

# AUDIT COMMITTEE

## External Auditor's Annual Audit Findings for Lancaster City Council 2018/19 30 October 2019

### Report of Chief Finance Officer

#### PURPOSE OF REPORT

To receive a report from our External Auditors setting out their findings on the audit of the Statement of Accounts and value for money conclusion.

**This report is public.**

#### RECOMMENDATIONS

The Audit Committee is recommended to

- (1) **Note the adjustments to the financial statements and the other issues raised by the auditor which are set out at Appendix 'A'.**

##### 1.0 Introduction

1.1 The external auditor is required to report to the Audit Committee their audit findings prior to concluding their work. The report at Appendix 'A' covers the overall findings of the external auditor in relation to the:

- Audit of the annual Statement of Accounts of Lancaster City Council and their proposed opinion on those accounts; and
- Value for money conclusion.

##### 2.0 Proposal Details

2.1 At the time of writing this report, although a substantial amount of the audit is complete there remains a significant difference of opinion between officers and the external auditors regarding some of the Council's property valuations. Officers are working with the external auditors to address their concerns, however, until this issue has been resolved the Statement of Accounts cannot be approved and our external auditors have informed us there is a possibility that they may wish to qualify the Statement of Accounts.

2.2 The results of this work are set out at Appendix A and representatives of Deloitte will attend the Audit Committee meeting to present their findings and answer any questions that Members may have on the audit of the Statement of Accounts.

### **3.0 Details of Consultation**

3.1 The report has been agreed with the Council's Chief Finance Officer and Director of Corporate Services.

### **4.0 Options and Options Analysis (including risk assessment)**

4.1 The audit of the Statement of Accounts is part of the overall control framework that is designed to ensure that the Council properly accounts for the use of its assets and resource. Given the progress of the audit, no alternative options are put forward, but the Committee could make supplementary recommendations regarding any matters arising

### **5.0 Conclusion**

5.1 Subject to the resolution of the outstanding valuation issue, the findings of the audit have been varied with the majority reflecting historic accounting treatment and processes. Recommendations have been made for the Council's future financial reporting and VFM arrangements, many of which were already known and work on them is in progress.

<b>CONCLUSION OF IMPACT ASSESSMENT (including Health &amp; Safety, Equality &amp; Diversity, Human Rights, Community Safety, Sustainability and Rural Proofing):</b>
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No implications directly arising.

<b>LEGAL IMPLICATIONS</b>
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The Accounts and Audit (England) Regulations 2015 apply for accounts and reports relating to the financial year 2018/19, and completion in accordance with International Financial Reporting Standards is required in order to comply with both the statutory framework established by the Accounts and Audit Regulations, and proper accounting practices required by Section 21(2) of the Local Government Act 2003.

<b>FINANCIAL IMPLICATIONS</b>
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None of the issues raised during the course of the audit, or those that remain outstanding will have any impact on the financial outturn previously reported to Members.

However, Members should be aware that two of the proposals put forward by the External Auditors to resolve the valuations issue would involve additional cost to the Council of between £10K and £15K.

<b>OTHER RESOURCE IMPLICATIONS, such as Human Resources, Information Services, Property, Open Spaces</b>
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No implications directly arising.

<b>SECTION 151 OFFICER'S COMMENTS</b>
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This report forms part of the Chief Finance Officer's responsibilities, under his role as s151 Officer.

**DEPUTY MONITORING OFFICER'S COMMENTS**

The Deputy Monitoring Officer has been consulted and has no further comments.

**BACKGROUND PAPERS**

None

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