Auditor’s Annual Report

Hartlepool Borough Council – year ended 31 March 2024

27 February 2025

forvis mazars

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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 Hartlepool 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 27 February 2025. Our opinion on the financial statements was modified as we were unable to obtain sufficient appropriate audit evidence for the valuation of Local Government Pension Scheme assets ahead of the backstop date of 28 February 2025.

Wider reporting responsibilities
The NAO, as group auditor, requires us to complete the Whole of Government Accounts (WGA) Assurance Statement in respect of its consolidation data. We will issue our report in the next few days. As in previous years, we anticipate a significant delay before we will be able to issue our 2023/24 audit certificate, as we await NAO clearance on whether we will be required to undertake additional procedures as a sampled component.

Value for Money arrangements
We did not identify any significant weaknesses in the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources. Section 3 provides our commentary on the Council's arrangements.

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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. We do this by expressing an opinion on whether the statements are prepared, in all material respects, in line with the financial reporting framework applicable to the Council and whether they give a true and fair view of the Council's financial position as at 31 March 2024 and of its financial performance for the year then ended. Our audit report, issued on 27 February 2025 was a qualified opinion on the financial statements for the year ended 31 March 2024. Further detail is provided below.

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.

Significant difficulties during the audit

During the course of the audit we did not encounter any significant difficulties. We recognise that management have competing demands which means there were some delays in responses to audit queries but we are grateful to management for their co-operation throughout the audit. In July 2024 the Government announced the 'backstop' dates for publication of accounts. The 'backstop' for 2024/25 is 27 February 2026, 2025/26 is 31 January 2027 and 2026/27 is 30 November 2027. It is therefore important that we continue to work with management to ensure the audit process is completed in a timely and efficient manner.

Local Government Pension Scheme assets and liabilities

Teesside Pension Fund provides certain information to the scheme actuary which the actuary uses in preparing a report on pension accounting disclosures for the employer bodies (the actuary report) of the Local Government Pension Scheme (LGPS). Hartlepool Borough Council as an employer bodies rely on the actuary's reports when preparing their financial statements. Our audit approach includes writing to the Pension Fund auditor and requesting the completion of a programme of work at Teesside Pension Fund for the purposes of reporting to us. We consider the findings of the Pension Fund auditor's work in our testing of the LGPS asset and liability valuations.

In February 2025 the Pension Fund auditor communicated their intention to issue a disclaimed audit opinion on the Teesside Pension Fund financial statements for the year ended 31 March 2024. The Pension Fund auditor has communicated that they expected to be able to provide detail of work they have performed on benefits paid and transfer values in and out. With this information we were able to conclude on the material accuracy of the pension liability. Work on asset valuations however was not completed before the 28 February 2025 backstop date. We were unable to design and perform alternative audit procedures so we have not obtained sufficient appropriate audit evidence on the valuation of the defined benefit assets. This lack of assurance means we modified our audit opinion for the Council to reflect this.

Other reporting responsibilities

Reporting responsibility	Outcome
Narrative Report	We did not identify any significant inconsistencies between the content of the annual report and our knowledge of the Council.
Annual Governance Statement	We did not identify any matters where, in our opinion, the governance statement did not comply with the guidance issued by CIPFA/LASAAC Code of Practice on Local Authority Accounting.

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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 or 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 officers

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

Phase 2 - Additional risk-based procedures and evaluation

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

We outline the risks that we have identified and the work we have done to address those risks on page 13.

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

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

VFM arrangements – Overall summary

Overall summary by reporting criteria

Reporting criteria	Commentary page reference	Identified risks of significant weakness?	Actual significant weaknesses identified?	Other recommendations made?
Financial sustainability	14	No	No	Yes – see commentary on page 15
Governance	17	No	No	No
Improving economy, efficiency and effectiveness	23	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 Financial Sustainability

Overall responsibilities for financial governance
We have reviewed the Council's overall governance framework, including Council, Finance and Policy Committee and Audit and Governance Committee reports, the Annual Governance Statement, and the Accounts for 2023/24. These confirm that the Council appropriately undertook its responsibility to define the strategic aims and objectives, approve budgets and monitor financial performance against budgets and plans to best meet the needs of the Council's service users.

The Council receives assurance on all aspects of financial management and operational performance through reports to the Finance and Policy Committee. This includes:

- Overseeing and assuring financial and operational performance;
- Considering the risks associated with any material financial transactions;
- Considering the financial and operational risks involved in the Council's business and how they are controlled and monitored by management; and
- taking action needed to address issues raised or to make improvements.

Our review of supporting papers confirmed that it did so throughout 2023/24.

The Council's financial planning and monitoring arrangements
The Medium-Term Financial Strategy (MTFS) covers a rolling three-year programme and is designed to maintain the general reserve at the minimum level determined appropriate by the Section 151 Officer's risk assessment. This is after allowing for savings and council tax increases approved for the first year of the strategy. Budget gaps in the second and third years of the MTFS are initially covered by the planned use of the Budget Support Fund built up from previous underspends, whilst work continues to identify further savings to balance these budgets without the use of reserves.

Audited accounts show that although savings were delivered in 2023/24 there was a small overspend of 0.612m (0.48%) against the approved budget. This was, however, an improved position against that forecast position in quarter 2. This improvement followed the introduction of non-essential spending restrictions alongside increased spend control measures and close monitoring. We confirmed the final outturn report was presented to the June 2024 Finance and Policy Committee meeting. Our review of minutes confirmed there was regular reporting of the financial position, including any significant variances against budget. Reserves were required to balance the 2023/24 budget, with £1.4m earmarked for use from the Budget Support Fund. As detailed in the accounts the budget support reserve is intended to be available to support the budget over coming years. Therefore, whilst there was a greater than budgeted use it is what the reserve is intended for. The reserve had an opening position of £10.549m so use is c.13% and a year-end position of £7.9m.

We confirmed that the Finance and Policy Committee received management accounts providing detailed commentary of performance against budget, including explanations of significant variances on a quarterly basis during 2023/24. The financial position was also summarised in four updates of the MTFS. The latest reported 2024/25 position is an overspend. This reflects continued pressures in the Children Children's Social care where demand and costs have increased in recent years. These pressure are being built into the latest MTFS due to be approved in February 2025.

We confirmed through review that there are established budget setting arrangements in place. Budget preparation commences in the Autumn prior to the start of the next financial year. Heads of Finance complete detailed work for their departments and the results are collectively assessed by the Executive Leadership Team (ELT). ELT discuss pressures, growth and savings and the Section 151 Officer updates for assumptions regarding funding, inflation and the council tax increase. The final MTFS is presented to Council in February. We confirmed the 2024/25 MTFS was approved in February 2024.

The Council's arrangements and approach to Financial Planning for 2024/25 and 2025/26
The Council approved the 2024/25 Budget as part of a new MTFS in February 2024. This recognised a continuing challenging position for the Council. The pressures reported included the continued inflationary and pay pressures. The increase in the National Living Wage and National Insurance contributions, for example, mean the Council is expecting Adult Social Care package costs to increase. The Council is also forecasting continued pressure in the delivery of Children's Services. We have considered this position and noted that increasing demand alongside increased costs mean this remains a challenging service for the Council. For example, the 2024/25 MTFS highlighted that the average weekly cost of a child placement has increased by over 45% over the last three years. Our review of the MTFS confirmed the Council continues to report challenging financial pressures over the life of the MTFS.

We confirmed the latest 2024/25 outturn report presented to Finance and Policy Committee in November 2024 is forecasting continued financial pressure in the Councils budget. The current outturn for 2024/25 is a forecast overspend of £1.670m. As detailed in the report 'Importantly, it should be noted that this position is after the approved use of £3.166m of the Budget Support Fund (BSF) to balance the 2024/25 budget (i.e. in 2024/25 the council is forecast to spend £4.836m more than the in-year resources we will receive or generate). The forecast overspend is a £1.230m improvement on the position reported at the end of quarter 1 (£2.900m), but still of significant concern given the continued deterioration of the Children's Social Care budget position and the Council's wider finance stability'. The pressures as noted remain in Children Social Care budgets. We have raised an other recommendation later this report.

Overall commentary on Financial Sustainability - continued

The Council's arrangements and approach to Financial Planning for 2024/25 and 2025/26 (continued)

We have reviewed the 2025/26 MTFS which was due to be presented to Council in February 2025. Overall the Council is reporting an improved position in 2025/26 compared to the MTFS presented in November 2024. The Council is reporting £1.5m use of from the Budget Support Reserve to support delivery of a balanced budget. Following completion of the NNDR1 the Council declared a forecast surplus of £0.5m and an amendment was subsequently laid at Finance and Policy committee to reduce the reserve use to £1m. This is a lower than originally planned reliance on reserves and follows confirmation of increased government funding including Recovery Grant (£3.6m), Extended Producer Responsibility for Packaging Grant (£2.2m) and increased social care funding (£2.1m). Overall there is a net increase of £9.8m compared to previous estimates in the MTFS.

Our audit procedures identified a historic shortfall in the Council's financial reporting of social residential care expenditure. The net impact of this at the 31 March 2024 was c.£3.6m of unrecognised expenditure. Whilst the Council has paid suppliers for care costs the historic accounting treatment ultimately means the Council's useable reserves as reported in the accounts is £3.5m higher than actual amount available. We have discussed this with management who have confirmed they are aware of this matter and they have confirmed rectification of the matter has been factored into the current MTFS. We have raised an other recommendation associated with this matter.

As reported to the Finance and Policy Committee in November 2024 the forecast usage of reserves in 2024/25 means that £3.897m of revenue reserves have been redirected to the Budget Support Fund and Transformation reserve in 2024/25. The report details that this movement is 'deemed essential to support medium term financial planning'. Although the Council consider the medium-term financial position is manageable it relies on the continued utilisation of the Budget Support Fund (BSF). The Council recognises that while the continued reliance on the BSF reserve to bridge budget gaps and phase in savings for future years it remains imperative ongoing savings exercise continues. Our work in previous years has confirmed that the Council have a good track record of identifying and delivering savings. The reported savings delivery in 2023/24 was not significantly below that planned for the year as reported in the 2023/24 outturn to Finance and Policy Committee in June 2024. As reported to the Finance and Policy Committee in November 2024 approved savings in 24/25 are £1.885m and at November 2024 76% of the required savings had been delivered. Where there are delays in savings delivery the reasons for the delays were reported to Members and these savings are expected to not be fully realised until 2025/26.

There is evidence that the Council is aware that action to mitigate the challenges in Children's Services is essential. As noted above in 2023/24 the only department that overspent was Children's Social Services where a combination of rising demand and rising prices led to a £5m overspend. The 2024/25 budget was updated to reflect the increased pressure faced in 2023/24 but despite this, demand and costs continued to drive a forecast overspend in 2024/25. We met with officers to discuss actions being taken by the Council to address this area of pressure. The Transformation Plan developed is a key element of this and includes several initiatives indented to manage demand and costs.

As noted the MTFS recognises that reliance on reserves is not a long term solution but rather defers pressures into future years. The Council recognises a continued focus on the delivery of savings and the Council's Transformation and Efficiency Programme is essential to the Council's financial sustainability. The Transformational Plan was approved by the Finance and Policy Committee in June 2024. As detailed in the covering report presented to Members:

> *The Transformation Plan included as Appendix 1 sets out how the Council will change the way that resources are used so that we are able to continue to provide high quality services whilst responding to the difficult financial situation that we continue to face. It builds on the changes that the Council has delivered over the last 10+ years and outlines how we will continue to evolve as an organisation.*

In an update to the Finance and Policy Committee in November 2024 it was reported that Transformation activity is progressing in the following key areas;

- Demand Management;
  - Adult Social Care – Sustainability
  - Children's Social Care – Sufficiency
  - Waste and Recycling
- Service Reviews;
  - Leisure, Culture and Performance Review
  - Schools Catering and Cleaning Review
- Land and Property Review
- Fees and Charges Review
- Digitalisation and Back Office;
  - Customer Contact
  - Income and Cash Management
  - Revenues collection and maximisation
  - ICT Transformation
  - Digital Blue Print

We have identified an other recommendation below.

VFM arrangements – Financial Sustainability

Overall commentary on Financial Sustainability

The Council's arrangements and approach to Financial Planning for 2024/25 and 2025/26 (continued)

In 2023/24 the Council reported a deficit on its High Needs block of the Dedicated Schools Grant (DSG). It is reporting further pressures in 2024/25. We confirmed that the Council has worked with the Education and Skills Funding Agency (ESFA) to develop and agree a DSG Management Plan. This will look to mitigate the deficit position. It is essential that Council delivers the Plan to address the deficit position in the DSG position.

How the Council identifies and manages risks to financial resilience

We confirmed the Council undertakes substantial work to understand possible future impacts on the budget. The medium-term budget projections consider various budget pressures, such as pay and price increases, the revenue implications of the capital programme and other pressures. The Councils risk register contains a critical risk and remedial action regarding the financial position and is monitored quarterly. The general reserve covers inherent risks such as demographic changes impacting on demand for social care and inflation not returning to normal levels during 2024/25. Earmarked reserves cover specific local risks such as the loss of business rates from the expected closure of the power station in 2025/26.

We have critically assessed the underlying assumptions used in the MTFS and identified no evidence indicative of a significant weakness in arrangements. The MTFS is underpinned by workforce planning and capital programmes and considers risks arising during the year and planning assumptions within the Council Plan. We have not identified any inconsistency between the various plans in prior years or from our review of the Council Plan.

The MTFS outlines uncertainties, challenges, and risks facing the Council over the life of the Strategy. The 2023/24 and 2024/25 MTFS detailed risks associated with future funding, the ongoing economic uncertainty and the continued pressures in Children services. We confirmed that areas of pressure faced in the 2023/24 financial year are reflected in the 2024/25 MTFP. These include the demand pressures faced in some services provided by the Council, such as looked after children.

The Council has an established risk management framework, and we confirmed through review of minutes and attending meetings that the Audit and Governance Committee receives regular risk management updates.

We confirmed there was regular reporting of the Council's 2023/24 financial position to Members throughout the year. The outturn report presented to the July 2024 Cabinet meeting was consistent with the financial position reported during the year and did not indicate a weakness in the Council's budget monitoring and reporting arrangements. In particular it highlighted the areas of pressure which had resulted in overspends against budget.

Conclusion

We have not identified any evidence to indicate a significant weaknesses in the Council's arrangements in relation to the financial sustainability reporting criteria. We do, however, make some 'Other' recommendations on the following page.

VFM arrangements – Financial Sustainability

Other Recommendations on Financial Sustainability

Key Issue	Other Recommendation
Overspends in Children's Social Care Service The Council's MTFS continues to report challenging financial pressures over the life of the MTFS, most recently in January 2025. The latest Government Finance Settlement (2025/26) has seen an increase in funding which has improved the overall position but pressures still remain. In particular the Council continues to report overspends in the Children's Social Care service. This is owing to increased costs and higher than forecast demand. This continued costs is putting pressure on the MTFS. In the latest update to the Finance and Policy Committee in January 2025, the Section 151 officer highlighted the pressures faced by the Council and the risks over the life of the MTFS. In particular the importance of the Council to deliver its Transformation and Efficiency Strategy which includes measures intended to manage demand and cost pressure in the Children's services.	To address the ongoing pressures and ensure the sustainability of the MTFS it is essential the Council continues to manage and monitor the implementation of the Council's Transformation and Efficiency Strategy. This will support the achievement of targeted savings and efficiencies.
Deficit on High Needs block of Dedicated Schools Grant In 2023/24 the Council reported a deficit on its High Needs block of the Dedicated Schools Grant. It is reporting further pressures in 2024/25. As required the Council has worked with the Education and Skills Funding Agency (ESFA) to develop and agree a DSG Management Plan which will look to mitigate the deficit position. It is essential that Council delivers the Plan to address the deficit position in the DSG position.	The Council needs to monitor the implementation of the DSG Management Plan, developed in collaboration with the Education and Skills Funding Agency (ESFA). This will enable the Council to effectively manage the deficit in the High Needs block of the DSG and ensure the long-term financial sustainability of its educational services.
Rectification of historic accounting of Social care payment We reported in our Audit Completion Report a non material error associated with residential care payments. This was a historic matter with a small amount each year being potentially unrecognised. It is estimated that cumulative net impact of this at the 31 March 2024 was c.£3.6m of unrecognised expenditure. Whilst the Council has paid suppliers for care costs the historic accounting treatment means the Council's useable reserves as reported in the statement of accounts is c.£3.6m higher than actual amount available. Management have provided assurances that this matter is isolated to social care payments. Management have explained they are aware of this matter and they have confirmed rectification has been factored into the current MTFS. In particular the issue has been recognised as a pressure that management intend to address in the MTFS. The improved settlement from Government means management have been able to balance the MTFS.	It is essential management take appropriate action to rectify this historical accounting error and ensure useable reserves are reported on an accurate basis. A full review of the accruals approach should be completed to ensure further errors are prevented in future years.

VFM arrangements

Governance

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

Overall commentary on the Governance reporting criteria

The Council's governance structure

The Council has an established governance structure in place which is set out within its Annual Governance Statement. This is supported by the Council's Constitution and scheme of delegation. Executive Directors have clear responsibilities linked to their roles and the structure in place at the Council allows for effective oversight of the Council's operations and activity. We reviewed these documents and did not identify any matters to indicate they were not consistent with our understanding of the Council's arrangements.

We confirmed through observation that there is a standard report format, including sections to cover the legal and financial implications and reports are signed off by the Managing Director, Director of Finance, Digital and IT and Monitoring Officer. We confirmed the Constitution defines key decisions (i.e. decision which will result in income, expenditure or savings with a gross full year effect of £100k or greater, or any decision which may have a significant impact on communities living or working in an area comprising two or more wards) in addition to limits for virement between budgets.

We attended Audit and Governance Committee meetings in the year and found that members were appropriately skilled to undertake their role and provided appropriate challenge to Management and Internal and External Audit. We confirmed members are provided training on their responsibilities and duties. Where gaps are identified further training is provided.

The Council expects the highest standards of conduct from both its Members and Officers. The Council has approved and adopted a Code of Corporate Governance applicable to Members, which is consistent with good practice set out by the Chartered Institute of Public Finance (CIPFA) and Society of Local Authority Chief Executives (SOLACE). Management are committed to integrity and ethical behaviour, and this is evident from our attendance of Committee's and meetings with management. In 2023 the Council approved a new Anti-Fraud and Corruption Strategy, which includes a whistleblowing policy.

Registers of interests are maintained and published on the Council's website. Codes of Conduct, updated to reflect the most recent Local Government Association models, are in place and available on the Council website. We reviewed the declarations of interest during the financial statements audit. We have confirmed that all relevant declared interests have been appropriately reported within the 2023/24 financial statements.

The Council's Constitution is reviewed at least annually and sets out how the Council operates, how decisions are made and the rules and procedures which are followed to ensure that these are efficient and transparent to local people. Supporting the Constitution are Codes of Conduct for Members and Officers.

We confirmed there is regular reporting of treasury management activity that details the Council's investments, cash and borrowing positions. The Treasury Management Strategy was approved ahead of the 2023/24 financial year and sets out the Council's measures against which treasury management can be assessed. Compliance with specific investment limits is detailed in the Annual Treasury Management report. The measures include those designed to mitigate risk to the Council's finances and we identified no evidence to indicate a significant weakness in arrangements.

The Council's risk management and monitoring arrangements

The Council has a risk management system in place which is embedded into the governance structure of the organisation. The processes are supported by the Council's Risk Management Framework and the Council leadership plays a key role in implementing and monitoring the risk management process.

The Finance and Policy Committee have overarching responsibility for risk management and considers the content of the Strategic Risk Register regularly when monitoring implementation of the Council Plan. The Strategic Risk Register is reviewed quarterly at Executive Leadership Team (ELT) and takes account of any changes in the entity's internal and external environments.

The Strategic Risk Register articulates each individual risk, quantifies its likelihood and potential impact and names the senior officer who owns the risk. Risks and control measures relating to the Council Plan are analysed within performance reports to help ensure that risk and performance reporting are linked. The Risk Management Framework and an Officer Toolkit are available to all staff via the intranet. Key staff have undergone appropriate training and departmental risk champions lead on communicating the process to all relevant staff in their departments.

Overall commentary on the Governance reporting criteria

The Council's arrangements for internal control

An Internal Audit function is resourced and maintained in accordance with Public Sector Internal Audit Standards (PSIAS). Compliance is independently verified cyclically. Work plans are agreed with management in advance of the start of the financial year and reviewed by the Audit and Governance Committee prior to final approval.

We have reviewed the Internal Audit Plans for 2023/24 and 2024/25 and confirmed planned work addresses the expected areas with annual coverage of key financial controls. We confirmed progress reports are presented quarterly to Audit and Governance Committee meetings including follow up reporting of recommendations not fully implemented by agreed due dates. This allows the Committee to effectively hold management to account on behalf of the Council. The Head of Internal Audit reports an annual opinion on governance arrangements to the Audit and Governance Committee. In 2020/21 an independent review by another council's Internal Audit service confirmed compliance with PSIAS. The Head of Internal Audit opinion for 2023/24 noted that '"based on the work undertaken during the year 2023/24, my opinion on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control is that reliance can be placed on the adequacy and effectiveness of internal controls operating across the Council in 2023/24.' Our review of Internal Audit reports and consideration of matters they have raised at Audit and Governance Committee do not indicate a significant weakness in arrangements. Our attendance at Audit and Governance Committees throughout the period confirms the significance and importance placed on Internal Audit findings. Members of the Committee actively request management attendance at committees to discuss findings from Internal Audit reports.

The Council's arrangements for budget setting and budgetary control

The Constitution defines the budget setting process by assigning responsibility for development of the Medium Term Financial Strategy (MTFS) to Finance and Policy Committee, scrutiny of savings proposals etc. by individual policy committees and final approval of MTFS proposals by full Council. We confirmed through review that the Council's MTFS includes the identification and evaluation of risks to the Council's finances and is developed in parallel to the budget for the following year and setting of council tax.

We examined the assumptions behind the 2023/24 budget. Our review identified no matters to indicate a significant weakness in arrangements. The assumptions were based on the information available when the budget was set, the main ones being:

- Grant funding increasing in line with the Local Government Finance Settlement;

- Council tax income (including the deferred Adult Social Care Precept) increasing by about 5% per annum, in line with the relevant limits for increases without a referendum; and

- A increase in the council tax base.

How the Council ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information (including non-financial information where appropriate); supports its statutory financial reporting requirements; and ensures corrective action is taken where needed

We have reviewed Council minutes and confirmed there was regular reporting of the financial position during 2023/24 financial year. This included detail of movements in the budget and forecast outturn between quarters. The reports detailed the in-year pressures as well as planned mitigations. The outturn position was not significantly different to that reported to Members during the year and did not indicate a significant weakness in arrangements. The financial statements timetable is approved by the Audit and Governance Committee and was delivered in 2023/24. Our audit of the financial statements highlighted a historic accounting error regarding residential payments. We have raised an other recommendation (see previous section). It is our experience that management takes action to address audit matters in a timely and appropriate manner.

Monthly budgetary control reports are sent to budget managers within five days of month-end, before departmental management teams consider financial reports presented by each Head of Finance. Budget reports show the actual expenditure and income compared to what was budgeted and highlight any variances. Finance support the budget holders in updating their year-end forecasts and identifying any remedial action required. This is done on a RAG (Red / Amber / Green) basis so remedial action can be initiated swiftly and emerging risks fed back to the Director of Finance, IT and Digital. Budget clinics are held with each individual Director, the Director of Finance, IT and Digital, his deputy and the councils Managing Director on a monthly basis to review and challenge the budget position. High level monthly budget monitoring reports are discussed at ELT, and the results are summarised in regular updates on the Financial Position to the Finance and Policy Committee.

We found that explanations for budget variances were detailed and clear and in most years forecasts in budget monitoring reports have been very accurate. In 2023/24, management accounts consistently forecast overspends.

Overall commentary on the Governance reporting criteria - continued

The Council's arrangements for performance management

Progress against the Council Plan is reviewed through dedicated ELT Performance and Challenge Clinics three times a year, and this is followed by reports to Finance and Policy Committee. The annual report is shared with all elected members and the public through the website. The 2023/24 Annual Report was published in July 2023 and summarised the Council's vision, milestones and achievements in a user-friendly, five-page document.

Conclusion

We have not identified any evidence of a significant weaknesses in the Council's arrangements in relation to the governance reporting criteria.

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

The Council's arrangements for assessing performance and evaluating service delivery
The Council Plan 2021/22 to 2023/24 clearly articulates the Council's vision that Hartlepool will be a place:

- that is sustainable, clean, safe and green;
- that has an inclusive and growing economy;
- with a Council that is ambitious, fit for purpose and reflects the diversity of its community;
- of resilient and resourceful communities with opportunities for all;
- where those who are vulnerable will be safe and protected from harm; and
- where people are enabled to live healthy, independent and prosperous lives.

The Council Plan is published on the website. It is supported by action plans that incorporate remedial action against recommendations made by inspectors, auditors and scrutiny reviews. We confirmed it is monitored bi-annually by the Finance and Policy Committee. A July 2023 report found that in 2022/23 performance improved for around half of the performance indicators. The indicators where performance had declined mirrored national and regional trends. Following a recommendation arising from a Local Government Association (LGA) Peer Review in December 2022, the Council have developed a new 5-year Council Plan to start in 2024/25. The report was positive, there were nine key recommendations for further improvement and the Council agreed an action plan to address them. One of the actions from the Peer Review was the development of the Transformation Plan approved by the Finance and Policy Committee in June 2024.

The Council subscribes to LG Future Financial Intelligence Toolkits and uses CIPFA's Financial Resilience Index and the LGA's Value for Money profiles to provide comparative benchmarking. The Council's net expenditure per head in 2023/24 was just below the national average for unitary councils, the high levels of deprivation increases demand for services. We found that the areas of higher and lower spending per head than other single-tier authorities mirrored the Council's priorities and the higher level of deprivation, especially child poverty in Hartlepool. Over one third of children in Hartlepool live in poverty, which is one of the highest rates in the country and the child poverty rate has increased by 10% since 2010. Accordingly, the Council spends significantly more than average on education and social services and less on housing, economic regeneration and environmental services.

The Audit and Governance Committee meets almost monthly and has a detailed scrutiny role. We have attended a number of the Audit and Governance Committee meetings throughout the year, providing valuable insights and ensuring thorough oversight of the Council's financial and governance processes.

The Council's regulator assessments and independent reviews
In December 2022, the LGA published their peer review report on the Council, the first such report in a decade. The report was positive and included the opening statement that "the Council has much to be proud of, described internally and by partners as punching above its weight'. There were nine key recommendations for further improvement and the Council agreed an action plan to address each recommendation in March 2023.

In May 2024 OFSTED rated the Council's Children's Services Department 'Outstanding', compared to 'Good' in the previous report in 2018 noting:

"consistently good practice across all parts of the service with exceptionally strong management oversight".

OFSTED also recommended:

- Providing help early to children in need;
- Thorough child protection arrangements;
- Listening to children and valuing their views; and
- Supporting children leaving care.

Improving services and securing the highest possible rating in the context of the pandemic increasing the complexity of need, the demand for services and the need for external placements is an excellent achievement.

VFM arrangements – Improving Economy, Efficiency and Effectiveness

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

The Council's regulator assessments and independent reviews (continued)

The results from the most recent inspections of council departments and service providers are consistently positive, as indicated in the table below:

Inspection Pillar	Inspection Rating	Date of last inspection
Children's Social services	Outstanding	2024
Adult Social Services	Good	2019
Pupil Referral Unit	Outstanding	2023
Youth Justice Services	Good	2022
Special Educational Needs	Not scored but very positive	2023
Schools	89% rated Good or Outstanding	2022/23
Adult Social Care Homes	98% rated Good or Outstanding	2022/23

The Council's arrangements for effective partnership working

Working with partners is a recurring theme across all priorities in the Council Plan and was identified as a strength by the LGA's Peer review. Their report stated that the Council:

"*is generally seen as a good partner at a local and regional level, sharing information to tackle key issues and realise opportunities. It has long-standing shared service arrangement with neighbouring authorities, and its current and future regional contribution within the Tees Valley Combined Authority (TVCA) is widely recognised and understood. Strong relationships are also evident across wider partners such as the further and higher education sector, blue light services, and local businesses*".

The Council received £17m Levelling Up Funding to improve skills and learning as a long-term solution to deprivation and child poverty. This followed previous successful bidding for the Towns Deal and the funds to build a new £35m leisure centre, due to open in 2025/26. These initiatives involve significant partnerships with central government, the Tees Valley Development Corporation (TVDC) and the private sector. In 2023/24 the Council transferred responsibility for planning to a Mayoral Development Corporation in those areas of the town targeted for TVDC investment.

The Council has an ongoing programme of monitoring and reviewing arrangements in place in respect of the operation of its key partnerships. A framework of reporting by exception to ELT operates and Internal Audit provides audit coverage of partnership arrangements

The Council's arrangements for commissioning services

The Council has an in-house procurement team with suitable qualifications and experience that are responsible for implementing the Procurement Procedures in the Constitution. The team is managed by the Chief Solicitor in order to ensure legal requirements are met. The website includes a Sustainable Procurement Strategy and a Standards and Partners document, highlighting the Council's transition to e-procurement and the standards required of contractors.

The procurement team use established national and regional procurement frameworks such as the North-East Purchasing Organisation to maximise purchasing power. The procurement team sits within the Development, Neighbourhood and Regulatory directorate under the Assistant Director for Development and Growth who is responsible for commissioning and procurement across Children's Social Care, Adult Social Care and Public Health. The good inspection ratings for commissioned social care referred to earlier in this report illustrate how effective the commissioning arrangements in Hartlepool are.

There is no evidence that procurement is likely to expose the Council to significant financial loss or failure to deliver efficiency and performance improvements.

Conclusion

We have not identified significant weaknesses in the Council's arrangements in relation to the improving economy, efficiency and effectiveness reporting criteria.

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. As in previous years, we anticipate a significant delay before we will be able to issue our 2023/24 audit certificate, as we await NAO clearance on whether we will be required to undertake additional procedures as a sampled component.

05

Audit fees and other services

Audit fees and other services

Fees for our work as the Council's auditor

We reported our proposed fees for the delivery of our work under the Code of Audit Practice in our Audit Strategy Memorandum presented too the Audit and Governance Committee in September 2024. Having completed our work for the 2023/24 financial year, we can confirm that our fees are as follows:

Area of work	2023/24 fees	2022/23 fees
Planned work in respect of our work under the Code of Audit Practice (scale audit fee published by PSAA	£295,332	£96,506
Recurring increases in the base audit fee arising from regulatory pressures (as originally agreed in the 2019/20 audit); note that £12,624 of the fee in 2021/22 has been incorporated into the 2022/23 scale audit fee by PSAA	-	£3,156
Additional fees in respect of the new VFM approach (recurring, as agreed from the 2020/21 audit)	-	£10,000
Additional fees in respect of the revised ISA 540 (recurring, as agreed from the 2020/21 audit)	-	£4,400
ISA 315 revised –additional work in relation to understanding the entity, including documenting risks, risk assessments, and an additional focus on IT general controls (new standard applied from 2022/23 for the first time)	TBC**	£7,500
Additional work in relation to review of the LGPS pension asset ceiling calculations (not recurring)	-	£4,000
Additional fees in respect of applicable additional audit work and VFM	TBC**	
Total fees	**£295,332**	**£125,562***

* The 2022/23 fee is subject to a 5.2% inflationary increase, not included in the table above. As set out in the PSAA's 'Consultation on 2022/23 audit fee scale' published in August 2022, PSAA will fund the inflationary increase using "surplus funds not required for PSAA's operations, which would otherwise be distributed to opted-in bodies" (p8 of the consultation).

** Where necessary, subject to agreement with management and PSAA.

Fees for other work

We confirm that we have not undertaken any non-audit services for the Council in the year.

Appendices

Appendix A: Further information on our audit of the Council’s financial statements

Appendix A: Further information on our audit of the Council’s financial statements

Significant risks and audit findings

As part of our audit of the Council, we identified significant risks to our opinion on the financial statements during our risk assessment. The table below summarises these risks, how we responded and our findings.

Risk	Our audit response and findings
Management Override of controls In all entities, management at various levels within an organisation are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Due to the unpredictable way in which such override could occur, we consider there to be a risk of material misstatement due to fraud and thus a significant risk on all audits.	We addressed this risk through performing audit work over: • accounting estimates impacting amounts included in the financial statements; • consideration of identified significant transactions outside the normal course of business; and • journal entries recorded in the general ledger and other adjustments made in preparation of the financial statements Our audit work has provided the assurance we sought and has not identified any material issues to bring to your attention. There is no indication of management override of controls.

Appendix A: Further information on our audit of the Council's financial statements

Significant risks and audit findings

As part of our audit of the Council, we identified significant risks to our opinion on the financial statements during our risk assessment. The table below summarises these risks, how we responded and our findings.

Risk	Our audit response and findings
The Valuation of the Defined Benefit Pension Liability / Asset The financial statements contain material pension entries in respect of retirement benefits. The calculation of these pension figures, both assets and liabilities, can be subject to significant volatility and includes estimates based upon a complex interaction of actuarial assumptions. This results in an increased risk of material misstatement.	We addressed this risk through performing the following work: • We discussed with key contacts any significant changes to the pension estimates. In addition to our standard programme of work in this area, we evaluated the management controls you have in place to assess the reasonableness of the figures provided by the Actuary and consider the reasonableness of the Actuary's output, referring to an expert's report on all actuaries nationally. • We reviewed the appropriateness of the key assumptions included within the valuations, compared them to expected ranges and reviewed the methodology applied in the valuation. We considered the adequacy of disclosures in the financial statements. • We also sought assurance from the auditor of Teesside Pension Fund in accordance with our normal practices *Benefits paid amendments* Our review of the Pension Fund auditor response identified a difference between the benefits payable figure used by the Actuary in their calculation (£20.881m) and the actual benefits payable per the Teesside Pension Fund (£18.606m). Given the amount of the difference, £2.275m, is above triviality management have determined that an adjustment to the disclosure in note 45 was necessary. The impact being that gross assets increased by £2.275m to £628.249m and the gross liability by the same amount to £496.889m. The overall net asset (before application of the asset ceiling) remained at £131.360m. The impact of the asset ceiling would be £131.390m resulting in an overall net £7.7m LGPS liability. *Modified audit opinion* As detailed in the previous pages the auditor of the Teesside Pension Fund has communicated their intention to issue a disclaimed opinion for the year ended 31 March 2024. The Pension Fund auditor has provided details of work that they have performed on benefits paid and transfer values in and out. We have therefore been able to conclude on the material accuracy of the pension liability. However, work on asset valuations will not be complete before the 28 February 2025 backstop date. As a result we will not have sufficient appropriate audit evidence to conclude our work on the valuation of the defined benefit assets. We have modified our audit opinion for the Council to reflect this.

Appendix A: Further information on our audit of the Council’s financial statements

Significant risks and audit findings - continued

As part of our audit of the, we identified significant risks to our opinion on the financial statements during our risk assessment. The table below summarises these risks, how we responded and our findings.

Risk	Our audit response and findings
Valuation of land, buildings, housing and investment property The financial statements contain material entries on the Balance Sheet as well as material disclosure notes in relation to the Council’s holding of land, buildings, council housing and investment properties. Although the Council uses a valuation expert to provide information on valuations, there remains a high degree of estimation uncertainty associated with the revaluation of land, buildings and investment properties due to the significant judgements and number of variables involved in providing revaluations.	We addressed this risk through performing the following work: • We addressed this risk by considering the Council’s arrangements for ensuring that land and building values are reasonable and we used data on valuation trends and relevant indices to assess the reasonableness of the valuations provided by the external valuer. We also assessed the competence, skills and experience of the valuer. • We discussed methods used with the valuer and tested their calculations. We used indices provided by NAO’s valuation expert (Montagu Evans) to confirm the assets not revalued were unlikely to have materially changed in value. • We tested the revaluations in year to valuation reports and supporting calculation sheets and ensure that the calculations were correct and source data agreed with floor plans and indices. Our audit work has provided the assurance we sought and has not identified any material issues to bring to your attention.

Appendix A: Further information on our audit of the Council’s financial statements

Summary of uncorrected misstatements

Details of adjustment	Comprehensive Income and Expenditure Statement		Balance Sheet	
	Dr (£ ‘000)	Cr (£ ‘000)	Dr (£ ‘000)	Cr (£ ‘000)
Dr: Adult & Community Services Expenditure (prior years)	2,752			
Dr: Children & Joint Commissioning Services Expenditure (prior years)	86			
Dr: Adult & Community Services Expenditure 23-24	719			
Dr Children & Joint Commissioning Services Expenditure 23-24	34			
Cr: Creditors				(1,417)
Cr: Payments in advance				(2,174)
Our audit work identified a historic issue in relation to the accounting for external care costs. In 2023/24 there was a net undercharge of £0.753m. Further investigation revealed a cumulative undercharge to income and expenditure of £3.591m due to the policy adopted by the Council to only recognise in its accounts 364 days (13 x 4 weekly payments/collections). We note that this cumulative undercharge is not material in previous years. The proposed adjustment reflects the residential homes, non-residential, and other expenditures, as well as client contributions, for the period from 26 February to 31 March 2024, which have been accounted for in the 2024/25 fiscal year. Additionally, we note that payments are made every four weeks, resulting in the Council accounting for only 364 days of charges per annum. Consequently, there is a cumulative effect of 35 days of expenditure not included in the accounts.				

Appendix A: Further information on our audit of the Council's financial statements

Summary of uncorrected misstatements - continued

Details of adjustment	Comprehensive Income and Expenditure Statement		Balance Sheet	
	Dr (£ '000)	Cr (£ '000)	Dr (£ '000)	Cr (£ '000)
Dr: Property Plant & Equipment Cr: Revaluation Reserve Being the minor errors highlighted in our testing of Depreciated Replacement Cost valuations. (£0.197m actual error and £0.030m extrapolated error).			227	(227)
Dr: Debtors 23-24 Cr: Income 23-24 Cut-off testing highlighted income received in April '24 relating to March '24 which had not been accrued, due to the income being accounted for on a cash, rather than an accruals basis. (£0.044m actual which extrapolates to a potential £0.283m error.		(372)	372	
Aggregate effect of unadjusted misstatements	**3,591**	**(372)**	**599**	**(3,818)**

Internal control observations

Other deficiencies in internal control

In our view, there is a need to address the deficiencies in internal control set out in this section (which are not deemed to be significant deficiencies) to strengthen internal control or enhance business efficiency. Our recommendations should be actioned by management in the near future.

Description of deficiency

Our detailed testing highlighted that some elements of the year end residential homes costs are not recorded in the correct period. Based on follow up discussions Management have confirmed that the Council accounts for 13 lots of 4 weekly payments each year, this means that in each period 1 or 2 days are not accounted for.

Potential effects

The omission of 1 or 2 days' costs in each period could lead to inaccuracies in financial statements. This misalignment might distort the actual financial position of the Council. Continuance of this practice may potentially lead to material misstatements.

Recommendation

The Council should account for a full years cost each year, rather than using 13 four-weekly payment runs, which only cover 364 days. Additionally, the Council should ensure that year-end costs are allocated to the correct period.

Management response

The recommendation is accepted and will be rectified in the 2024/25 accounts.

Appendix A: Further information on our audit of the Council's financial statements

Other deficiencies in internal control (continued)

Description of deficiency

Our work on property valuations highlighted that the Valuation Report reported a valuation date of 1 April 2023. Our review of valuations noted that the accounting treatment aligned with a 31 March 2024 valuation. The valuation indices used in detailed valuations were closer to the 31 March 2024 than 1 April 2023. But the accounting treatment adopted does not align to a 1 April 2023 valuation. For example, the Code requires accumulated depreciation to be written out at the date of valuation, i.e. the 1 April 2023. However, the Council have written out depreciation as at 31 March 2024 valuation. The difference in asset values if the valuation was accounted for at 1 April 2023 would be a reduction in asset value of £1.502 million. As noted we do not believe this treatment to result in a material misstatement given the carrying amount of the asset at the 31 March 2024 is based on valuation data nearer the 31 March 2024 than 1 April 2023.

Potential effects

The misalignment between the valuation date and the accounting treatment could lead to inaccuracies in financial reporting. Incorrectly writing out depreciation for the period ending 31 March 2024, may result in overstated asset values and misstated depreciation expenses, impacting the carrying value of assets.

Recommendation

We recommend management revisit valuation dates and ensure that any corresponding accounting treatments are consistently aligned.

Management response

Our Valuer has confirmed that it is good valuation practice to use the most up to date indices at the time of carrying out the valuation. As most valuations are carried out in February the valuation date will be amended to 31 March in line with the accounting treatment.

Appendix A: Further information on our audit of the Council’s financial statements

Other recommendations on internal control

In our view, internal control should be strengthened in these additional areas when practicable.

Description of deficiency

Valuations - Issues Identified with the valuer’s report

As part of the valuations work we noted a number of issues in relation to the initial valuations report provided.

- The initial valuation report did not reference Housing Revenue Asset (HRA) properties. An updated report was subsequently provided.
- Our audit procedures required a reconciliation between the Valuers report and the relevant asset register values, however the report only included the movement in value since the previous valuation therefore meaning a reconciliation was not initially possible. We further note that any assets that had not moved in value were not listed in the valuers report. The valuer subsequently provided an updated report which included this information and a reconciliation was possible.
- The valuation report did not disaggregate valuations by asset type or valuation method.

Potential effects

- The initial omission of HRA properties from the valuation report can lead to incomplete financial reporting and misrepresentation of the Council's asset valuations.
- Without displaying the specific values calculated a reconciliation between the valuer report and asset register is not possible. Without this valuation there is a risk that discrepancies are not identified leading to errors in the valuations uploaded to the asset register.
- The failure to differentiate valuations by asset type or valuation method, such as Depreciated Replacement Cost (DRC) or Existing Use Value (EUV) makes consideration of the appropriateness of valuations more difficult.

Recommendation

- Valuation report should include HRA properties.
- The valuation report should consistently include the value of all assets valued, where asset values have not moved the valuation report should also include these assets.
- Future valuation reports should differentiate valuations by asset type (e.g. investments, surplus) and valuation method, such as Depreciated Replacement Cost (DRC) or Existing Use Value (EUV).

Management response

As noted above an updated report was produced during the audit to include HRA properties and the revaluation amount instead of the change in valuation. However, it is not felt that differentiating by asset type will be beneficial as individual valuation reports are analysed by component type, checked for valuation method before entering onto the Councils Asset Register. This is carried out before the Valuers Report is ready.

Appendix A: Further information on our audit of the Council's financial statements

Other recommendations on internal control - continued

In our view, internal control should be strengthened in these additional areas when practicable.

Description of deficiency

Beacon properties are an important method of valuing HRA assets. The documentation available did not explain how each beacon value was determined and did not include three specific comparable properties (as required by guidance) with any adjustments or explanations for those adjustments.

Potential effects

The absence of detailed explanations and specific comparable properties can lead to a lack of transparency in the valuation process, making it difficult for management to assess the valuation provided.

Recommendation

Future valuation reports should include detailed explanations of how each beacon value is derived. This should include detail of three direct comparable properties for each beacon. The report should also clearly document any adjustments made to these comparable properties.

Management response

Our Valuer accepts the recommendation and will incorporate into the 2024/25 HRA valuations, albeit with the caveat it is not always possible to evidence 3 direct comparables and that sometimes a reduced number or the net has to be wider than so called 'direct' comparables.

Appendix A: Further information on our audit of the Council's financial statements

Other recommendations on internal control

In our view, internal control should be strengthened in these additional areas when practicable.

Description of deficiency

During the Council Tax and NNDR walkthroughs, we observed that when parameters are updated in the system at the start of the financial year there was no formal review to ensure the new parameter had been correctly input.

Potential effects

Without verification, there is a risk that incorrect parameters are used, leading to inaccurate Council Tax and NNDR calculations.

Recommendation

Parameter updates are subject to review to verify their accuracy. This review should be documented.

Management response

It was explained at audit that the parameters are reviewed when they are updated but are not formally signed off. At least 2 colleagues update and review with a further final check before the data is confirmed. Agree to introduce a formal sign off for 2025/26.

Appendix A: Further information on our audit of the Council’s financial statements

Other recommendations on internal control

In our view, internal control should be strengthened in these additional areas when practicable.

Description of deficiency

The Council revalued their heritage assets as at 31 March 2024. This was the first time since 2018. During our review of the revalued assets we identified several assets which were present on the 2024 insurance valuation schedule which had been historically owned by the Council but had not been recognised within the heritage assets balance. These omissions were not material and have now been recognised.

Potential effects

The omission of heritage assets from the accounts disclosure could lead to a material misstatement. Failure to recognise and account for all heritage assets can impact the Council's asset management practices, including maintenance, preservation, and insurance coverage.

Recommendation

We recommend the Council complete a review at year end of all Heritage assets recognised against additions in year to ensure the balance at year end is materially complete.

Management response

A reconciliation of all assets per the 2004, 2011, 2018 and 2024 valuation schedules has been carried out. The Council has commissioned the external valuer to revalue all assets not revalued as part of the 2024 asset revaluation.

Appendix A: Further information on our audit of the Council's financial statements

Follow up on previous year recommendations

We set out below an update on internal control points raised in the prior year.

Description of deficiency

Management were not able to provide signed employment contracts for four of the fifteen employees in our sample. While we were able to obtain alternative assurance over the accuracy of the individuals paid we identify the lack of contract records as a control weakness.

Potential effects

The lack of employee contract records could expose the Council to employee risk. re is a risk that the Council will encounter more employment disputes and greater difficulty resolving them without employment tribunals if a signed employment contract is not available.

Recommendation

The Council should ensure that during 2024/25 it identifies all employees without a signed employment contract and prepares a plan for preparing, issuing and signing new contracts confirming the applicable terms and conditions for these employees. In future, a signed employment contract should be retained for every employee.

Current position

Based on the testing conducted this year, no further issues were identified.

Contact

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