



# Audit Progress Report

## Hyndburn Borough Council

September 2025

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# 01

Audit progress

# Audit progress

## Purpose of this report

This report provides the Audit and Accounts Committee with information about progress in delivering our responsibilities as your external auditor.

## Audit for the year ending 31 March 2024

### Whole of government accounts

We have received confirmation from the NAO that no further work is required on the Council's WGA return. We have completed final procedures to issue the Audit Certificate.

## Audit for the year ending 31 March 2025

### Value for Money arrangements

We have commenced our work on the Council's value for money arrangements and will conclude that element of the work before the end of November 2025, when our Auditor's Annual Report is required to be issued. Our work will follow up on the identified significant weakness in respect of the Council's arrangements to prepare its financial statements.

### Audit of financial statements

Since the last Audit and Accounts Committee meeting the NAO issued their detailed guidance on rebuilding assurance, known as LARRIG06, with the endorsement of the Financial Reporting Council. The guidance provides the framework for auditors to rebuild assurance where they have issued disclaimed opinions. You can access the NAO's guidance here [LARRIG06](#).

The LARRIG makes clear the work required to rebuild assurance following a disclaimer opinion may be significant and will vary between authorities. In part, this is because rebuilding assurance on opening balances is complicated by the different reserves and balances held, their link to income and expenditure and the application of statutory overrides. It also emphasises the timely delivery of audited financial statements is a collective enterprise where both accounts preparers and auditors have important responsibilities. Effective governance and internal controls, allied to accurate and timely financial reporting, are essential conditions to support a return to the timely delivery of unqualified audited financial statements.

# Audit progress

## Risk assessment

The guidance requires auditors to consider the circumstances impacting the Council's financial statements, the different classes of transactions, account balances and disclosures, and to apply professional judgement to determine the appropriate level of audit work to rebuild assurance. Disclaimed periods of more than one year present a greater risk of material misstatement.

The guidance places an emphasis on the risk assessment procedures auditors should undertake. This means we will conduct a comprehensive risk assessment covering:

- the Council's system of internal control for the periods subject to disclaimed audit opinions;
- the areas of the accounts where there is a risk of material misstatement and the associated planned responses; and
- undertake special considerations for specified matters:
  - property, plant and equipment balances;
  - responses to identified risks of fraudulent financial reporting in previous reporting periods subject to disclaimers of opinion; and
  - pension related balances.

Auditors normally obtain assurance from the prior year audit for the opening balances, and audit procedures over in-year transactions to obtain sufficient appropriate audit evidence that year end balances are true and fair and in accordance with the applicable financial reporting framework. This approach typically applies to reserves balances. However, this approach is not always practicable where a prior year audit has received a disclaimer opinion.

This means that where the preceding financial year has been subject to a disclaimer opinion, it is possible regaining assurance over opening balances on reserves will be a significant matter. Additional risk assessment procedures will be necessary to identify the likelihood and magnitude of risks of material misstatements in reserves balances. The risk assessment will enable the auditor to design and perform responses to identified risks. This will apply to:

- usable reserves, with specific procedures for the General Fund and HRA;
- unusable reserves; and
- property, plant and equipment balances.



# Audit progress

## Responses to the assessed risk of material misstatement

Auditing Standard ISA (UK) 330 requires the auditor to design and perform further audit procedures based on, and responsive to, the assessed risks of material misstatement at either the financial statement level, or the assertion level. The ISA requires the auditor to obtain more persuasive evidence as the assessment of risk increases.

In rebuilding assurance, the LARRIG requires the auditor to design and perform procedures proportionate to the risks of material misstatement attached to specific assertions in relation to opening reserve balances. For individual reserve balances the auditor identifies through risk assessment procedures, there are range of potential responses. These range from determining individual reserve balances as both qualitatively and quantitatively immaterial and so performing no further work, to undertaking some, or all, of a range of detailed tests tailored to the identified risks. The LARRIG refers to the concept of “proof in total” to obtain assurance over opening balances from in-year testing of transactions and balances, but this is subject to the risk assessment confirming such an approach is appropriate given the specific circumstances, and assessed risks of material misstatement, at each Council.

## What is the status of our consideration of the NAO’s guidance?

As a firm we are designing our risk assessments to enable our auditors to apply a consistent approach to determining the appropriate audit response to rebuilding assurance. We have begun our comprehensive risk assessment procedures required to identify and assess the risk of material misstatement once our approach is in place. We will then need to design the associated planned responses. The risk assessment procedures are more comprehensive than would normally be the case, and in Hyndburn’s case, with three years of disclaimed opinions, it is likely there will be significant risks relating to the opening balances that require audit responses. This means the proof in total approach is unlikely to be appropriate. We plan to complete our risk assessment by December 2025 and will continue to liaise with the Director of Resources and the finance team as we progress our risk assessment and determine our approach to rebuilding assurance at the Council.

## When do we expect to fully rebuild assurance?

LARRIG05 provided more general guidance on rebuilding assurance following a disclaimed audit opinion. It makes clear that it may not be possible, despite reasonable endeavours, for auditors to perform all the necessary work to issue an opinion based on sufficient appropriate audit evidence for the current year of audit.

Our current expectation, given the time required to carry out the risk assessment procedures and carry out the audit work to rebuild assurance, is the Council’s audit opinion for 31 March 2025 will be a disclaimed opinion. This is because of the extent of work we expect to be required to rebuild assurance given the previous three years of disclaimed opinions.

## The impact on the audit fee?

PSAA have yet to determine the impact of the auditor’s procedures for rebuilding assurance on the scale audit fee for 2024/25. This will be dealt with through PSAA’s scale fee variation approval process. We will be transparent in communicating with the Director of Resources the impact on your fee in 2024/25 and in subsequent years so there is clarity on the additional audit costs arising from our work on rebuilding assurance.

# 02

National Publications

# National publications

	Publication/update	Key points
Chartered Institute of Public Finance and Accountancy (CIPFA)		
1	Code Of Practice On Local Authority Accounting In The United Kingdom 2025/26	The 2025/26 Code has been developed by CIPFA/LASAAC and has effect for financial years commencing on or after 1 April 2025
2	Service Reporting Code of Practice for Local Authorities 2025/26	SeRCOP is prepared in accordance with the financial reporting framework established by the Code of Practice on Local Authority Accounting in the United Kingdom (the Code)
Ministry of Housing, Communities and Local Government (MHCLG)		
3	Addressing the local audit backlog in England: Non-compliance lists	A list of local bodies that did not publish one or more audited accounts for financial years up to and including 2023 to 2024 by the statutory backstop date of 13 December 2024
4	Local Government Outcomes Framework: Call for feedback	Feedback sought from councils on the Local Government Outcomes Framework
5	The Fair Funding Review 2.0	A consultation on the government’s proposed approach to local authority funding reform through the Local Government Finance Settlement from 2026-27
National Audit Office (NAO)		
6	Smarter delivery – improving operational capability to provide better public services	This report focuses on four capabilities that are required for government organisations to meet operational challenges



# National publications and technical updates

## CIPFA

### 1. Code Of Practice On Local Authority Accounting In The United Kingdom 2025/26

Local authorities in the UK are required to keep their accounts in accordance with 'proper (accounting) practices'. Public sector organisations responsible for locally delivered services are required by legislation to comply with the terms of the Code of Practice on Local Authority Accounting in the United Kingdom (the Code). This 2025/26 edition of the Code has been developed by CIPFA/LASAAC and has effect for financial years commencing on or after 1 April 2025.

The Code specifies the principles and practices of accounting required to prepare financial statements which give a true and fair view of the financial position and transactions of a local authority. The Code applies to local government organisations across the UK including local authorities, police bodies, fire services and other local public service bodies.

This edition of the Code introduces a substantial and significant accounting change due to CIPFA/LASAAC having regard to HM Treasury's Thematic Review on Non-investment Assets. The main changes included in the Code are:

For property, plant and equipment a revaluation is required once every five years, or on a five-year rolling basis, supported by indexation in intervening years. In the rare cases where no index is available, local authorities may use a desktop valuation in year three instead of indexation.

Intangible assets must be measured at historical cost.

A clarification that undertaking a full revaluation should not be a default process to demonstrate there has not been a material impairment of an asset.

The Better Reporting Group are producing application guidance to assist with implementing the changes.

<https://www.cipfa.org/policy-and-guidance/publications/c/code-of-practice-on-local-authority-accounting-in-the-united-kingdom-202526>

### 2. Service Reporting Code of Practice for Local Authorities 2025/26

SeRCOP is prepared in accordance with the financial reporting framework established by the Code of Practice on Local Authority Accounting in the United Kingdom (the Code). It applies to all local authority services throughout the UK from 1 April 2025 for the preparation of 2025/26 budgets and performance indicators, and the completion of government statistical reporting requirements. SeRCOP is reviewed annually to ensure that it develops in line with the needs of local government, transparency, best value and public services reform. There is one minor change for 2025/26 that amends an organisation's name in the police services section.

<https://www.cipfa.org/policy-and-guidance/publications/s/service-reporting-code-of-practice-for-local-authorities-202526>

# National publications

## MHCLG

### 3. Addressing the local audit backlog in England: Non-compliance lists

A list of local bodies that did not publish one or more audited accounts for financial years up to and including 2023 to 2024 by the statutory backstop date of 13 December 2024.

<https://www.gov.uk/government/publications/addressing-the-local-audit-backlog-in-england-non-compliance-lists/addressing-the-local-audit-backlog-in-england-non-compliance-lists>

### 4. Local Government Outcomes Framework: Call for feedback

The Deputy Prime Minister in her LGA conference speech on 3 July 2025 announced a further step in resetting how government works with local government, by launching the Local Government Outcomes Framework (LGOF) – a new approach to outcome-based accountability for councils in England designed to empower councils as place leaders.

The Framework sets 15 outcomes that Government expects to work with local authorities on to deliver key national priorities for local people and communities. These will be underpinned by outcome metrics drawing from existing data sources to show how progress will be measured. MHCLG are inviting local authorities and other interested parties to provide feedback.

<https://www.gov.uk/government/publications/local-government-outcomes-framework-call-for-feedback>

# National publications

## MHCLG

### 5. The Fair Funding Review 2.0

The consultation seeks views on the approach to determining new funding allocations for local authorities and fire and rescue authorities.

This consultation covers:

- determining local authority funding allocations
- approach to consolidating funding
- measuring differences in demand for services and the cost of delivering them
- measuring differences in locally available resources
- the New Homes Bonus
- transitional arrangements and keeping allocations up-to-date

It also covers:

- long-term approach to the business rates retention system
- devolution and wider reforms, including how we can bring Strategic Authorities closer to the Local Government Finance Settlement
- ways to reduce demands on local government to empower them to deliver for communities; and sales, fees and charges reform.

It invites views on the possible equalities impacts of these proposals.

<https://www.gov.uk/government/consultations/the-fair-funding-review-20>

# National publications

## NAO

### **6. Smarter delivery – improving operational capability to provide better public services**

This report focuses on four capabilities that are required for government organisations to meet operational challenges.

- Taking a whole-system approach
- Understanding and dealing with demand
- Using information to improve
- Embedding a systematic approach to innovation and improvement

The report shares lessons about these capabilities and the management and leadership environment that is required for government to provide better services.

The report's examples showcase the work practitioners are doing to build stronger operational capability in adverse conditions, including in areas where there is currently poor value for money overall.

<https://www.nao.org.uk/insights/smarter-delivery-improving-operational-capability-to-provide-better-public-services/>

# Financial Reporting Council's Audit Quality Inspection and Supervision Report 2025

# Financial Reporting Council’s Audit Quality Inspection and Supervision Report 2025

## Audit quality

The Financial Reporting Council’s (FRC) [Audit Quality Inspection and Supervision Report 2025](#) on Forvis Mazars LLP was published on 15 July 2025, based on work undertaken during the 2024/25 inspection cycle, through review of a sample of our Public Interest Entities and other FRC scope audits and other wider measures of audit quality such as the firm’s systems of quality management (SoQM). The report does not cover our audit of Public Sector entities.

### Audit quality inspections

We are pleased that this year’s AQR results reflect our significant progress in delivering audit quality, showing a **90%** profile of audits inspected as good or limited improvements required. Moreover, the combined results of FRC inspections together with the firm’s internal file inspections of FRC-scope audits this cycle show **86%** as either good or limited improvements required. This is a testament to our team’s commitment to audit quality and their hard work, and the effectiveness of our long-term investment in audit quality through training, technology, leadership and a culture of continuous improvement.

We are encouraged that the FRC recognises that the firm has continued to invest in audit quality and made good progress through our Audit Quality Transformation Plan (AQTP). The FRC also noted that the firm’s communications remain clear and consistent around the importance of audit quality, and the firm’s new four-year strategy and the firm’s new senior management continue to reinforce this message.

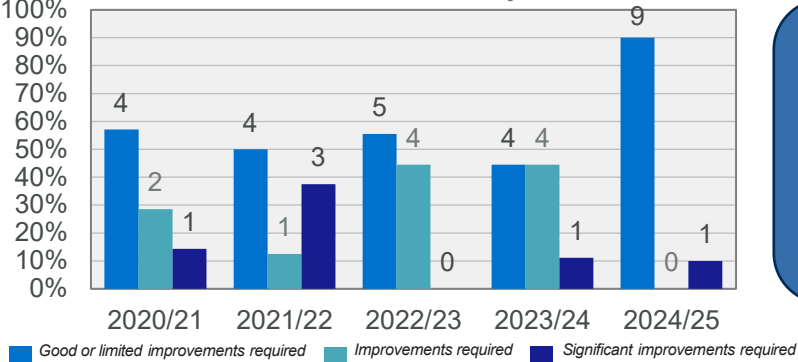
### System of quality management (SoQM)

This is the first inspection cycle when ISQM (UK) has been applicable for the whole period, as 2023/24 was a transitional cycle from the ISQC (UK) 1. We have invested considerable time and resources in developing our SoQM and in monitoring responses, and we are pleased to see the FRC recognise this commitment. We recognise that whilst significant improvements have been made in the last year, we continue to enhance and develop our approach and documentation. We are in the process of addressing the findings raised this cycle – strengthening our responses to quality risks, design assessment and monitoring activities.

### Key actions

To sustain and build on our progress, we will keep working hard and putting quality first, every time. We have strengthened our team, bringing in experienced individuals and top talent to support our success. We have taken robust actions to address the findings and root causes and apply the positive learnings. These include strengthening the firm’s policy on file archiving, reinforcing the guidance on group audits, and further improving our portfolio reviews and project management. We will sustain our efforts in ensuring that our quality plan and actions are fully embedded in our firm’s SoQM as part of ‘business as usual’ (BAU) and within the firm’s culture.

Results of inspection of individual audits at Forvis Mazars over last five years



**90%** of audits inspected by the FRC in 2024/25 were assessed as requiring no more than limited improvements

### Good practice on individual file inspections

The FRC has identified examples of good practice, including on revenue, group audits and technical insurance provisions (including the involvement of actuarial specialists). These are positive indications of the effectiveness of our actions to enhance quality which are now better embedded into our firm’s SoQM. We are sharing these good practice examples with our teams to drive consistency and enhance audit quality.

### Commitment to audit quality

Audit quality remains a strategic priority for our firm and our people. Our commitment and key strategic priority is to ensure the delivery of high-quality audits and to play our part in safeguarding the public interest, restoring trust in audit and corporate governance.

Whilst we are encouraged by the improvements, we know that audit quality is not a fixed point: sustaining the delivery of quality requires consistent focus on people, processes and technology. We remain focused on continuous improvement and on delivering audits that serve the public interest in the long term.



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