



**Auditor's Annual Report
Hyndburn Borough Council – year ended 31 March 2024**

February 2025

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Introduction

Introduction

Purpose of the Auditor's Annual Report

Our Auditor's Annual Report (AAR) summarises the work we have undertaken as the auditor for Hyndburn Borough Council ('the Council') for the year ended 31 March 2024. Although this report is addressed to the Council, it is designed to be read by a wider audience including members of the public and other external stakeholders.

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

Opinion on the financial statements



We issued our audit report on 25th February 2025. Our audit report included a disclaimer of opinion. This means our audit report did not express an opinion on the financial statements and no assurance was provided. It was necessary to issue a disclaimer of opinion as amendments to the Account and Audit Regulations introduced a statutory deadline for publication of the Council's financial statements. We were unable to complete the audit procedures necessary to obtain sufficient appropriate audit evidence on which to base our opinion before the date the Council published its audited financial statements.



Value for Money arrangements

In our audit report issued we reported that we had completed our work on the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources and had issued recommendations in relation to identified significant weaknesses in those arrangements. Section 3 provides our commentary on the Council's arrangements and a summary of our recommendations.



Wider reporting responsibilities

We cannot formally conclude the audit and issue an audit certificate until the National Audit Office has communicated the work we are required to undertake as component auditors for the Whole of Government Accounts.

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Audit of the financial statements

Audit of the financial statements

Our audit of the financial statements

Our audit was conducted in accordance with the requirements of the Code, and International Standards on Auditing (ISAs). The purpose of our audit is to provide reasonable assurance to users that the financial statements are free from material error. Amendments to the Accounts and Audit Regulations introduced a deadline for publication of local authorities' audited 2023-24 financial statements. Prior to issuing our audit report, the ISAs require us to determine whether we have obtained sufficient appropriate audit evidence based on the audit procedures completed at that date. We concluded we had not obtained sufficient appropriate audit evidence to enable us to express an opinion on whether the financial statements present a true and fair view and have been prepared, in all material respects, in line with the Code of Practice on Local Authority Accounting. Consequently, as required by the ISAs, we modified our audit report and issued a disclaimer of opinion. This means, in our audit report issued on 28th February 2025, we have not expressed an opinion on the Council's financial statements.

A summary of the significant risks we identified when undertaking our audit of the financial statements and the conclusions we reached on each of these is outlined in Appendix A. In this appendix we also outline the uncorrected misstatements we identified and any internal control recommendations we made.

Qualitative aspects of the Council's accounting practices

Draft accounts were prepared after the statutory deadline. Working papers were provided alongside the draft financial statements, however these often lacked sufficient information and detail to allow the audit to progress smoothly and required additional queries in order to understand how the information had been compiled and supported disclosures in the financial statements. These issues contributed to delays in finalising subsequent audit processes and contributed to the significant weakness in value for money arrangements identified in section 3 of this report.

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

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Our work on Value for Money arrangements

VFM arrangements

Overall Summary



VFM arrangements – Overall summary

Approach to Value for Money arrangements work

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



Financial sustainability - How the Council plans and manages its resources to ensure it can continue to deliver its services.



Governance - How the Council ensures that it makes informed decisions and properly manages its risks.



Improving economy, efficiency and effectiveness - How the Council uses information about its costs and performance to improve the way it manages and delivers its services.

Our work is carried out in three main phases.

Phase 1 - Planning and risk assessment

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

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

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

Although we describe this work as planning work, we keep our understanding of arrangements under review and update our risk assessment throughout the audit to reflect emerging issues that may suggest there are further risks of significant weaknesses.

Phase 2 - Additional risk-based procedures and evaluation

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

We outline the risks that we have identified and the work we have done to address those risks on page 16.

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

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

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

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

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

VFM arrangements – Overall summary

Overall summary by reporting criteria

Reporting criteria	Commentary page reference	Identified risks of significant weakness?	Actual significant weaknesses identified?	Other recommendations made?
 Financial sustainability	11	No	No	No
 Governance	15	Yes – continuing weakness from prior years – see risk on page 16.	Yes – continuing weakness from prior years – see weakness on page 24.	Yes
 Improving economy, efficiency and effectiveness	20	No	No	No

VFM arrangements

Financial Sustainability

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



VFM arrangements – Financial Sustainability

Overall commentary on the Financial Sustainability reporting criteria

Background to the Council's operating environment in 2023/24

During 2023/24 the effect of the pandemic have reduced however there has been continued financial pressures including increases in energy prices and inflation which has impacted general commodity prices, which has led to wage inflation. Despite this the Council had another year where it was able to add to its financial reserves. Council revenues have continued to recover and return to pre-pandemic levels particularly in council tax and business rates. The Council continued to manage its costs during the year with a reduction in net expenditure, with overspends being mitigated through additional income and central efficiencies.

2023/24 Financial Statement performance

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

The Council's financial position as reported in the balance sheet for 2023/24 does not give us cause for concern relating to financial stability. Investment balances have reduced from 38.3m to £24.5m, this represents the reduction in total current assets. Whilst long term borrowing remains stable at £9.8m. Though there is a reduction in cash balances, the Council continues to have adequate liquidity.

Other changes in the balance sheet relates to movements in the Council's share of the pension fund net liability being nil in March 23 to (£5.9m) in deficit in March 2023. It is not unusual to see material movements in the net pension liability and this is consistent with our experience at other local authorities. The deficit position is not unusual and is a recognised area of financial challenge for local authorities.

The Council's useable reserves have increased from £23.4m in 2023 to £26.1m in 2024.

These reserves provide some mitigation against future financial challenges and will assist in addressing future volatility and support savings and efficiencies plans and the capital programme.

The Council will need to continue to ensure that any use of reserves to smooth the financial position over the next few years is properly planned and the use of reserves cannot be relied on to provide a long-term solution to funding gaps. Notwithstanding this, our work has not highlighted a risk of significant weakness in the Council's arrangements for ensuring financial sustainability.

	31 March 2023 £m	31 March 2024 £m
Cash / Cash Equivalents	5.9	3.7
Total Current Assets	48.3	34.7
Share of Net Pension Fund Liability	-	(5.9)
Earmarked Reserves	14.8	19.1
Capital Reserves	6.2	7.6
General Fund	2.4	1.9

VFM arrangements – Financial Sustainability

Overall commentary on the Financial Sustainability reporting criteria – continued

Financial planning and monitoring arrangements

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

Budget monitoring reports have been presented to Cabinet on a quarterly basis. We reviewed a sample of reports presented through the year, together with the outturn reports received by the Cabinet in August 2024. The reports contain appropriate detail on significant variances to budget and an explanation of the pressures. Cabinet also receives regular information on progress against the approved capital programme together with the reasons for over or underspends against the budget profile. These reports provide for effective scrutiny and oversight by members. The Outturn report was reported in June 2024 as required by the CIPFA Financial Management code.

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

The MTFS is a three year plan which sets out the Council's commitment to provide quality services that meet the needs of people locally and that represent good value for money within the overall resources available. The MTFS is updated annually. A strategy is in place for 2024/25 to 2026/27 and includes an updated action plan for the process and arrangements for reporting on progress to date.

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

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

Growth pressures are considered as part of the annual budget setting process. For 2023/24 a corporate savings target of £0.1m was identified which is to be delivered from staff turnover. The Council have not funded additional spend for proposed growth items due to the savings target predicted for 2023/24. The year end outturn showed a £0.534 underspend.

VFM arrangements – Financial Sustainability

Overall commentary on the Financial Sustainability reporting criteria – continued

Arrangements and approach to 2024/25 financial planning

The arrangements for the 2024/25 budget setting process have largely followed the arrangements in place for 2023/24. The budget has always been approved in the February preceding the start of the financial year. It is presented to Cabinet and then Full Council. The medium term financial strategy for the forthcoming three year period has also been presented alongside it so that Members are able to see how the financial position might look for up to three years.

A balanced budget for 2024/25 was approved at the February 2024 Council meeting alongside the updated MTFS. The budget included required savings of £0.1m expected to be covered by actions in hand, with no draw down from reserves anticipated. The 2023/24 budget highlighted a number of risks to achieving a balanced outturn, including assumptions regarding local government re-organisation and subsequent funding from central government.

Whilst a balanced revenue budget for 2024/25 was approved, savings requirements in future years of £0.643m in 2025/26 and £0.542 in 2026/27 are highlighted in the MTFS. The Capital Programme detailed that in 2024/25 there would be new additions of £4.4m. The addition will bring the programme for 2024/25 to £36.1m. The projects being delivered include a number of schemes to improve the district, the largest of which relates to Accrington Town Centre Levelling Up Project and the leisure estate investment. The significant increase in the capital programme is due to the award of Levelling Up funding. In 2023/24 new scheme additions to the capital programme include work on parks and open spaces for example on King George V pavilion and pitches and works on the Market Chambers. The Authority has secured external sources of funding for the capital programme and have robust financial management around limiting debt and borrowing costs.

Cabinet reviewed the budget position regularly during the latter half of 2023/24 as part of its Q2 budget monitoring process. Cabinet also received in-year updates on the Council's capital programme and received a final outturn in June 2024. A review of the outturn finds that actual expenditure of £9.1m is largely in line with the budgeted profile of £9.03m. There has been monitoring of the programme to ensure that projects are kept in line with spend forecasts. The outturn report provides assurance the reporting gap in 2020/21 has been addressed.

We have reviewed the MTFS and supporting reports to Council in February 2024 and are satisfied that it adequately explained the financial risks and that the main financial assumptions were not unreasonable.

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

VFM arrangements

Governance

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



VFM arrangements – Governance

Overall commentary on the Governance reporting criteria

Risk management and monitoring arrangements

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

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

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

The Audit Committee receives regular reports on the Council's Strategic Risks and provides oversight on the risk management arrangements in place and the adequacy of the controls and proposed actions in 2023/24. These arrangements are consistent with what we would expect at a local authority and are adequate for the Council's purposes. From our attendance at these meetings during 2023/24, we have seen Members challenge the scores and key risk management activities to gain assurance about the effectiveness of the arrangements in place.

Internal Audit

The annual Internal Audit plan is developed by the Head of Internal Audit, agreed with management at the start of 2023/24 and is reviewed by the Audit Committee prior to final approval. The audit plan is based on an assessment of risks the Council faces and is designed to ensure there is assurance on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control. The planned work can be supplemented if necessary by ad hoc reviews in respect of suspected irregularities and other work commissioned by Officers and Members of the Council where relevant to respond to emerging risks and issues. We have reviewed the Internal Audit plans for 2024/25 and confirmed they are consistent with the risk based approach.

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

The Head of Internal Audit Annual Report was presented to Audit Committee in July 2024 for the year 2023/24. We have reviewed the annual report, and confirmed they are based upon the work undertaken by Internal Audit during 2023/24, the Head of Internal Audit's overall opinion on the Council's control environment was "Substantial Assurance" based on the work completed.

During 2023/24, Internal Audit issued 20 audit reports, 8 of which were a Comprehensive Assurance opinion, 6 were a Substantial Assurance opinion and 1 was issued with limited assurance this was in relation to the section 106 engagement, issues were identified around the monitoring.

VFM arrangements – Governance

Overall commentary on the Governance reporting criteria – continued

Arrangements for budget setting and budgetary control

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

The budget setting process has operated in the same way in 2023/24 as previous years. It involves regular meetings between Chief Officers and the Corporate Management Team to discuss the financial position and emerging pressures, delivery of savings plans and opportunities for future service redesign, savings or efficiencies. This feeds through to the Budget Management Board to inform the MTFP development and monitoring processes, along with scheduled reporting to Members.

The Budgetary control and monitoring arrangements in place ensured that, over the two-year period, the resources allocated through Council's approval of the budgets, were used for their intended purpose and were properly accounted for. There is evidence budgetary control operated as a continuous process in 2023/23, enabling the Council to review and adjust the budget during the financial year. The arrangements in place provided a mechanism to hold to account managers responsible for defined elements of the budget.

Detailed financial and performance reports were presented to Members through the Audit Committee, Governance and Standards, Cabinet, Scrutiny Committee, and Council. The reports are structured appropriately throughout 2023/24 and covered:

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

We have reviewed these reports for 2023/24 to confirm they contained sufficient detail to allow Members to make decisions or provide challenge and scrutiny appropriate to their role.

Decision making arrangements and control framework

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

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

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

We reviewed the AGS and observed the Audit Committee's review of the AGS and monitoring of actions throughout 2023/24 in relation to any significant governance issues.

VFM arrangements – Governance

Overall commentary on the Governance reporting criteria - continued

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

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

Financial Statements

The Council's previous auditor highlighted weaknesses in the Council's financial statements processes in their Value for Money conclusion as part of the 2019/20 audit. In their opinion, the auditor cited the lateness of publishing the draft accounts, difficulties in responding to audit queries and a material error in the valuation of property, plant and equipment as reasons behind the qualified conclusion.

Our 2020/21 Audit Completion Report highlighted several issues including the poor quality of the draft financial statements submitted for audit and the significant difficulties encountered during the audit process because of problems with the associated working papers and underlying records. The issues identified affected significant balances within the draft financial statements published by the Council, such as Property, Plant and Equipment where management failed to provide sufficient oversight and challenge over the valuations process, leading to misstatements being identified

during the audit. As a result, we have identified a significant weakness in the Council's arrangements as set out on pages 22-23.

The 2021/22 audit saw a number of these issues continue to arise including the poor quality of the draft financial statements submitted for audit and the significant difficulties encountered during the audit process because of problems with the associated working papers and underlying records. The issues identified affected significant balances within the draft financial statements published by the Council, such as Property, Plant and Equipment where management failed to provide sufficient oversight and challenge over the valuations process. The audit was not able to be completed within the given timescales, and due to the backstop measure put in place by the Government we have issued a disclaimer of opinion

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

Based on the above considerations we have identified a significant weakness in the Council's arrangements in relation to governance, in particular the processes the Council has in place to produce its financial statements with supporting working papers on a timely basis. We include details of the significant weakness on page 19.

VFM arrangements

Improving Economy, Efficiency and Effectiveness

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



VFM arrangements – Improving Economy, Efficiency and Effectiveness

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

Performance Management

The Council's objectives are set out in its Corporate Strategy. The Corporate Strategy 2023-2028 outlines the Council's vision for creating a Borough where all residents have the best opportunity to prosper. The strategy is structured around three main themes:

Sustainable Growth – focussed on housing, business and economic growth;

Environmental and climate change – focussed on net zero by 2030

Community and collaborative working – focused on partnership working and health and well being

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

During 2023/24 the Council carried out a review of the current performance mechanism to identify good performance management, as part of this review how best to use the data available to drive service improvement. For 2023/24 the performance indicators were split into 3 categories, Council headline indicators which are updated monthly, Hyndburn wide indicators and corporate strategy outcomes which are updated annually.

The Council reported its annual performance against its KPIs to the Resources Overview and Scrutiny Committee in September 2024. We have reviewed the annual reports which shows it is sufficiently detailed to enable scrutiny and challenge of the Council's performance.

Partnerships

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

Member Services carried out an exercise during 2022 to update the status of all outside bodies to which Councillors may be appointed to committees, to ensure that effective partnerships are maintained with organisations that have an impact on the Council's service areas. The Corporate strategy includes partnership working as a priority. Examples of partnership working in 2023/24 include working with the Federation of Small Business to provide support for small business in Hyndburn, and working within the Community Safety Partnership which also includes Lancashire police and fire service, during 2023/24 a key priority was tackling anti-social behaviour, with additional funding of £2m being secured for Hyndburn.

Procurement

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

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

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

VFM arrangements

Identified significant weaknesses in arrangements and our recommendations



VFM arrangements – Prior year significant weaknesses and recommendations

Progress against significant weaknesses and recommendations made in the prior year

As part of our 2021/22 and 2022/23 audit work, we identified the following significant weaknesses, and made recommendations for improvement in the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources. These identified weaknesses have been outlined in the table below, along with our view on the Council's progress against the recommendations made, including whether the significant weakness is still relevant in the 2021/22 and 2022/23 year.

Previously identified significant weakness in arrangements	Reporting criteria	Recommendation for improvement	Our views on the actions taken to date	Overall conclusions
<p>Weakness in Financial Reporting</p> <p>The Council's 2019/20 auditor's report included a qualified value for money conclusion due to delays in the production of the draft financial statements, difficulties in dealing with audit queries and the identified (and correction) of a material error. The Audit Findings Report for 2019/20 included an associated recommendation for the Council to examine the root cause of the delays and errors underlying the final accounts preparation process.</p> <p>The Council placed the draft 2020/21 financial statements on deposit for public inspection on 13 February 2022, seven months beyond the statutory deadline.</p> <p>Our 2020/21 Audit Completion Report highlighted several issues including the poor quality of the draft financial statements submitted for audit and the significant difficulties encountered during the audit process because of problems with the associated working papers and underlying records. The issues identified affected significant balances within the draft financial statements published by the Council, such as Property, Plant and Equipment where management failed to provide sufficient oversight and challenge over the valuations process, leading to misstatements being identified during the audit process.</p>	Governance	<p>The Council should:</p> <ul style="list-style-type: none"> Produce a detailed action plan setting out how it intends to bring its accounts production process in line with the national timescales; Review the capacity within the Council's finance team to build resilience into the accounts production and financial reporting processes; Consider the issues raised as part of the 2020/21 audit in order to strengthen the overall control environment surrounding the preparation of the financial statements; and 	<ul style="list-style-type: none"> The Council has produced a detailed action plan for 2021/22, 2022/23 and future years. Due to the timing of issuing our recommendations the action plan was not implemented in full prior to completing the 2021/22 financial statements. The accounts were not published in line with national time scales. For 2021/22 accounts were published in May 2023, and for 2022/23 accounts were published in February 2024. For 2023/24 the accounts were published in June 2024. There has been significant change with regards to the finance staff and capacity. The Council has recruited staff to strengthen the capacity in the long term. This is an ongoing process. 	<p>The Council is making progress against the recommendations, however, it is clear from our audit of 2021/22 that this progress is limited, as there has been significant difficulty in progressing the audit, due to staff turnover and the quality of the working papers showing limited improvement despite the use of interim staff. The weakness remains relevant for 2021/22.</p> <p>During 2023/24 the Council is continuing to make good progress, the actional plan developed is continuing to be implemented, with the recruitment of new staff to the finance team.</p> <p>For 2023/24 the weakness remains due to the backstop arrangements, there is insufficient evidence as we are unable to verify any improvements made or form an opinion on the financial statements.</p>

VFM arrangements – Prior year significant weaknesses and recommendations - Continued

Previously identified significant weakness in arrangements	Reporting criteria	Recommendation for improvement	Our views on the actions taken to date	Overall conclusions
<p>Weakness in Financial Reporting (continued)</p> <p>Additionally, our review of committee papers for 2020/21 confirmed the final financial outturn against budget had not been reported to Members. This is one of the seventeen standards set out in the CIPFA Financial Management Code.</p> <p>The financial statements and outturn reports are key to ensuring the Council, its members, its leadership and the wider public understand how effectively its resources have been utilised during the year.</p> <p>1 In our view, the totality of the issues identified indicate a significant weakness in relation to the governance reporting criteria, in particular how the Council ensures effective processes and systems are in place to communicate relevant, accurate and timely management information; support its statutory financial reporting requirements; and to ensure corrective action is taken where needed. The issues identified in the 2020/21 audit are also indicative of a lack of progress in addressing the weaknesses identified in the 2019/20 audit.</p>	Governance	<p>Ensure the final outturn financial position is reported through the Council's committee structure each year end. This should include a detailed analysis of movements against budget and the associated impact on the Council's financial strategy, in order to allow sufficient scrutiny and challenge by the Council's elected Members and ensure effective public reporting.</p>	<p>There has been limited progress in this area during 2021/22. Due to the increased turnover of staff the preparation of the financial statements have been impacted, working papers have been of poor quality with difficulties obtaining underlying records.</p> <p>For 2023/24 the weakness remains as are unable to verify any improvements made or form an opinion on the financial statements.</p> <p>The Authority was able to report the final outturn for 2023/24 in June 2024.</p>	<p>The Council has managed to progress on the final recommendation and provide the final outturn position through the committee structure, providing relevant analysis, and allowing for sufficient scrutiny and challenge to ensure effective public reporting.</p>

04

Other reporting responsibilities

Other reporting responsibilities

Matters we report by exception

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

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

We have not exercised any of these statutory reporting powers.

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

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

The NAO, as group auditor, requires us to complete the WGA Assurance Statement in respect of its consolidation data. We submitted this information to the NAO on [\[insert date\]](#).

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