. **Purpose of Report**

- 1.1 To allow the Committee to review and consider the proposed Accounting Policies to be used in the preparation of the Council’s Statement of Accounts 2025/26 and update Committee on any changes to the accounting policies used between years.

## 2. **Recommendations**

- 2.1 The Committee is recommended to note the use of the Accounting Policies as set out in Appendix 1 for the preparation of the Council’s Statement of Accounts 2025/26.

## 3. **Reasons for Recommendations and Background**

- 3.1 In accordance with the Accounts and Audit Regulations 2015, the Council is required to prepare annually a statement of accounts. The Code of Practice on Local Authority Accounting in the United Kingdom (the Code) specifies the principles and practices to be followed in order for the accounts to give a “true and fair” view of the financial position, financial performance and cash flows of a local authority.
- 3.2 The Council’s chief financial officer, as the officer appointed by the Council in discharge of its responsibilities under s151 of the Local Government Act 1972, is responsible for preparation of the Council’s Statement of Accounts in accordance with the proper practices set out in the Code. In doing so, the chief financial officer is required to select suitable accounting policies and then apply them consistently. Accounting policies are the specific conventions, rules and practices applied in preparing and presenting the financial statements.

3.3 The Accounting Policies to be applied in preparing the Council’s 2025/26 Statement of Accounts are set out in Appendix 1. These policies remain broadly consistent with those used for the 2024/25 Statement of Accounts. However, Members should note that, following updates to the CIPFA Code of Practice, the Council is now formally required to revalue all non-current assets, that require valuation, at least every five years, or on a five-year rolling basis, supported by indexation in the intervening years. Transitional arrangements apply, meaning these changes will be adopted prospectively and prior-year figures will not be restated.

**4. Alternative Options considered and Reasons for Rejection**

4.1 There are no alternative options.

**5. Consultations**

5.1 None

**6. Implications**

<b>Financial implications (including any future financial commitments for the Council)</b>	There are no direct financial implications arising from this report.
<b>Legal and human rights implications</b>	The Statement of Accounts should be formally published within the statutory timescale. This report, together with the Annual Governance Statement forms part of the Council’s assurance process.
<b>Assessment of risk</b>	There are no specific risk issues for members to consider arising from this report.
<b>Equality and diversity implications</b> <i>A <a href="#">Customer First Analysis</a> should be completed in relation to policy decisions and should be attached as an appendix to the report.</i>	None

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

7.1 None

**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.

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# Appendix 1. Accounting Policies

## 1. General Principles

The Statement of Accounts summarises the Authority's transactions for 2025/26 financial year and its position at the year-end 31<sup>st</sup> March 2026. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations (2015), which those Regulations require to be prepared in accordance with proper accounting practices. These practices under section 21 of the 2003 Act primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2025/26 (the Code), supported by the International Financial Reporting Standards (IFRS).

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments. Amounts in the statements have been rounded to the nearest £'000 unless otherwise indicated.

## 2. Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations of the contract.
- Supplies are recorded as expenditure when they are consumed - where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure has been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

## 3. Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months or less from the date of acquisition and are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Council's cash management.

#### **4. Exceptional Items**

When items of income and expense are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of the Council's financial performance.

#### **5. Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors**

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Authority's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

#### **6. Charges to Revenue for Non-Current Assets**

Services, support services and trading accounts are debited with the following amounts to record the cost of holding non-current assets during the year:

- Depreciation attributable to the assets used by the relevant service.
- Revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off.
- Amortisation of intangible fixed assets attributable to the service.

The Council is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisation. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement. Depreciation, revaluation and impairment losses and amortisation are therefore replaced by the contribution in the General Fund Balance (the Minimum Revenue Provision) calculated on a prudent basis by the Council in accordance with statutory guidance. This is achieved through an adjusting transaction between the General Fund Balance and the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

#### **7. Council Tax and Non-Domestic Rates**

Billing authorities act as agents, collecting council tax and non-domestic rates (NDR) on behalf of the major preceptors (including government for NDR) and, as principals, collecting council tax and NDR for themselves. Billing authorities are required by statute to maintain a separate fund (i.e. the Collection Fund) for the collection and distribution of amounts due in respect of council tax and NDR. Under the legislative framework for the Collection Fund, billing authorities, major preceptors and

central government share proportionately the risks and rewards that the amount of council tax and NDR collected could be less or more than predicted.

#### Accounting for Council Tax and NDR

The council tax and NDR income included in the Comprehensive Income and Expenditure Statement is the authority's share of accrued income for the year. However, regulations determine the amount of council tax and NDR that must be included in the authority's General Fund. Therefore, the difference between the income included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves Statement.

The Balance Sheet includes the Council's share of the year end balances in respect of council tax and NDR relating to arrears, impairment allowances for doubtful debts, overpayments and prepayments and appeals.

Where debtor balances for the above are identified as impaired because of a likelihood arising from a past event that payments due under the statutory arrangements will not be made, the asset is written down and a charge made to the taxation and non-specific grant income and expenditure line in the CIES. The impairment loss is measured as the difference between the carrying amount and the revised future cash flows.

### **8. Employee Benefits**

#### Benefits Payable During Employment

Short term employee benefits such as wages and salaries, paid annual leave, sick leave and expenses are paid on a monthly basis and charged on an accruals basis to the relevant service line of the Comprehensive Income and Expenditure Statement (CIES). An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. time off in lieu) earned by employees but not taken before the year-end that employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to surplus or deficit on the provision of services, but then reversed out through the Movement in Reserves Statement to the accumulated absences account so that holiday entitlements are charged to revenue in the financial year in which the holiday absence occurs.

#### Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy in exchange for those benefits and are charged on an accruals basis to the appropriate service or, where applicable, to the Non Distributed Costs line in the Comprehensive Income and Expenditure Statement at the earlier of when the Council can no longer withdraw the offer of those benefits or when the Council recognises costs for a restructuring.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pension Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at year-end.

#### Post-Employment Benefits

Employees of the Council are eligible to join the Local Government Pension Scheme administered by Lancashire County Council. The scheme provides defined benefits to members (retirement lump sums and pensions) earned as employees worked for the Council.

#### The Local Government Pension Scheme

The Local Government Pension Scheme is accounted for as a defined benefits scheme.

The liabilities of the Lancashire County Pension Scheme attributable to Hyndburn Borough Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc., and projected earnings for current employees.

Liabilities are discounted to their value at current prices, the discount rate for 2025/26 will be confirmed in the Council's IAS 19 report, (5.8% at 31<sup>st</sup> March 2025) based on the indicative rate of return on high quality (AA rated) corporate bonds.

The assets of the Lancashire County Council Pension Fund attributable to Hyndburn Borough Council are included in the Balance Sheet at their fair value:

- Quoted securities – current bid price
- Unquoted securities – professional estimate
- Utilised securities – current bid price
- Property – market value

The change in the Net Pensions Liability is analysed into the following components:

1. Service cost comprising:
  - Current Service Cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employee worked.
  - Past Service Cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.

- Net Interest on The Net Defined Benefit Liability (Asset) i.e. net interest expense for the Council – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – that is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.
2. Re-measurements comprising:
- The Return on Plan Assets – excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the Pensions Reserve as other Comprehensive Income and Expenditure.
  - Actuarial Gains and Losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pension Reserve as Other Comprehensive Income and Expenditure.
  - Contributions paid to the Lancashire County Pension Fund – cash paid as employer’s contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund Balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means there are transfers to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at year end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

#### Discretionary Benefits

The Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

#### **9. Events After the Reporting Period**

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of event can be identified:

- Those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events.

- Those that are indicative of conditions that arose after the reporting period – the Statement of Accounts are not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

## **10. Financial Instruments**

### Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

For most of the borrowings that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the CIES is the amount payable for the year according to the loan agreement.

### Financial Assets

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their Cashflow characteristics there are three main classes of financial assets measured at:

- Amortised cost
- Fair value through profit and loss (FVPL), and
- Fair value through other comprehensive income (FVOCI).

The Council's business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified as amortised cost, except for those whose contractual payments are not solely payment of principal and interest (i.e. where the cash flows do not take the form of a basic debt instrument).

### Financial Assets Measured at Amortised Cost

These are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Loans and receivables are recognised in the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure (FIIIE) line in the Comprehensive Income and Expenditure

Statement (CIES) for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans the Council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable for the year in the loan agreement.

However, the Council may also make loans to an organisation at less than market rates (soft loans). When soft loans are made, a loss is recorded in the CIES (debited to the appropriate service) for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal.

Interest is credited to the Financing and Investment Income and Expenditure line in the CIES at a marginally higher effective rate of interest than the rate receivable from the voluntary organisation, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the CIES to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Any gains or losses that arise on the De-recognition of an asset are credited or debited to the Financing and Investment income and Expenditure in the CIES.

#### Expected Credit Loss Model

The Council recognises expected credit losses on all of its financial assets held at amortised cost (or where equivalent FVOCI), either on a 12-month or lifetime basis. The expected credit loss model also applies to lease receivables and contract assets. Only lifetime losses are recognised for trade receivables (debtors) held by the Council.

Impairment losses are calculated to reflect the expectations that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month losses.

#### Financial Assets Measured at Fair Value through Profit and Loss

Financial assets that are measured at FVPL are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arrive in the Surplus or Deficit on the Provision of Services.

The fair value measurement of the financial assets are based on the following techniques:

- a) Instruments with quoted market prices – the market price
- b) Other instruments with fixed and determinable payments – discounted cash flow analysis.

The inputs to the measurement techniques are categorised in accordance with the following three levels:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets that the authority can access at the measurement date.
- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly.
- Level 3 – unobservable inputs for the asset.

The Council used Lea Hough Chartered Surveyors to provide a valuation of its property assets and liabilities in line with the highest and best use definition within the accounting standard; and MUFG Corporate Markets (previously Link Asset Services) to value its investments and borrowings. The highest and best use of the asset being valued is considered from the perspective of a market participant. The Council's surplus assets are judged to be Level 2.

#### **11. Government Grants and Contributions**

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Council when there is reasonable assurance that:

- The Council will comply with the conditions attached to the payments, and
- The grants or contributions will be received.

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset in the form of the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the balance sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ring fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied Reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied Reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

## **12. Heritage Assets**

The Council's heritage assets are held in the Haworth Art Gallery. The Gallery has four collections of heritage assets which are held in support of the primary objective of the museum i.e. maximise the recognition, appreciation and use of Haworth Art Gallery and its unique Tiffany Glass collection as a historic and contemporary art, education, leisure and tourism asset of local, regional and national importance.

Heritage assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the Council's accounting policies on property, plant and equipment. However, some of the measurement rules are relaxed in relation to heritage assets as detailed below.

The Tiffany Glass Collection – Includes handmade blown glass vases, glass tiles, jewels and mosaics; as well as pottery, metalwork and enamel items. The items are reported in the Balance Sheet at insurance valuation which is based on market values. The insurance valuations are updated periodically.

The Art Collection – Includes paintings (both oil and watercolour) as well as etchings, book illustrations and chromolithographs. It is reported in the Balance Sheet at market value.

Numismatics Collection – Comprises coins, medals and tokens. The medals show portraits of famous people through history, while the trade tokens have a strong local connection. The items are reported in the Balance Sheet at insurance valuation which is based on market values. The insurance valuations are updated periodically.

Community Collection – The items are reported in the Balance Sheet at insurance valuation which is based on market values. The insurance valuations are updated periodically.

The date of the latest valuation of Heritage Assets undertaken by Eric Knowles Antiquarian Services in December 2021. Assets within all four collections are deemed to have indeterminate lives and, in the case of the glass and art collections, a high residual value; hence the Council does not consider it appropriate to charge depreciation.

All four collections are relatively static and acquisitions and donations are rare. The Gallery is accredited by the Arts Council of Great Britain which means it has a statement of purpose, an acquisition and disposals policy, a guide to the documentation relating to the collections and a plan for the collections' care and conservation.

Civic Regalia – The Council also has a collection of civic regalia which is held at the Town Hall. It was last valued for insurance purposes by Precious Metals in November 2023.

### **13. Intangible Assets**

Expenditure on non-monetary assets that do not have physical substance but are controlled by the authority as a result of past events (e.g. software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the authority.

Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise the Council's goods and services.

Intangible assets are initially measured at cost. Amounts are only revalued where the fair value of an asset can be determined by reference to an active market. In practice, no intangible asset held by the Council meets this criterion, and they are therefore carried at amortised cost.

The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sales proceeds greater than £10,000) to the Capital Receipts Revenue Account.

### **14. Interests in Companies and Other Entities**

The Council no longer has material interests in other entities that have the nature of associates; Hyndburn BC therefore no longer prepares group accounts.

### **15. Inventories**

Inventories are held in the Balance Sheet at purchase price. The cost of inventories is assigned using the First-In-First-Out costing formula.

### **16. Investment Property**

Investment properties are those that are used solely to earn rentals and / or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

Investment properties are measured initially at cost and subsequently at fair value, being the price that would be received to sell such an asset in an orderly transaction between market participants at the measurement date. As a non-financial asset, investment properties are measured at highest and best use. Properties are not depreciated but revalued annually according to market conditions at year end. Gains and losses on revaluation are posted to the financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains

and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

## **17. Leases**

### The authority as lessee

The authority classifies contracts as leases based on their substance. Contracts and parts of contracts, including those described as contracts for services, are analysed to determine whether they convey the right to control the use of an identified asset, through rights both to obtain substantially all the economic benefits or service potential from that asset and to direct its use. The Code expands the scope of IFRS 16 Leases to include arrangements with nil consideration, peppercorn or nominal payments.

### Initial measurement

Leases are recognised as right-of-use assets with a corresponding liability at the date from which the leased asset is available for use (or the IFRS 16 transition date, if later). The leases are typically for fixed periods in excess of one year but may have extension options.

The authority initially recognises lease liabilities measured at the present value of lease payments, discounting by applying the authority's incremental borrowing rate wherever the interest rate implicit in the lease cannot be determined. Lease payments included in the measurement of the lease liability include:

- fixed payments, including in-substance fixed payments
- variable lease payments that depend on an index or rate, initially measured using the prevailing index or rate as at the adoption date
- amounts expected to be payable under a residual value guarantee
- the exercise price under a purchase option that the authority is reasonably certain to exercise
- lease payments in an optional renewal period if the authority is reasonably certain to exercise an extension option
- penalties for early termination of a lease, unless the authority is reasonably certain not to terminate early.

The right-of-use asset is measured at the amount of the lease liability, adjusted for any prepayments made, plus any direct costs incurred to dismantle and remove the underlying asset or restore the underlying asset on the site on which it is located, less any lease incentives received.

However, for peppercorn, nominal payments or nil consideration leases, the asset is measured at fair value.

### Subsequent measurement

The right-of-use asset is subsequently measured using the fair value model. The authority considers the cost model to be a reasonable proxy except for:

- assets held under non-commercial leases
- leases where rent reviews do not necessarily reflect market conditions
- leases with terms of more than five years that do not have any provision for rent reviews

- leases where rent reviews will be at periods of more than five years.

For these leases, the asset is carried at a revalued amount. In these financial statements, right-of-use assets held under index-linked leases have been adjusted for changes in the relevant index, while assets held under peppercorn or nil consideration leases have been valued using market prices or rentals for equivalent land and properties.

The right-of-use asset is depreciated straight-line over the shorter period of remaining lease term and useful life of the underlying asset as at the date of adoption. The lease liability is subsequently measured at amortised cost, using the effective interest method. The liability is remeasured when:

- there is a change in future lease payments arising from a change in index or rate
- there is a change in the authority's estimate of the amount expected to be payable under a residual value guarantee
- the authority changes its assessment of whether it will exercise a purchase, extension or termination option, or
- there is a revised in-substance fixed lease payment.

When such a remeasurement occurs, a corresponding adjustment is made to the carrying amount of the right-of-use asset, with any further adjustment required from remeasurement being recorded in the income statement.

#### Low value and short lease exemption

As permitted by the Code, the authority excludes leases:

- for low-value items that cost less than £5,000 when new, provided they are not highly dependent on or integrated with other items, and
- with a term shorter than 12 months (comprising the non-cancellable period plus any extension options that the authority is reasonably certain to exercise and any termination options that the authority is reasonably certain not to exercise).

#### Lease expenditure

Expenditure in the Comprehensive Income and Expenditure Statement includes interest, straightline depreciation, any asset impairments and changes in variable lease payments not included in the measurement of the liability during the period in which the triggering event occurred. Lease payments are debited against the liability. Rentals for leases of low-value items or shorter than 12 months are expensed.

Depreciation and impairments are not charges against council tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the capital adjustment account from the General Fund balance in the Movement in Reserves Statement.

### The authority as lessor

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

### Finance leases

Where the authority grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether property, plant and equipment or assets held for sale) is written off to the other operating expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the authority's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal), matched by a lease (long-term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

- a charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received), and
- finance income (credited to the financing and investment income and expenditure line in the Comprehensive Income and Expenditure Statement).

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund balance to the capital receipts reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund balance to the deferred capital receipts reserve in the Movement in Reserves Statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the capital receipts reserve.

The written-off value of disposals is not a charge against council tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the capital adjustment account from the General Fund balance in the Movement in Reserves Statement.

### Operating leases

Where the authority grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the other operating expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease or where this is initiated by a service to the individual service, even if

this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

#### **18. Overheads and Support Services**

The costs of overheads and support services are charged to service segments in accordance with the Council's arrangements for accountability and financial performance.

#### **19. Property, Plant and Equipment**

Assets that have physical substance and are held for use in the production or supply of goods and services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

##### Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on accruals basis, provided it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (e.g. repairs and maintenance) is charged to the Comprehensive Income and Expenditure Statement as it is incurred.

##### Measurement

Assets are initially measured at cost, comprising the purchase price and any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by the management.

Assets are then carried in the Balance Sheet using the following measurement bases:

- Community assets and assets under construction – depreciated historical cost
- Surplus Assets – the current value measurement base is fair value, estimated at highest and best use from a market participant's perspective
- All other assets – the current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV)

Where there is no market-based evidence of current value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of current value. Where non-property assets that have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for current value.

From 1 April 2025, the Code requirements changed in respect of revaluations of property, plant and equipment. The Council is now required to revalue assets every five years or on a 5-year rolling basis, with annual indexation applied to assets during the four intervening years. Where indices cannot be obtained without undue cost or effort those assets will be revalued every 5 years, with a desktop

revaluation in year three. The Council has selected appropriate indices following advice from its internal valuers. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains.

Where decreases in value are identified, they are accounted for by:

- Where there is a balance for gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line in the Comprehensive Income and Expenditure Statement

The Revaluation Reserve contains revaluation gains recognised since April 1<sup>st</sup> 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

### Impairment

Assets are assessed at year end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for by:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

### Depreciation

Depreciation is provided for on all property, plant and equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land and certain Community Assets) and assets that are not yet available for use (i.e. assets under construction). The Council operates a straight-line method for depreciation over the useful economic life of the asset as follows:

Asset	Period (Years)
Operational Buildings	30 - 60*
Non-Operational Buildings	30 - 60*
Community Assets	5 - 50
Vehicles & Plant	2 - 20
Surplus Assets	15 - 35

\*As part of the Council's five-year rolling revaluation programme, a revised estimated useful life of the asset (if applicable) may be applied, up to a maximum of 60 years.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the revaluation reserve to the capital adjustment account.

Where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

#### Component Accounting

Componentisation applies where an asset comprises two or more major components with substantially different useful economic lives. For the purpose of depreciation, each component is accounted for separately and depreciated over the course of its respective life.

The policy applied at Hyndburn Borough Council has a de minimis level of £500,000 asset value for the building element and a maximum number of components of five.

#### Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale.

Assets Held for Sale are assets where the:

- Asset is immediately available for sale
- Sale is highly probable
- Asset is actively marketed
- Sale is expected to be completed within twelve months

The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previous losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale, and their recoverable amount at that date of the decision not to sell. Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

### Disposals

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals, if any, are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated on the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) is payable to the Government. The balance of receipts is required to be credited to the Capital Receipts Reserve and can then only be used for new capital investment or set aside to reduce the Council's capital financing requirement. Receipts are appropriated to the Capital Receipts Reserve in the Movement in Reserves Statement.

The written off value of disposals is not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

### Infrastructure Assets

Infrastructure assets include footways and cycle tracks, street lighting, street furniture, sewers and culverts, and a small number of carriageways owned by the authority.

Infrastructure assets are generally measured at depreciated historical cost.

Depreciation is provided by the systematic allocation of their depreciable amounts over their useful lives. Depreciation is calculated on a straight-line basis. Annual depreciation is the depreciation amount allocated each year. Useful lives are determined as follows:

Type of Infrastructure Asset	Useful Life
Footways and cycle tracks	15 years
Street lighting	10 years
Street furniture	10 years
Sewers and culverts	10 years

Structures (Bridges)	40 years
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In accordance with the temporary relief offered by the 'Update to the Code and Specifications for Future Codes for Infrastructure Assets' this note does not include disclosure of gross cost and accumulated depreciation for infrastructure assets because historical reporting practices and resultant information deficits mean that this would not faithfully represent the asset position to the users of the financial statements.

The authority has chosen not to disclose this information as the previously reported practices and resultant information deficits mean that gross cost and accumulated depreciation are not measured accurately and would not provide the basis for the users of the financial statements to take economic or other decisions relating to infrastructure assets.

The authority has determined in accordance with Regulation 30M England of the Local Authorities (Capital Finance and Accounting) (England/Wales) (Amendment) Regulations 2022 that the carrying amounts to be derecognised for infrastructure assets when there is replacement expenditure is nil.

## **20. Provisions, Contingent Liabilities and Contingent Assets**

### Provisions

Provisions are made when an event has taken place on or before the balance sheet date:

- that gives the Council a legal or constructive obligation
- that probably requires settlement by a transfer of economic benefits or service potential, and
- where a reliable estimation can be made of the amount of the obligation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Council becomes aware of the obligation and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle the provision is expected to be recovered from another party (e.g. from an insurance claim), it is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the Council settles the obligation.

### Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the Council's control. Contingent liabilities can also arise in circumstances where a provision would otherwise be made but either it is not sufficiently certain that the event will take

place or the obligation cannot be measured reliably. Contingent liabilities are not recognised in the Balance Sheet but are disclosed in a note to the accounts.

## **21. Reserves**

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by transferring amounts out of the General Fund Balance in the Movements in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then transferred back into the General Fund Balance so that there is no net charge against council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, local taxation, retirement and employee benefits. These do not represent usable resources for the Council – these reserves are explained in the relevant policies.

## **22. Revenue Expenditure Funded from Capital Under Statute (REFCUS)**

Expenditure incurred during the year that may be capitalised under statutory provisions but does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of council tax.

## **23. VAT**

VAT payable is included as an expense only to the extent that it is not recoverable from His Majesty's Revenue and Customs. Vat receivable is excluded from income.

## **24. Fair Value Measurement**

The Council measures some of its non-financial assets such as surplus assets and investment properties and some of its financial instruments such as equity shareholdings at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

- a) In the principal market for the asset or liability, or
- b) In the absence of a principal market, in the most advantageous market for the asset or liability.

The Council measures the fair value of an asset or liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

When measuring the fair value of a non-financial asset, the authority takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Council uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the Council's financial statements are categorised within the fair value hierarchy, as follows:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the Council can access at the measurement date

Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3 – unobservable inputs for the asset or liability.